

**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, 2019.

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

JOYY 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
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The People's Republic of China

(Address of principal executive offices)

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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

Trading symbol(s)

Name of Exchange on Which Registered

American depositary shares (each representing 20 Class A common shares, par value US\$0.00001 per share)

YY

The Nasdaq Stock Market LLC

Class A common shares, par value US\$0.00001 per share*

The Nasdaq Stock Market LLC

* Not for trading, but only in connection with the listing on The Nasdaq Stock Market LLC of the American depositary shares ("ADSs").

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. 1,293,162,504 Class A common shares, par value US\$0.00001 per share, and 326,509,555 Class B common shares, par value US\$0.00001 per share, were outstanding as of December 31, 2019.

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

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 every Interactive Data File required to be submitted 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 such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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 whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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:

- “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 users that are simultaneously logged onto at least one of 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
- “we,” “us,” “our company,” and “our” refer to JOYY 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.

We present our financial results in RMB. 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 exchange and through restrictions on foreign trade. This annual report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. dollars were made at the rate at RMB6.9618 to US\$1.00, the exchange rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System in effect as of December 31, 2019.

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, 2017, 2018 and 2019 and the consolidated balance sheet data as of December 31, 2018 and 2019 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, 2015 and 2016 and our consolidated balance sheet data as of December 31, 2015, 2016 and 2017 have been derived from our consolidated financial statements not included in this annual report. Beginning in 2018, we changed our revenues presentation to live streaming and others (which mainly represent revenues from online games, memberships and other revenues). As a result, we also retrospectively changed the revenue presentation for the years ended December 31, 2015, 2016 and 2017. 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,					
	2015	2016	2017	2018	2019	
	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 Revenues ⁽¹⁾						
Live streaming	4,539,857	7,027,227	10,670,954	14,877,667	24,028,299	3,451,449
Others	1,357,392	1,176,823	923,838	885,890	1,547,905	222,343
Total net revenues	5,897,249	8,204,050	11,594,792	15,763,557	25,576,204	3,673,792
Cost of revenues ⁽²⁾	(3,579,744)	(5,103,430)	(7,026,402)	(10,017,134)	(17,148,350)	(2,463,206)
Gross profit	2,317,505	3,100,620	4,568,390	5,746,423	8,427,854	1,210,586
Operating expenses ⁽²⁾						
Research and development expenses	(548,799)	(675,230)	(781,886)	(1,192,052)	(2,535,482)	(364,199)
Sales and marketing expenses	(312,870)	(387,268)	(691,281)	(1,149,316)	(3,739,724)	(537,178)
General and administrative expenses	(358,474)	(482,437)	(544,641)	(883,225)	(1,489,495)	(213,953)
Goodwill impairment	(310,124)	(17,665)	(2,527)	—	—	—
Fair value change of contingent consideration	292,471	—	—	—	—	—
Total operating expenses	(1,237,796)	(1,562,600)	(2,020,335)	(3,224,593)	(7,764,701)	(1,115,330)
Gain on deconsolidation and disposal of subsidiaries and business	—	103,960	37,989	—	82,699	11,879
Operating income	1,162,009	1,771,484	2,699,231	2,639,690	1,067,955	153,402
Fair value loss on derivative liabilities	—	—	—	(2,285,223)	(16,011)	(2,300)
Gain on fair value changes of investments	—	—	—	1,689,404	2,679,312	384,859
Income before income tax expenses	1,162,512	1,783,811	2,891,178	2,534,471	4,208,111	604,457
Net income attributable to common shareholders of the Company	1,033,243	1,523,918	2,493,235	1,641,958	3,379,330	485,410
Weighted average number of ADS used in calculating net income per ADS:						
Basic	56,259,499	56,367,166	59,323,007	64,042,390	77,219,846	77,219,846
Diluted	57,541,558	60,805,566	60,831,887	64,704,470	78,254,045	78,254,045
Net income per ADS ⁽³⁾						
Basic	18.37	27.04	42.03	25.64	43.76	6.29
Diluted	17.96	26.40	41.33	25.38	43.01	6.18
Weighted average number of common shares used in calculating net income per common share:						
Basic	1,125,189,978	1,127,343,312	1,186,460,144	1,280,847,795	1,544,396,920	1,544,396,920
Diluted	1,150,831,163	1,216,111,329	1,216,637,741	1,294,089,406	1,565,080,905	1,565,080,905
Net income per common share ⁽³⁾						
Basic	0.92	1.35	2.10	1.28	2.19	0.31
Diluted	0.90	1.32	2.07	1.27	2.15	0.31

(1) From January 1, 2018, revenue presentation has been changed to live streaming and others. We also have retrospectively changed the revenue presentation for the years ended December 31, 2015, 2016 and 2017.

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

	For the Year Ended December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Cost of revenues	23,963	15,894	42,759	74,339	81,254	11,671
Research and development expenses	70,951	78,816	122,348	225,173	505,697	72,639
Sales and marketing expenses	3,283	3,107	4,417	5,723	12,718	1,827
General and administrative expenses	87,175	59,469	88,137	342,790	348,479	50,056
Total	185,372	157,286	257,661	648,025	948,148	136,193

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

The following table presents our selected consolidated balance sheet data as of December 31, 2015, 2016, 2017, 2018 and 2019.

	As of December 31,					
	2015	2016	2017	2018	2019	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Balance Sheet Data:						
Cash and cash equivalents	928,934	1,579,743	2,617,432	6,004,231	3,893,538	559,272
Restricted cash and cash equivalents	—	—	—	—	4,892	703
Short-term deposits	1,894,946	3,751,519	6,000,104	7,326,996	16,770,885	2,408,987
Restricted short-term deposits	—	—	1,000,000	—	653,034	93,802
Short-term investments	—	—	124,550	979,053	5,622,189	807,577
Goodwill	151,638	14,300	11,716	11,763	12,947,192	1,859,748
Total assets*	7,302,754	9,785,792	14,458,719	25,768,045	52,209,483	7,499,423
Convertible bonds (current)**	—	2,768,469	—	6,863	—	—
Total current liabilities	1,384,414	4,690,448	3,145,799	3,853,026	7,637,621	1,097,076
Convertible bonds (non-current)	2,572,119	—	6,536	—	5,008,571	719,436
Mezzanine equity	61,833	9,272	524,997	418,673	466,071	66,947
Class A common shares (US\$0.00001 par value; 10,000,000,000 shares authorized, 728,227,848, 750,115,028, 945,245,908, 981,740,848 shares issued and outstanding as of December 31, 2015, 2016, 2017, 2018; 1,301,845,404 shares issued and 1,293,162,504 shares outstanding as of December 31, 2019, respectively)	43	44	57	59	80	11
Class B common shares (US\$0.00001 par value; 1,000,000,000 shares authorized, 369,557,976, 359,557,976, 317,982,976, 288,182,976 and 326,509,555 shares issued and outstanding as of December 31, 2015, 2016, 2017, 2018 and 2019, respectively)	27	26	23	21	24	3
Retained earnings	1,207,168	2,728,736	5,218,110	6,913,469	10,272,122	1,475,498
Total shareholders' equity	3,246,819	5,052,555	10,712,859	21,377,131	38,417,766	5,518,366

Notes:

* Effective 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 RMB25.3 million of issuance cost of bonds from other non-current assets into convertible bonds as of December 31, 2015.

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

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 and Industry

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 video content 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 services and 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; challenges in obtaining and maintaining sufficient intellectual property protection and rights in various jurisdictions; 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 globally and 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, our subsidiary Bigo Inc. or Bigo, historically incurred net losses or have relatively lower profit margins, and our consolidation Bigo's results of operations had adversely impacted our results of operations previously and may continue to incur such impact in the future due to relatively lower margins or loss making. On April 3, 2020, we transferred 16,523,819 Class B ordinary shares of HUYA Inc., or Huya, to Linen Investment Limited, a wholly-owned subsidiary of Tencent Holdings Limited, or Tencent, for an aggregate purchase price of approximately US\$262.6 million in cash, pursuant to Tencent's exercise of its option to purchase additional shares of Huya. As a result of such transfer to Tencent, Tencent became the controlling shareholder of Huya and will consolidate financial statements of Huya. Our deconsolidation of Huya's results of operations may have adverse effect on our results of operations. Moreover, 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. Our business has been evolving constantly with the introduction of new businesses, including but not limited to Bigo. As a result of our relatively short history and introduction of new businesses, 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 as we had witnessed historically. 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 and experience adverse impact on our results of operations brought on by our new businesses in the future and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries globally with limited operating histories such as ours may be exposed to or encounter, including risks associated with being a public company with global business operations. 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, membership subscription fees and online games. In the year ended December 31, 2019, revenues from live streaming constituted 93.9% 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 face significant risks related to the content and communications on our platforms.

Our live streaming, short-form video and video communication 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 are conducted in real time, we are unable to verify the sources of all information posted thereon or examine the content generated by users before it is posted. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate, infringing or illegal content on our platforms that may be deemed unlawful. If any content on our platforms is considered or deemed illegal, obscene, infringing or incendiary, or if appropriate licenses and third party consents have not been obtained, allegations or claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or based on other theories. 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. In April 2019, Bilin, a mobile instant communication application of ours that contributed an insignificant portion of our total revenues, in accordance with the requirements of the Office of the Cyberspace Affairs Commission, temporarily ceased its services and is rectifying proactively. 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. If they find that we have not adequately managed the content on our platforms, or if any of our platforms fails to comply with any of such provisions, PRC or other jurisdiction's authorities may impose legal sanctions on us, including, interviews held by relevant cyberspace authorities, warnings, information update suspension, and in serious cases, suspending or revoking the licenses necessary to operate our platforms, restriction from engaging in internet information services, online behavior restrictions or industry bans.

In addition, our content monitoring system may not be effective in preventing misconduct by our platform users and misuse of our platform and such misconduct or misuse may materially and adversely impact our brand image, business, financial condition and results of operations. Because we do not have full control over how and what users will use our platform to communicate, our platform may be misused by individuals or groups of individuals to engage in immoral, disrespectful, fraudulent or illegal activities. For example, we detect spam accounts through which illegal or inappropriate content is streamed or posted and illegal or fraudulent activities are conducted on a timely basis. Media reports and internet forums have covered some of these incidents, which have in some cases generated negative publicity about our platform and brand. We have implemented control procedures to detect and block illegal or inappropriate content and illegal or fraudulent activities conducted through the misuse of our platform, but such procedures may not prevent all such content from being broadcasted or posted or activities from being carried out. Moreover, as we have limited control over real-time and offline behavior of our users, to the extent such behavior is associated with our platform, our ability to protect our brand image and reputation may be limited. Our business and the public perception of our brand may be materially and adversely affected by misuse of our platform. In addition, if any of our users suffers or alleges to have suffered physical, financial or emotional harm following contact initiated on our platform or after watching unsettling or inappropriate content that our content monitoring system failed to filter out, we may face civil lawsuits or other liabilities initiated by the affected viewer, or governmental or regulatory actions against us. In response to allegations of illegal or inappropriate activities conducted through our platform or any negative media coverage about us, government authorities may intervene and hold us liable for non-compliance with relevant laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue some of the features and services provided on our website and mobile application, or even revoke our licenses or permits to provide internet content service. We endeavor to ensure all users are in compliance with relevant regulations, but we cannot guarantee that all users will comply with all the relevant laws and regulations. Therefore, we may be subject to investigations or subsequent penalties if content displayed on our platform is deemed to be illegal or inappropriate under relevant laws and regulations. As a result, our business may suffer and our user base, revenues and profitability may be materially and adversely affected.

As our international operations continue to expand, we face significant challenges to ensure the content and communications on our platform are in compliance with local jurisdiction's regulatory framework and social environment, many of which could be substantially different from that of China and each other due to the differences in, among others, the legal system, political environment, culture and religion. Such differences may impose more stringent requirements and restrictions to the content we presented and our experience gained from our operations in China may not apply to our overseas operations. In addition, the regulatory framework for live streaming, short-form video or video communication is still developing and remains uncertain in several countries where we have significant overseas operations, including but not limited to countries such as Saudi Arabia, Indonesia and India. New laws and regulations may also be adopted from time to time to address new issues that come to the government authorities' attention. Considerable uncertainties still exist with respect to the interpretation and implementation of existing and future laws and regulations governing our business activities in these areas. In addition, we may be required to impose more stringent content monitoring measures, be in compliance with relevant content regulatory regime, obtain relevant licenses or permits or renew or expand the coverage of our existing licenses, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or permits or make any necessary filings applicable in the future, or comply with other relevant regulatory requirements. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, or fail to comply with other regulatory requirements, we may be subject to various penalties, including fines, discontinuation restriction of our operations as well as reputation damage. Cultural differences may also impose additional challenges to our efforts in content control. Therefore, such different and possibly more stringent regulatory and cultural environments may increase the risk exposure to our daily operations in foreign jurisdictions. We have experienced incidents in the past where our application was temporarily suspended in foreign markets due to inappropriate content being displayed on our platform. We have also received claims in connection with intellectual property infringement and entered into settlement or license agreements with third parties or are in the process of negotiating such agreements with third parties to resolve such claims. Such incidents or similar incidents related to our failure to comply with foreign laws, regulations and rules could materially and adversely affect our business, results of operations, global reputation and global growth efforts. Requirements of entering into license or settlement agreements may also significantly increase our costs of operations and adversely affect our business results. In addition, each foreign jurisdiction may have a different regulatory framework, implementation and enforcement for live streaming or short-form video or video communication business, which may substantially increase our compliance costs to obtain, maintain or renew requisite licenses and permits or fulfill any required administrative procedures.

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 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 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 2019, revenues from live streaming contributed 93.9% 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 average revenue per user 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 plays 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 Live 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 introducing 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.

We generate a portion of our revenues from online advertising. 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.

We generate a portion of our revenues from online advertising. Although we have become less dependent upon online advertising revenues due to a shift in the majority of our revenues from online advertising 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. In addition, companies that decide to advertise or promote online may utilize more established methods or channels for online advertising, such as more established Chinese internet portals or search engines, over advertising on our 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 revenues and our profitability and prospects could be adversely affected.

We offer advertising 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 into the programs, shows or other content offered on our video content 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 become less effective, our business, financial condition and results of operations may be adversely affected.

Our business is subject to a variety of PRC and international laws, regulations, rules, policies and other obligations regarding data privacy and protection. Any losses or unauthorized access to or releases of confidential information or personal data could subject us to significant reputational, financial, legal and operational consequences.

Our business requires us to collect, use, store and otherwise process confidential information, including, among other things, personally identifiable information, or PII, with respect to our users and employees. We are subject to PRC and international laws, and regulations, and additional laws and regulations as our overseas expansion evolves, relating to the collection, use, retention, security, transfer or otherwise processing of PII. In many cases, these laws and regulations not only apply to third-party transactions, but also may restrict transfers of PII among us and our international subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional and possibly more stringent restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability as well as reputational harm. Foreign data protection, privacy, and other laws and regulations, including those in Europe and the U.S., may impose varying obligations or be more restrictive than those in China. Regulatory authorities around the world are considering a number of legislative and regulatory proposals concerning data protection. In addition, the interpretation and application of consumer and data protection laws in the U.S., Europe and elsewhere are often uncertain. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. These legislative and regulatory proposals, if adopted, and such interpretations could, in addition to the possibility of fines and reputational harm, result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Recent legal developments in Europe have created compliance uncertainty regarding the processing of personal data. For example, the General Data Protection Regulation, or GDPR, which came into application in the European Union, or EU, on May 25, 2018, applies to all of our activities conducted from an establishment in the EU or related to products and services that we offer to EU users. The GDPR creates significant new requirements regarding the protection of personal data and significantly increases the financial penalties for noncompliance. We may be considered in violation of the GDPR and thus be required to adopt additional measures in the future. If we fail to comply with the requirements stipulated by the GDPR in a timely manner, or at all, we may be subject to significant penalties and fines, which may in turn adversely affect our business, reputation, financial condition and operating results.

In addition to the new requirements imposed by the GDPR, the privacy requirements and expectations created in the EU by the GDPR are stricter than those in China. These requirements include rules restricting the flow of data across borders. These restrictions may cause companies to localize data, decline to make use of services provided by our customers in China, and otherwise impact the use of our services.

Additionally, California recently enacted legislation that has been dubbed the first “GDPR-like” law in the U.S. Known as the California Consumer Privacy Act, or CCPA, it creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA, which went into effect on January 1, 2020, requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business.

Furthermore, we may also be subject to the Information Technology Act 2000 of India, which primarily provides for (i) civil liability to compensate for wrongful loss or gain to any person arising from negligence in implementing and maintaining reasonable security practices and procedures with respect to sensitive personal data or information that we possess, deal with or handle in our computer systems, networks, databases and software, and (ii) criminal punishment if, in the course of performing a contract, a service provider discloses personal information without the consent of the person concerned or is in breach of a lawful contract and does so with the intention to cause, or knowing it is likely to cause, wrongful loss or wrongful gain. As our overseas expansion evolves, we may, from time to time, be subject to data protection regulations from other jurisdictions, which may impose additional and more stringent requirements. See “Item 4. Information on the Company—B. Business Overview—Overseas Regulations—Regulations on Data Privacy and Protection.”

We make statements about our use and disclosure of PII through our privacy policy, information provided on our internet platform and press statements. Any failure by us to comply with these public statements or with other PRC or international privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. None of the data security measures can provide absolute security, and losses or unauthorized access to or releases of confidential information, in particular PII, may still occur, which could materially and adversely affect our reputation, financial condition and operating results.

From time to time, concerns may be expressed about whether our products, services, or processes compromise the privacy of users, customers, and others. Concerns about our practices with regard to the collection, use, disclosure, or security of PII or other privacy related matters, even if unfounded, could damage our reputation and adversely affect our operating results.

Our business and results of operations may be materially adversely affected by the outbreak of COVID-19

In late January 2020, in response to intensifying efforts to contain the spread of the coronavirus, the Chinese government took a number of actions, which included extending the Chinese New Year holidays, quarantining and treating individuals in mainland China who had COVID-19, asking mainland China residents to remain at home and to avoid gathering in public, and other actions. In February and March 2020, increasingly numbers of additional cases were confirmed in many other countries and regions around the world. In March 2020, the World Health Organization declared COVID-19 as a global pandemic. Many countries have implemented drastic measures, including but not limited to travel bans, closing of boarders and military interventions, to help contain the spread of the virus. The accelerated spread of the virus globally has caused extreme volatility in the global financial market, including the repeated triggering of stock market “circuit breakers” in the U.S. and many other countries. While many of the restrictions on movement within China have been relaxed as of the date of this annual report, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions.

The outbreak has affected the activity level of certain users and broadcasters on our social media platforms, particularly those who are interested in, or rely on, offline activities and offline venues. In addition, a number of entertainment events in China and other countries and regions have been cancelled, delayed or otherwise disrupted, and we devoted substantial resources to make necessary adjustment to the related plans. The coronavirus outbreak also negatively affected various other aspects of our business operations. Our operations in China and overseas markets have and may continue to experience disruptions, such as temporary closure of our offices and/or those of our partners or suppliers, suspension or delay of services, and travel restrictions and limits on access to public venues. We have corporate offices in several cities in China and other parts of the world that have been significantly affected by the outbreak, including but not limited to Guangzhou, Beijing, Shanghai and Singapore. In addition, we also have representative offices in a number of countries that have been affected by the pandemic. Our offline operations in those regions have also been affected to varying degrees. Our business partners have also been affected by the outbreak of COVID-19, and performance of their obligations under our arrangements with them may be delayed or otherwise disrupted. As a result of any of the above developments, our business, financial condition and results of operations may be adversely affected by the coronavirus outbreak. We will closely monitor the further developments of the COVID-19 outbreak. The full extent to which the COVID-19 outbreak impacts our businesses and results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus, and the actions to contain the coronavirus and the impact on the global and Chinese financial market and economy, among others.

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. In March 2019, we adopted our 2019 Share Incentive Awards Arrangement, or the 2019 Arrangement, which reserved 65,922,045 Class A common shares of ours for incentive awards for Bigo's employees. As of March 31, 2020, options to purchase 10,307,400 Class A common shares, 37,126,854 restricted shares and 42,730,079 restricted share units were outstanding under the 2009 Scheme, the 2011 Plan and the 2019 Arrangement. 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 total number of our mobile average monthly active users across our various platforms has increased significantly in recent years. 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 video content platforms, users may leave us for competitors' platforms more quickly than in other online sectors. A decrease in the number of our active 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. Our sales and marketing expenses may significantly increase in the future, 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 social media services. 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, social media, internet communication, and other products and services, and thereby increase their respective market shares. We may also face potential competition from global social media 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, Douyin, Tencent Music Entertainment, Momo, Douyu and other live streaming platforms in China, and other short-form video and live streaming platforms overseas such as TikTok. We also compete for online advertising 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.

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 our platforms 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 alternative software. 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 services 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. 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 and paying users 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 and paying users. 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, and (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. The actual number of unique individual users, however, is likely to be lower than that of registered user accounts, active users and paying users, potentially significantly, for 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. Thus, the respective number of our registered user accounts, active users and paying users 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 or paying users is lower than the actual growth in the number of unique individual registered, active or paying users, 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 rebranded Mobile YY into YY Live APP, a mobile application for our YY Live platform. In addition, we have launched several other mobile applications over the years, including, among others, *Bigo* for global livestreaming services and *Hago* for casual game-oriented social networking services. 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 technologies 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 technologies and applications, 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 streaming is more diversified and spontaneous, our experience in content organization and interaction on PC platforms may not satisfy the mobile users, and hence, we may 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 Live 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 applications 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. 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.

We may not realize all of the anticipated benefits of our acquisition of Bigo or those benefits may take longer to realize than expected. We may also encounter significant unexpected difficulties in integrating these businesses.

Our ability to realize the anticipated benefits of the acquisition of Bigo depends, to a large extent, on our ability to integrate Bigo's businesses with the rest of our businesses. The combination of previously independent businesses is a complex, costly and time-consuming process. As a result, we have and will continue to devote significant management attention and resources to integrating Bigo's practices and operations. If implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the acquisition of Bigo. Our failure to meet the challenges involved in realizing the anticipated benefits of the acquisition of Bigo could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated business opportunities and growth prospects from combining the businesses of Bigo with the rest of our businesses;
- difficulties in the integration of operations and systems;
- difficulties in managing the expanded operations of a larger and more complex company;
- challenges in international expansion and complex legal, regulatory and cultural regimes internationally; and
- challenges in attracting and retaining key personnel.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of our operations. In addition, we may not realize the full benefits of the acquisition of Bigo, including the growth opportunities that we expect. These benefits may not be achieved within the anticipated timeframe. Furthermore, additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could decrease or delay the expected benefits of the acquisition of Bigo and negatively impact us. As a result, we cannot assure you that the combination of Bigo's businesses with the rest of our businesses will result in the realization of the full benefits anticipated from the acquisition of Bigo.

We have limited experience in international markets. If we fail to meet the challenges presented by our increasingly globalized operations, our business, financial condition and results of operations may be materially and adversely affected.

We have limited experience in international markets and we expect to enter into and expand our operations in international markets, primarily leveraging Bigo's existing products and operations. Bigo's businesses have footprint around the world, primarily including Southeast Asia, the Middle East, the U.S. and South Asia. Global expansion is a key growth strategy for us, which exposes us to a number of risks, including:

- compliance with applicable foreign laws and regulations, including but not limited to internet content provider licenses and other applicable licenses or governmental authorizations;
- policies that increase restrictions on our ability to invest in foreign jurisdictions, especially in the telecommunication and internet sectors;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them. Our business partners primarily include popular talents and their agencies, third parties that promote our platform and applications and third parties that provide us technology support;
- challenges in obtaining and maintaining sufficient intellectual property protection and rights;

- challenges in commercializing Bigo's platforms in international markets without infringing, misappropriating or otherwise violating the intellectual property rights of third parties;
- challenges in formulating effective marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- lack of acceptance of our product and service offerings, and challenges of localizing our offerings to appeal to local tastes;
- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China, including technology infrastructure;
- challenges in meeting local advertiser demands as well as online marketing practices and conventions;
- differences in user and advertiser reception and perception of Bigo's applications internationally;
- challenges in managing compliance with local labor regulations and risks associated with labor dispute across different overseas jurisdictions;
- fluctuations in currency exchange rates;
- increased competition with local players in different markets and sub-markets;
- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism;
- exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and assessments in multiple jurisdictions on various tax-related assertions, including transfer pricing adjustments and permanent establishment;
- challenges of maintaining efficient and consolidated internal systems, including information technology infrastructure, and of achieving customization and integration of these systems;
- compliance with privacy laws and data security laws, including heightened restrictions and barriers on the transfer of data between different jurisdictions; and
- increased costs associated with doing business in foreign jurisdictions.

There is no assurance we will be able to manage these risks and challenges as we continue to grow our international businesses. Failure to manage these risks and challenges could negatively affect our ability to expand our international and cross-border businesses and operations as well as materially and adversely affect our business, financial condition and results of operations.

We face risks and uncertainties to comply with the laws, regulations and rules in various aspects in overseas jurisdictions. Failure to comply with such applicable laws, regulations and rules may subject our overseas operations to strict scrutiny by local authorities, which in turn may materially and adversely affect our globalized operations.

As we expand our operations in additional emerging markets and regions, we may have to adapt our business models or operations to the local markets due to various legal requirements and market conditions. Our international operations and expansion efforts may result in increased costs and are subject to various risks, including difficulties in obtaining licenses, permits or other applicable governmental authorizations, content control from local authorities, uncertain enforcement of intellectual property rights, potential claims of intellectual property infringement, the complexity of compliance with foreign laws and regulations and cultural differences. Compliance with applicable foreign laws, regulations and rules related to matters that are central to our business, including those related to live streaming services, content restrictions, data privacy, virtual items, anti-corruption laws, anti-money laundry and minors protection, increases the costs and risk exposure of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our globalized operations evolve, we cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our overseas business expansion, we cannot assure you that we are in compliance with all local laws or regulations, including license requirements, or that our existing licenses will be successfully renewed or expanded to cover all of our areas of operations.

Registered trademarks, purchased internet search engine keywords and registered domain names of third parties that are similar to our trademarks, brands or domain names 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 register trademarks or domain names that are similar to our trademarks or domain names or purchase 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 activity is inherently difficult. If we are unable to prevent such activity, 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, misappropriation or other claims or 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 patents, copyrights, trademarks, trade secrets and website content may assert intellectual property infringement, misappropriation or other claims against us. Our success depends, in part, on our ability to develop and commercialize our platforms without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. However, we may not be aware that our platforms are infringing, misappropriating or otherwise violating third-party intellectual property rights and such third parties may bring claims alleging such infringement, misappropriation or violation. In addition, content generated through our platforms, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property rights. 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 video content platforms.

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, the Guangzhou Intellectual Property Court ordered us to compensate NetEase in an amount of RMB20.0 million, and both NetEase and we appealed against this judgement. In December 2019, the Higher People's Court of Guangdong Province rejected both parties' appeal and upheld the judgement of the Guangzhou Intellectual Property Court. We may apply for adjudication supervision from the Supreme People's Court of PRC against the judgement. Although we believe that the claim is unjustified and commercially motivated, if our pursuit of adjudication supervision or other judicial or administrative actions are unsuccessful or the ultimate outcome of litigation is unfavorable to us, we may suffer considerable damage to our financial position and reputation. Under relevant PRC laws and regulations, and the laws and regulations of other jurisdictions in which we operate or may expand our operations, 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. 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 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 on our platform that may infringe copyrights of third parties 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 and to use such content in jurisdictions into which we may expand our operations 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 claims and lawsuits 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, face injunctive relief or enter into license agreements which may not be available on commercially reasonable terms or at all. We do not currently have a U.S. patent portfolio, which could reduce our ability to deter patent infringement claims from third parties, and our competitors and other third parties may now or in the future have significantly larger and more mature patent portfolios than we have. 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 or mobiles to steal user data from YY Client or other mobile applications 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 misappropriation in a timely manner and, even if we could, technological and legal measures may be insufficient to stop all such misappropriation. In those cases, our available remedies may not be adequate to protect us against such misappropriation. Regardless of whether we can successfully enforce our rights against these third parties, any measures that we may take could require significant financial or other resources from us. Those third parties 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 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. However, the steps we take to obtain, maintain, protect and enforce our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to obtain such intellectual property rights, or enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and develop and commercialize substantially identical products, services or technologies, and our business, financial condition, results of operations or prospects may be harmed. In addition, defending our intellectual property rights may entail significant expense.

It is often difficult to obtain, maintain and enforce intellectual property rights in China and other jurisdictions, as compared with the United States. Patents, trademarks and service marks may 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. Moreover, no assurance can be given that confidential agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering or disclosure of our proprietary information, know-how and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our platform capabilities. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach. Even where adequate, relevant laws exist, 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 or other jurisdictions. 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. Patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our platforms are or become available. For example, as we have expand overseas, we may be unable to register and obtain exclusive rights to use our trademarks in certain jurisdictions. As we expand our international activities, our exposure to unauthorized copying and use of our platforms will likely increase.

Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our platforms, impair the functionality of our platforms, delay introductions of our platforms, result in our substituting inferior or more costly technologies into our platforms or damage our reputation.

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. Our patents registered in jurisdictions outside of China are also generally subject to finite and non-extendable terms. Currently, we have patent applications pending in China and overseas, but we cannot assure you that we will be granted patents pursuant to our pending applications or will be granted patents based on patent applications we may file in other jurisdictions. 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 and subject to patent infringement lawsuits if we expand our operations into such jurisdictions. 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 efforts, 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.

As we expand in the future, 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 no longer consolidate the operating results of HUYA Inc., which may materially and adversely affect our results of operations.

In March 2018, HUYA Inc. entered into definitive agreements for its series B-2 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. On April 3, 2020, we transferred 16,523,819 Class B ordinary shares of HUYA to Linen Investment Limited, a wholly-owned subsidiary of Tencent for an aggregate purchase price of approximately US\$262.6 million in cash, pursuant to Tencent's exercise of its option to purchase additional shares of Huya. As a result of the closing of the share transfer, Tencent increased its voting power in Huya to 50.1% on a fully-diluted basis, or 50.9% calculated based on the total issued and outstanding shares of Huya, and will consolidate financial statements of Huya. Immediately after the share transfer, we held 68,374,463 Class B ordinary shares of Huya, representing approximately 43.0% of the total voting power calculated based on the total issued and outstanding shares of Huya. Starting from April 3, 2020 we no longer consolidate the operating results of HUYA Inc. into our financial statements, and our results of operations as shown in our financial statements may be adversely affected.

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, many of our executive officers and key employees hold the equity interests in our variable interest entities in PRC. 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 internet financing business is subject to a variety of risks.

In 2018, we started to participate in the internet financing sector in China, which contributed an insignificant portion of our total net revenues. We have launched several internet financial service products. The risk of non-payment of loans is inherent in the internet financing business and we are subject to credit risk resulting from defaults in payment for loans by our customers. Credit risks may be exacerbated in micro-credit financing because there will be relatively limited information available about the credit histories of the borrowers. We cannot assure you that our monitoring of credit risk issues and our efforts to mitigate credit risks through our credit assessment and risk management policies are or will be sufficient to result in lower delinquencies. Furthermore, our ability to manage the quality of our loan portfolio and the associated credit risks will have significant impact on the results of operations of our internet finance business. Deterioration in the overall quality of loan portfolio and the increasing exposure to credit risks may occur due to a variety of reasons, including factors beyond our control, such as a slowdown in the growth of the global or Chinese economies or a liquidity or credit crisis in the global or Chinese finance sectors, which may materially and adversely affect our businesses, operations or liquidity of our consumers or their ability to repay or roll over their debt. Any significant deterioration in the asset quality of our internet finance business and significant increase in associated credit risks may materially and adversely affect our business, financial condition and results of operations. Meanwhile, the regulatory framework for internet financing business is evolving and may remain uncertain for the foreseeable future. China's internet financing industry in general remains at a rather preliminary development stage and may not develop at the anticipated growth rate. It is possible that the PRC laws and regulations may change in ways that do not favor our development. If that happens, our internet financing business may be adversely affected. We have ceased to extend credit in our domestic internet micro-financing business since the second half of 2019, and we are in the process of collecting payments on the historical loans and have made loss provisions based on historical performances. There is no assurance we will be able to collect all the payments due to us, due to the various risks described above.

In addition, we used to conduct financing leasing business in 2018. Even though we have ceased the operations of such business for the avoidance of potential risks arising from such business, we may still be exposed to credit risks due to existing lessees' failure to repay the outstanding amounts due to us.

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, students 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 video content 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.

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. Uncertainty about China and global economic conditions poses a risk as consumers and businesses may postpone spending in response to credit constraint, rising unemployment rate, financial market volatility, government austerity programs, negative financial news, declines in income or asset values and/or other factors. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. 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. These worldwide and regional economic conditions could have a material adverse effect on demand for our products and services. Demand also could differ materially from our expectations as a result of currency fluctuations. Other factors that could influence worldwide or regional demand include changes in fuel and other energy costs, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material adverse effect on business and consumer spending and, as a result, adversely affect our business, financial condition and results of operations.

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, exposure to potential unknown liabilities of the acquired business and decrease in our gross and net margins as a result of the consolidation of the financial results 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, 2019. 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.

Unauthorized third party platforms may sell 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, currently known as the Ministry of Culture and Tourism, 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. In addition, according to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (Edition 2019) promulgated by the National Development and Reform Commission and the MOC on June 30, 2019, other than e-commerce, domestic multiparty communication, store and forward, and call center services, the permitted foreign investment in value-added telecommunications service providers may not be more than 50%.

We are an exempted company incorporated in the Cayman Islands. We conduct our operations in China primarily through a series of contractual arrangements entered into among our PRC subsidiaries and the respective shareholders of our PRC variable interest entities. 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. For a detailed description of these contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party—Contractual Arrangements."

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, the New Foreign Investment Law, which promulgated by the Standing Committee of the National People's Congress on March 15, 2019 and became effective on January 1, 2020, does not explicitly stipulate the contractual arrangements under the "variable interest equity" structures as a form of foreign investment. Nevertheless, we cannot assure you that there will not be any further changes in the regulatory regime in the future. For more information, please see "—Risks Related to Doing Business in China—Substantial uncertainties exist with respect to the interpretation and implementation of the New 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 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 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.

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 laws, 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, 2020, Mr. David Xueling Li, our co-founder, chairman and chief executive officer, and his affiliates, held 75.8% of the total voting power. 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, Mr. Li 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 7.8% of our outstanding shares as of March 31, 2020, 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 (HKSE: 01810) is an internet company with smartphones and smart hardware connected by an IoT platform at its core, 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 PRC consolidated affiliated entities, such entities hold certain assets, such as patents for the proprietary technologies that are essential to the operations of our platforms and important to the operation of our business. If any one of our PRC consolidated affiliated entities 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 PRC consolidated affiliated entities 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 our wholly owned subsidiaries in China, and the shareholders of our variable interest entities, or VIEs, each shareholder 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. The equity interest pledges of shareholders of VIEs under these equity pledge agreements have been registered with the relevant local branch of the SAMR. 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, 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.” 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. Guangzhou Huaduo 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. Bigo has obtained a valid ICP License for provision of internet information services, a valid License for Domestic Multi-party Communication Services, a valid Internet Culture Operation License for music products and performances, a Radio and Television Program Production and Operating Permit and a License for Online Transmission of Audio-Visual Programs. Each of Chengdu Yunbu Internet Technology Co., Ltd., or Chengdu Yunbu, Chengdu Luota Internet Technology Co., Ltd., or Chengdu Luota, and Chengdu Jiyue Internet Technology Co., Ltd., or Chengdu Jiyue, has obtained a valid ICP License for provision of internet information services, and an Internet Culture Operation License for music entertainment products and online performance. 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. Guangzhou Jinhong Network Media Co., Ltd. has obtained a valid ICP License for provision of internet information services, an Internet Culture Operation License for animation products, online performance and online programs, a License for Production and Operation of Radio and TV Programs, a License for Publication Business, and a 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. 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 domestically and internationally, 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.

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. Bilin Online is also our variable interest entity, which was acquired in August 2015 and is currently 99% held by Mr. Li. Mr. Li also owns 99.9% of Guangzhou BaiGuoYuan, and Mr. David Xueling Li, through Guangzhou Huaduo, indirectly owns 46.55% of the equity interests in Sanrenxing. 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. Similarly, two individuals from the senior management team of Bigo collectively own all equity interest of each of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, respectively. We cannot assure you that when conflicts of interest arise, the shareholders of our PRC variable interest entities will act in the best interests of our company or that conflicts of interests will be resolved in our favor. In addition, the shareholders of our PRC variable interest entities may breach or cause our consolidated variable entities 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 the shareholders of our PRC variable interest entities 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 the shareholders of our PRC variable interest entities to cause them to transfer all of his equity ownership in our consolidated variable entities to a PRC entity or individual designated by us, and this new shareholder of our consolidated variable entities could then appoint a new director of our consolidated variable entities to replace the existing directors. In addition, if such conflicts of interest arise, our wholly owned PRC subsidiaries, could also, in the capacity of attorney-in-fact for the shareholders of our PRC variable interest entities as provided under the relevant powers of attorney, directly appoint a new director of our consolidated variable entities to replace the existing directors. 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 the shareholders of our PRC variable interest entities, 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 and amended on December 29, 2018. 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. On July 20, 2018, General Office of the Communist Party of China and the State Council promulgated the Reform Plan for Collection and Management System of National and Local Taxes, or the Tax Reform Plan, which became effective on the same day. According to the Tax Reform Plan, all social insurance premiums, such as basic pension insurance premium, basic medical insurance premium, unemployment insurance premium, work-related injury insurance premium and maternity insurance premium, shall be collected uniformly by the relevant tax authorities starting from January 1, 2019.

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 other activities on our platforms, 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. According to the General Provisions of Civil Law, promulgated on March 15, 2017 and effected on October 1, 2017, data and virtual assets are listed as civil rights protected by laws and must be protected according to specific rules governing such matters. However, there are no PRC laws or regulations 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.

In February 2007, fourteen 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 regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice.

We issue virtual currency 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.

We face risks related to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of epidemics. In recent years, there have been outbreaks of epidemics in China and globally. Our business operations could be disrupted if one of our employees is suspected of having contracted the H1N1 flu, avian flu, Ebola or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. Our results of operations could be adversely affected to the extent that the outbreak has any negative impact on the Chinese and global economy in general and the Chinese and global mobile internet and gaming industries in particular.

We are also vulnerable to natural disasters and other calamities. It is possible that we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

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 60 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. On October 25, 2019, GAPP issued the Notice of Preventing Minors from Indulging in Online Games to restrict game operators from providing online game services for minors in terms of playtime and payment amount. According to this Notice, (a) online game operators are prohibited from providing game services for minors from 20:00 p.m. to 8:00 a.m. each day; (b) playtime of minors cannot exceed 1.5 hours on workday and 3 hours on statutory holiday; and (c) online game operators shall impose cap of charge to minors and implement age-appropriate reminder system. 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, fourteen 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 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.

We have substantial business operations 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, regulating financial services and institutions 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 may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is likely to be severe. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business 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 violation 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 in China. Our PRC consolidated affiliated entities own our platforms due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If any of our PRC consolidated affiliated entities 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.”
- 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 our PRC consolidated affiliated entities, and such arrangements are in compliance with this notice. Our PRC consolidated affiliated entities also own the related domain names and trademarks, and hold the ICP License necessary to conduct our operations in China.

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. Such regulations may intensify and become more stringent from time to time, subjecting us to increased levels of content monitoring requirements, which may increase our expenses and risk of non-compliance with relevant PRC regulations. 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 online live streaming 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 platforms 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 platforms, 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 RMB0.2 million in 2018 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 content that infringes upon third-party copyrights or other illegal content and we may be subject to claims, including infringement claims or become involved in litigation proceedings due to such content. 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 and respectively amended on February 24, 2017 and December 29, 2018, 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.

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.

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.

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.

On February 3, 2015, the PRC State Administration of Taxation issued the Notice on Several Issues Concerning Enterprise Income Tax for Indirect Share Transfer by Non-PRC Resident Enterprises, or the SAT Circular 7, which partially replaced and supplemental previous rules under 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. Pursuant to 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 a rate of 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. Circular 7 does not apply 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. On October 17, 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37, effective December 2017, superseded the Non-resident Enterprises Measures and SAT Circular 698 as a whole and partially amended some provisions in SAT Circular 7. SAT Circular 37 purports to clarify certain issues by providing the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation. Specifically, SAT Circular 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in instalments, the instalments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld. Currently, the sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange is not considered an “indirect transfer” subject to the rules described above.

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 of our shares acquired or sold outside a public stock exchange, 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 relevant 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 and on December 29, 2018, respectively, 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 2, 2019 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 2019 through 2021. In addition, in 2018, Guangzhou Huanju Shidai was qualified as a “Key National Software Enterprise” after relevant government authorities’ assessment and was entitled to a preferential income tax rate of 10%. Huya Technology qualified as a Software Enterprise and enjoyed tax exemption from 2017 to 2018. In 2019, Huya Technology assessed it is qualified as a KNSE and applied the preferential income tax rate of 10%. Guangzhou Huya was approved to be a HNTE in November 2018 and thus is entitled to enjoy a preferential tax rate of 15% for three years commencing January 1, 2018. Guangzhou BaiGuoYuan was qualified as a Software Enterprise and enjoyed the zero preferential tax rate in 2018 and 2019. BaiGuoYuan Technology is entitled to enjoy the preferential tax rate of 15% for the years from 2018 through 2020 and will need to re-apply for HNTE qualification renewal in 2021. However, if any of the abovementioned companies fails to maintain its qualification for preferential tax treatments, its applicable enterprise income tax rate may increase to 25% or the applicable standard tax rate, which could materially and adversely affect our financial condition and results of operations.

In addition, according to the applicable provisions under Singapore law, corporations that are engaging in new high-value-added projects, expanding or upgrading their operations, or undertaking incremental activities after their pioneer period may apply for their profits to be taxed at a reduced rate of 5%, at minimum, for an initial period of up to ten years. The total tax relief period for each qualifying project or activity is subject to a maximum of 40 years (inclusive of the post-pioneer relief period previously granted, if applicable). Bigo Technology Pte. Ltd., or Bigo Singapore, was approved for such preferential tax treatment, enabling it to enjoy the preferential tax rate of 5% with the valid period from 2018 to 2022. Bigo Singapore will need to re-apply for such preferential tax treatment in 2023.

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 and amended on September 18, 2018, 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. 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. 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). In January 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, 2019, appropriations to statutory reserves amounting to RMB150.0 million were made by twenty-one 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. Our capital expenditures are primarily used to purchase office space.

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 conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi 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. We cannot assure you that 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 Renminbi and the U.S. dollar in the future.

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. We have used derivative financial instruments including the forward exchange contracts to hedge our exposure to foreign exchange risks. While we may decide to continue 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 seals 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 subsidiaries and consolidated affiliated entities 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 or PCAOB, 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 subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Because our auditor is located in the Peoples' Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the 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. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions, if any, the SEC and PCAOB will take to address the problem. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB's inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the Nasdaq of issuers included on the SEC's list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted. Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

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 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 required 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 did not follow these procedures or if there was 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. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four PRC-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such challenge would result in the SEC imposing penalties such as suspensions.

In the event that the PRC-based Big Four accounting firms become subject to additional legal challenges by the SEC or PCAOB, 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 was 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 Class A 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 interpretation and implementation of the new Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the Standing Committee of the National People's Congress promulgated the Foreign Investment Law, or the New Foreign Investment Law, which took effect on January 1, 2020, and on December 12, 2019, the Implementation Regulations of New Foreign Investment Law was promulgated by the State Council, which simultaneously came into force on January 1, 2020. The New Foreign Investment Law, together with the Implementation Regulations of New Foreign Investment Law, replaced 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. This law is the legal foundation for foreign investment in the PRC. The New 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 Implementation Regulations of New Foreign Investment Law provide detailed rules for the principles of investment protection, promotion and management set forth in the New Foreign Investment Law.

The New Foreign Investment Law stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements under the "variable interest equity" structures as a form of foreign investment. The New Foreign Investment Law further stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council." Therefore, it is possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a form of foreign investment, and then whether the contractual arrangements will be recognized as a foreign investment, whether the contractual arrangements will be deemed to be in violation of the access requirements of foreign investment and how the contractual arrangements will be interpreted and handled remain uncertain. Conversely, if contractual arrangements are then incorporated as a form of foreign investment, it may materially impact our corporate governance practice and increase our compliance costs.

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\$51.77 to US\$88.50 in 2019. 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, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect 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, 2020, we had 1,247,848,466 Class A common shares (excluding 55,422,958 outstanding restricted shares and treasury Class A common shares held by entities controlled by us) and 326,509,555 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 believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2019, which could subject United States holders of our ADSs or Class A 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 value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Although the law in this regard is unclear, we treat our PRC consolidated affiliated entities 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.

Based on the market price of our ADSs and the composition of our assets (in particular the substantial amount of cash, deposits and investments), we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2019, and no assurances can be given with respect to our PFIC status for our current taxable year ending December 31, 2020 or any future taxable year.

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 Class A common shares and on the receipt of distributions on the ADSs or Class A 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 Class A 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 Class A 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 Class A common shares if we are treated as a PFIC for our current taxable year ending December 31, 2020 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.”

Provisions of our convertible senior notes could discourage an acquisition of us by a third party.

In June, 2019, we completed the offering of US\$500 million in aggregate principal amount of convertible senior notes due 2025 and US\$500 million in aggregate principal amount of convertible senior notes due 2026. Certain provisions of our convertible senior notes could make it more difficult or more expensive for a third party to acquire us. The indentures for the convertible senior notes define a “fundamental change” to include, among other things and subject to certain qualifications specified therein: (i) any person or group becoming a direct or indirect beneficial owner of our company’s ordinary share capital (including ordinary share capital held in the form of ADSs) representing more than 50% of the voting power of our ordinary share capital, or Lei Jun, Top Brand Holdings Limited, David Xueling Li and YYME Limited and their affiliates collectively becoming the direct or indirect beneficial owner of Class A common shares representing more than 50% of the number of outstanding Class A common shares; (ii) any recapitalization, reclassification or change of our Class A common shares or ADSs as a result of which these securities would be converted into, or exchanged for, stock, other securities, other property or assets or any share exchange, consolidation or merger of our company pursuant to which our Class A common shares or ADSs will be converted into cash, securities or other property or any sale, lease or other transfer in one transaction or a series of transaction of all or substantially all of our consolidated assets, taken as a whole, to any person other than one of our subsidiaries; (iii) the approval of any plan or proposal for the liquidation or dissolution of our company by our shareholders; (iv) our ADSs ceasing to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors); or (v) any change in or amendment to the laws, regulations and rules in the PRC or the official interpretation or official application thereof that prohibits us from operating substantially all of our business operations and prevents us from continuing to derive substantially all of the economic benefits from our business operations. Upon the occurrence of a fundamental change, holders of these notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in principal amounts of US\$1,000 or integral multiples thereof. In the event of a fundamental change, we may also be required to issue additional ADSs upon conversion of our convertible notes.

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, 2020, Mr. David Xueling Li and his respective affiliates, held 75.8% 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 depository and paying the ADS depository fee.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (except our memorandum and articles of association) 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 exempted company and a majority of our assets are located outside of the United States. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States and most 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 also relied on the exemption available to foreign private issuers to the requirement that shareholder approval should be obtained in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company, and the requirement that shareholder approval should be obtained prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants. We relied on home country practice exemption and did not convene a shareholder meeting to approve the 2019 Arrangement. See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—2019 Share Incentive Arrangement" for more information. If we continue to rely on the above 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. 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 represented by your ADSs in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the underlying Class A common shares represented by your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying Class A common shares unless you withdraw the shares from the depository. 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 underlying Class A common shares underlying represented by your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depository 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 depository to vote your underlying Class A common shares represented by your ADSs. In addition, the depository 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 underlying Class A common shares underlying represented by your ADSs are not voted as you requested. The depository for our ADSs will give us a discretionary proxy to vote our Class A common shares represented by 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 depository will give us a discretionary proxy to vote our Class A common shares represented by your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depository with notice of meeting and related voting materials;
- we have instructed the depository that we do not wish a discretionary proxy to be given;
- we have informed the depository 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 represented by 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 depository 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 depository 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 depository 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 depository 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 depository. However, the depository 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 depository 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 depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository 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 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 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, 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 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 is 100% directly owned by 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 aims to engage in financing business as a wholly owned subsidiary of Guangzhou Huaduo.

In April 2016, we established Guangzhou Sanrenxing 100-EducationTechnology Co., Ltd. or Sanrenxing, which entered into a series of VIE agreements and completed its VIE restructure in October 2018. As of the date of this annual report, Sanrenxing is 46.55% 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 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.

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 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-2 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. In May 2018, HUYA Inc. successfully completed its initial public offering of 17,250,000 ADSs at a price of US\$12.0 per ADS, including 2,250,000 ADSs offered pursuant to the underwriters' full exercise of their over-allotment options. In April 2019, HUYA Inc. successfully completed a follow-on public offering, issuing 13,600,000 ADSs (or 15,640,000 ADSs if the underwriters exercise their option to purchase additional ADSs in full) at a price of US\$24.00 per ADS. Each HUYA Inc. ADS represents one Class A ordinary share of HUYA Inc. On April 3, 2020, we transferred 16,523,819 Class B ordinary shares of HUYA Inc. to Linen Investment Limited, a wholly-owned subsidiary of Tencent for an aggregate purchase price of approximately US\$262.6 million in cash, pursuant to Tencent's exercise of its option to purchase additional shares of Huya from us. The purchase price was determined based on the average closing prices of Huya's American depository shares in the last 20 trading days prior to the receipt of Tencent's written exercise notice by us and Huya in accordance with Huya's second amended and restated shareholders agreement dated March 8, 2018. As a result of the closing of the share transfer, Tencent increased its voting power in Huya to 50.1% on a fully-diluted basis, or 50.9% calculated based on the total issued and outstanding shares of Huya, and will consolidate financial statements of Huya. As of April 3, 2020, we held 68,374,463 Class B ordinary shares of Huya, representing approximately 43.0% of the total voting power calculated based on the total issued and outstanding shares of Huya. Starting from April 3, 2020, we no longer consolidate the operating results of Huya.

In May 2018, we established TIEN Direction Inc., which in turn established Hago Singapore Pte. Ltd.

In June 2018, we invested US\$272 million in the Series D round of financing of Bigo as the lead investor. We were then an existing shareholder of Bigo and had become its largest shareholder after the Series D financing.

In March 2019, we completed the acquisition of the remaining 68.3% of equity interest in Bigo from the other shareholders of Bigo, including Mr. David Xueling Li, our chairman of the board of directors and chief executive officer. We paid US\$343.1 million in cash and resulted in issuance of 38,326,579 Class B common shares to Mr. David Xueling Li and 305,127,046 outstanding Class A common shares to Mr. David Xueling Li and other selling shareholders of Bigo. As of the date of this annual report, we wholly own Bigo.

In March 2019, we entered into a strategic partnership agreement with Shanghai Chuangsi Enterprise Development Co., Ltd., or Shanghai Chuangsi. Under the agreement, we will exchange for certain equity interest of Shanghai Chuangsi by contributing YY segment's online game business into Shanghai Chuangsi. The transaction was completed in December 2019, after which the financial results of YY segment's online games would no longer be consolidated in our financial results.

Effective December 20, 2019, we changed our corporate name from "YY Inc." to "JOYY Inc." We began trading under the new corporate name on December 30, 2019.

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.

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.

In June, 2019, we completed the offering of US\$500 million in aggregate principal amount of convertible senior notes due 2025, or the 2025 Notes, and US\$500 million in aggregate principal amount of convertible senior notes due 2026, or the 2026 Notes, which included the exercise in full by the initial purchasers of their option to purchase an additional US\$75 million in aggregate principal amount of the 2025 Notes and US\$75 million in aggregate principal amount of the 2026 Notes. We collectively refer to the 2025 Notes and the 2026 Notes as the Notes in this annual report. The Notes have been offered in the United States to qualified institutional buyers pursuant to Rule 144A and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The initial conversion rate of the 2025 Notes is 10.4271 ADSs per US\$1,000 principal amount of the 2025 Notes. The initial conversion rate of the 2026 Notes is 10.4271 ADSs per US\$1,000 principal amount of such the 2026 Notes. The relevant conversion rate for each series of the Notes is subject to adjustment upon the occurrence of certain events. The 2025 Notes bear interest at a rate of 0.75% per year, and the 2026 Notes bear interest at a rate of 1.375% per year. Interest on the both the 2025 Notes and 2026 Notes will accrue from, and including, June 24, 2019 and will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2019. The 2025 Notes will mature on June 15, 2025 and the 2026 Notes will mature on June 15, 2026, unless repurchased, redeemed or converted in accordance with their terms prior to such date. We may not redeem the Notes prior to maturity, unless certain tax-related events occur. The holders may require us to repurchase all or part of their Notes in cash on June 15, 2023, in the case of the 2025 Notes, and June 15, 2024, in the case of the 2026 Notes, or in the event of certain fundamental changes. In connection with the offering the 2025 Notes and the 2026 Notes, we have entered into capped call transactions with certain counterparties. The cap price of the capped call transactions is initially US\$127.87 per ADS and is subject to adjustment under the terms of the capped call transactions. On March 25, 2020, we announced a convertible notes repurchase plan under which we may repurchase up to an aggregate of US\$200 million of the 2025 Notes and 2026 Notes over the next 12 months. The convertible notes repurchases may be made from time to time through legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. Our board will review the convertible notes repurchase plan periodically, and may authorize adjustment of its terms and size. We expect to fund repurchases made under this plan from our existing funds.

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 registered office in the Cayman Islands is located at Conyers Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands.

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.

SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on www.sec.gov. You can also find information on our website <http://ir.yy.com>. The information contained on our website is not a part of this annual report.

B. Business Overview

Overview

We are a leading global social media platform, offering users around the world a uniquely engaging and immersive experience across various video-based content categories, such as live streaming, short-form videos and video communication. For our users, our products serve as the destination for creating, sharing and enjoying a vast range of video-based content and activities.

- Live streaming platforms — *YY Live, Bigo Live and Huya*. *YY Live* is an interactive and comprehensive live streaming social media platform, offering content such as music and dance shows, talk shows, outdoor activities, sports and anime. *Bigo Live*, with strong presence in Southeast Asia, the Middle East, the U.S. and South Asia, enables global users to live stream their specific moments and talk live with each other. *Huya* is a game live streaming platform in China. Through close cooperation with e-sports event organizers, as well as major game developers and publishers, Huya has developed e-sports live streaming into the most popular content genre on its platform. As a result of the share transfer to Tencent on April 3, 2020, we no longer consolidate the results of operations of Huya.
- Short-form video platform — *Likee*. *Likee* is a leading global short-form video social platform, with a fast growing and highly engaged user base that produces, uploads, views, shares and comments on short-form videos on a daily basis. We have continued to expand Likee's geographic coverage, refine its content offerings, and augment its monetization capabilities.
- Other key products — (i) *imo*: Our video communication product *imo* has attracted a massive and highly engaged video-oriented user base in South Asia, the Middle East and other global regions, by offering frictionless video calls and other communication tools such as two-way video calls, group calls and video sharing. *imo* has also proven itself to be an efficient and powerful distribution channel for our live streaming and short-form video content, (ii) *Hago*: *Hago* is a casual-game-oriented social platform that integrates multiple social features, such as live streaming chatrooms and karaoke. As a result, *Hago* encourages young users to use these features to establish and maintain social connections while enjoying casual games.

With our pioneering business model in China, we have accumulated deep expertise in building and operating a vibrant video content ecosystem since our inception in 2005. Foreseeing the massive global opportunities, we began to expand overseas first by investing in *Bigo* in 2014, followed by the internationalization of *YY Live* and *Huya*, and lately by acquiring *Bigo* in March 2019. Our business model is not only successful in China, but has also been tested and replicated effectively on a global basis.

Artificial intelligence (AI) technology, which has been woven into our corporate fabric, permeates and is integral to all critical aspects of our services and broader business operations: from visual and voice recognition, content recommendation and distribution that optimizes users' viewing experience, to automated product beta testing and critical corporate decision-making, such as budgeting. As AI improved the accuracy and effectiveness of our content and host recommendations, and optimized our other efforts aimed at improving user experience.

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 virtual tips for live streaming. We believe that we will be able to capitalize on our large and highly engaged user base around the world by enriching our video content categories, exploring additional monetization opportunities and diversifying our main revenue sources.

We believe that we will be able to capitalize on our large, growing and highly engaged user base around the world by enriching our video content categories, exploring additional monetization opportunities and diversifying our main revenue sources, such as advertising and e-commerce.

Our Platforms and Products

YY Live

In June 2016, we revamped our online music and entertainment live streaming services to form the YY Live platform. With its increasing popularity of and growing content, YY Live 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 to enjoy a wide variety of live streaming content, including, among others, music and dance show, talk show, outdoor activities, sports, anime and games. In the fourth quarter of 2019, the average mobile monthly active users of YY Live reached 41.2 million, increasing by 3.8% from the same period in 2018.

We develop mobile applications to provide a variety of live streaming content 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.

As our core PC product, 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 also contains the game center which consists of a game lobby and VIP game access services, enabling users to access various online games without downloading any additional client software. 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 product that it is today. We introduced live video-enabled channels beginning in late 2011 and have since applied video features to all our channels.

We also operate the website *YY.com*, which enables 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. We optimize our technologies for the web format, transcending the limitations of operational systems and enabling real-time communications and live streaming on the web.

Bigo Live

Operated by Bigo, Bigo Live is a leading global live streaming platform focusing on markets outside of China. Bigo Live allows the users to live stream their specific moments, live talk with other users, make video calls and watch trend video. It also has features like music live house and cross-room PK. With a strong presence in South-Eastern Asia, Southern Asia, the Middle East and America, Bigo Live has established global footprints. In the fourth quarter of 2019, the average mobile monthly active users of Bigo Live reached 23.1 million, increasing by 18.6% from the same period in 2018. Bigo Live's revenue contribution from developed market continued to ramp up in 2019.

Huya

In November 2014, we launched Huya, with a focus on live streaming of gaming content. After years of coverage expansion and user accumulation, Huya has become a leading live streaming platform in China with a primary focus on games, covering a wide variety of content such as online games, console games, mobile games, entertainments and sports. In the fourth quarter of 2019, the average mobile monthly active users of Huya reached 61.6 million, increasing by 21.5% from the same period in 2018. Since 2018, Huya has started to offer game live streaming services outside of China through a new platform, Nimo TV. As a result of the share transfer to Tencent on April 3, 2020, we no longer consolidate the results of operations of Huya.

Likee

Operated by Bigo, *Likee* is a leading short form video social platform worldwide. *Likee* originally focused on enabling users to create short form video by utilizing functions such as music and effect filter, cinematic effects (including 4D backgrounds), acting and lip-sync, face stickers and special effects toolkits. In the fourth quarter of 2019, the average mobile monthly active users of *Likee* reached 115.3 million, increasing by 208.3% from the same period in 2018. *Likee* has facilitated a large volume of user generated short form video content to be produced, uploaded, viewed, shared and commented on a daily basis. In 2019, we also introduced a variety of new features and functions, including data visualization tools, collaborative travel vlog projects, AI based image cropping, photo series and face swapping features. These new features significantly lower the short-form video production entry barrier to users, became smashed mass hits upon launching, and attracted millions of users worldwide to create and share videos with their friends. *Likee* introduced a support program in 2019 to attract more high-quality content creators to cultivate an increasingly diverse, engaging and entertaining content library.

Likee organized a variety of offline events to increase the activeness of its user and creator communities around the globe. For example, in June 2019, *Likee* co-organized an award ceremony for key influencers in the digital world with local music radio stations, celebrity agencies, and digital media in India. A large number of local artists, as well as key opinion leaders in fashion, beauty, travel, food, and body-building participated in the event. *Likee* also hosted an offline event named *Likee* Party Moscow in Russia in August 2019. Our success in organizing such local offline events in different countries and regions demonstrates *Likee*'s unique capability in establishing cultural connections among young users, inspiring their creativity and self-expression, and boosting their enthusiasm towards original content production, all of which in turn help us expand our brand influence as well as strengthen our leadership in more and more global markets.

imo

Operated by Bigo, *imo* is a chat and instant messaging application with functions including video calls, text messages, photo and video sharing. By offering frictionless video calls and other communication tools such as two-way video calls, group calls and video sharing, *imo* has attracted a massive and highly engaged video-oriented user base in South Asia, the Middle East and other global regions. *imo* fulfills the video communications needs of users in a variety of personal and business-oriented communication scenarios. *imo* has also proven itself to be an efficient and powerful distribution channel for our live streaming and short-form video content. We plan to continually introduce innovative services offerings within *imo* to bolster social interactions among its users and broaden its monetization opportunities. In the fourth quarter of 2019, the average mobile monthly active users of *imo* reached 211.0 million.

Hago

We launched *Hago* in 2018 as another important part of our global expansion efforts in overseas markets following its success in China. *Hago* is a casual game oriented social network application. Currently it not only provides casual games, but also incorporates multiple social features such as live streaming chatrooms, karaoke, and others into the application. These innovative features encourage young users to establish and maintain social connections while enjoying casual games. In the fourth quarter of 2019, the average mobile monthly active users of *Hago* reached 33.0 million, increasing by 57.9% from the same period in 2018. In 2019, *Hago* continued to enhance user stickiness, and foster new social interactions between users on its platform. For example, *Hago*'s interest-based user groups have become a key feature for users to initiate social interactions on the platform in the fourth quarter of 2019. Meanwhile, the highly social nature of the platform has enabled us to accelerate the development of our innovative monetization capabilities, as seen in our virtual gifting features for both voice chatrooms and interest-based user groups.

Global Branding and Marketing

Branding Strategy

Commensurate with our growing global presence and leadership position, we elevated our group legal name from *YY* to *JOYY* in 2019, reiterating our vision of bring joyful and youthful experiences to users around the world. This latest strategy upgrade offers us greater flexibility to unleash the respective branding power of our various products and services targeting different demographics of users in China and overseas. Our comprehensive matrix of popular global brands, including *Bigo Live*, *Likee*, *imo* and *Hago*, enable us to reach the full spectrum of coveted user bases around the world. Meanwhile, we remain committed to reinforcing the wide recognition our *YY Live* brand in China.

Marketing Activities

We employ a variety of marketing activities, embracing the latest trends in online and social-based promotional strategies. We employ performance-based advertising, social network marketing campaigns, as well as promotion through search engines and web portals, with an emphasis on efficiency and delivering measurable results. Furthermore, we cooperate with application distributors and hardware manufacturers, and sponsor offline exhibitions and industry summits. We are committed to exploring innovative ways to enhance our user acquisition through various marketing activities, such as TV programs, online entertainment variety shows and dramas, 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, Douyin, Tencent Music Entertainment, Momo, Douyu and other live streaming platforms in China, and other short-form video and live streaming platforms overseas such as TikTok.

Technology

Our proprietary technologies is the backbone of our products and services. We enhance our user experience through a variety of advanced technology, including our AI-based content recommendation technology, to accurately and efficiently identify and deliver tailored short-form video clips and live streaming content to our users. As a leading provider of large-scale multi-user voice- and video-enabled online service, we continually improve our technologies. Our capability to provide superior user experience is further supported by our highly scalable infrastructure, proprietary algorithms and software, and tailored devices for optimal live broadcasting performance, which help enable low latency, low jitter and low loss rates in delivering voice and video data even with weak internet connection.

Artificial intelligence (AI) and algorithms technologies

AI and algorithms technologies are embedded into our technology DNA. For example, we leverage our sophisticated machine learning models to enhance the effectiveness of our content tagging functions. We have also implemented our AI-powered visual recognition technology into our content distribution engine so that it can, with the assistance from our large-scale deep neural network and various search-related technology, automatically tag and accurately recommend the most relevant short-form video clips and live streaming shows to our users. The vast amount of users' behavior data that we have accumulated helps us to construct data models of the underlying relations between our users, content and creators, thereby gaining a deeper understanding of their tendencies and preferences. Through those efforts, we were able to create an optimal experience for our users by ensuring that we distribute the video content to the different audience groups.

In addition, we are also empowered by our cutting-edge computer vision (CV) and augmented reality (AR) technology to help our content creators in combining real life's moments with virtual scenes to produce innovative and engaging video content. With years of R&D efforts in CV, we launched *Likee's* FaceMagic in the end of 2019, which is able to help millions of creators on the platform to participate in virtual shows and share the astonishing moments with their fans.

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 are 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. Positioned to offer top-quality audio and video experience to our users worldwide, we developed a series of media technologies and revamped our streaming framework, which enable multimodal information to be synthetically utilized to provide highly flexible and customizable services.

Our adaptive audio and video encoding, transmission and decoding algorithms are conducive to delivering superior audio and video experience based on users' local setup, including locations, devices, network condition and personal preference, optimizing both fluency and latency at the same time.

Large, dedicated cloud-based network infrastructure

In 2019, we continued to develop and expand our global data center network, to provide top-quality, real-time video and audio services to our users worldwide. Our infrastructure provides seamless integration and is highly customized for supporting our services with significant flexibility. 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 48,000 servers which are hosted in the data centers we lease from third parties across the world as of December 31, 2019. Our cloud-based network infrastructure provides quality data delivery and enable many users to interact online from anywhere 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 and relatively lower cost, given the flexibility 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. We have been developing and expanding our data centers network around the world, focusing on Asia, Europe and the Americas. Our data centers' key technological mechanisms include optimized data access, automated switch of servers, and intelligent routing, which help ensure the quality of data transmission for our users globally. In response to poor connection situations, we are able to provide precise connection estimation, adaptive transcoding, segmentation-based coding and other advanced mechanisms to help users enjoy high-quality audio and video experience.

Proprietary data-driven 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.

Safeguarding User Privacy

We dedicate significant resources to strengthening the user privacy functions of our platforms, promoting a safe online environment for our users. For example, we provide our users with adequate notice as to what data are being collected, and have implemented a variety of mechanisms and policies to prevent the unauthorized use, loss or leak of collected user data. In addition, our data security technologies empower us to protect user data. For our external interfaces, we utilize firewalls to protect against potential attacks or unauthorized access. Our dedicated team of privacy professionals conducts regular reviews of our data security practices.

Content Management and Monitoring

Our live streaming, short-form video and video communication platforms and other products enable users to exchange information, generate and distribute content, advertise products and services, conduct business and engage in various other online activities. A team within our data security department helps in enforcing our internal procedures to ensure that the content in our system is in compliance with applicable laws and regulations. They are aided by a program designed to sweep our platforms in real time 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. Our *Hago* platform has deployed deep learning-based voice recognition technology, which helps us to detect and delete prohibited content and deal with the relevant distributors in a timely fashion. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may face significant risks related to the content and communications on our platforms.”

We have been continually localizing our content management and monitoring efforts. In particular, we have deployed approximately 2,000 dedicated content management and monitoring personnel with local language proficiency and cultural understanding in a number of countries worldwide, including Russia, Egypt, India, Indonesia, Thailand and Vietnam.

Our IT Professionals

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, 2019, our research and development team consisted of 3,946 members. All of our service programs are designed and developed internally, including various interactive technologies. 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. We also build a team of experienced engineers who help us address challenges such as recommendation engines, big data and artificial intelligence, particularly in the areas of computer vision, national language processing, automatic speech recognition and speech synthesis.

We have technicians who are dedicated to monitoring and maintaining our network infrastructure. Our operation and maintenance team checks the voice and video data quality received by various users, the quality of users’ 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 video content 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.

YY and Bigo

As of December 31, 2019, we held 657 registered domain names, including YY.com, Bigo TV, Duowan.com, 100.com, Chinaduo.com, bigolive.sg, likee.com, 52ohello.com, 579 software copyrights and other copyrights, 774 patents and 1,806 trademarks and service marks in China and overseas. In addition, as of December 31, 2019, we had filed 2,280 patent applications covering certain of our proprietary technologies and 2,881 trademark applications in China and overseas.

Huya

As of December 31, 2019, Huya held 195 registered domain names, including Huya.com, 110 software copyrights and other copyrights, 87 patents and 445 trademarks and service marks in China and overseas. In addition, as of December 31, 2019, Huya had filed 634 patent applications covering certain of our proprietary technologies and 938 trademark applications in China and overseas. We no longer consolidate the operating results of HUYA Inc. as a result of the share transfer to Tencent on April 3, 2020.

Regulations

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, which currently known as the Ministry of Culture and Tourism;
- 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, which currently known as the State Administration for Market Regulation, or the SAMR;
- 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

Investment activities in China by foreign investors are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019), or the Negative List, which was promulgated on June 30, 2019 and became effective on the same day. According to the Negative List, the foreign stake in a value-added telecommunications service (except e-commerce, domestic conferencing, store-and-forward, and call center services) may not exceed 50%.

On 30 December 2019, the MOC and the SAMR jointly promulgated the Measures for Reporting of Foreign Investment Information, which became effective on January 1, 2020. According to the Measures for the Reporting of Foreign Investment Information, where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-invested enterprises shall report investment information to commerce departments in accordance with these Measures. A foreign investor who establishes a foreign-invested enterprise within China shall submit an initial report through the enterprise registration system when undergoing formation registration of the foreign-invested enterprise. In the case of any modification of the information in the initial report, which involves the enterprise's modification registration (recordation), the foreign-invested enterprise shall submit the modification report through the enterprise registration system when undergoing the enterprise's modification registration (recordation).

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 and amended on June 6, 2019, 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 BaiGuoYuan, 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 June 6, 2018, March 21, 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 sites and facilities for its approved business operations and maintain such sites and 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. 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 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 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 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 a value-added telecommunications business operation license (the "ICP license"), from the relevant local authorities before engaging in the providing of any commercial internet information services in China, and the ICP license is subject to annual inspection within the first quarter of the next year according to the Administrative Measures for Telecommunications Business Operating Licensing, which was promulgated by the MIIT on March 5, 2009 and amended on July 3, 2017. 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. Each of Guangzhou Huaduo and Guangzhou BaiGuoYuan presently holds the ICP licenses on internet and mobile network information services issued by the Guangdong branch of the MIIT.

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, as amended, 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 games, which was last updated in July 2018.

Regulations Related to Mobile Internet Applications Information Services

The mobile internet applications, or the APPs, are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services, or the App Provisions, which were promulgated by the Cyberspace Administration of China, or CAC, on June 28, 2016 and became effective on August 1, 2016. The App Provisions set forth the relevant requirements on the APP information service providers. The CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide and local APP information respectively.

The APP information service providers shall satisfy relevant qualifications required by laws and regulations, carry out the information security management responsibilities strictly and fulfill their obligations in various aspects relating to real-name system, protection of users' information, examination and management of information content, as follows: (i) shall authenticate the identity information of the registered users including their mobile phone number and other identity information under the principle that mandatory real name registration at the back-office end, and voluntary real-name display at the front-office end; (ii) shall establish and perfect the mechanism for the protection of users' information and follow the principle of legality, rightfulness and necessity, indicate expressly the purpose, method and scope of collection and use and obtain the consent of users while collecting and using users' personal information; (iii) shall establish and perfect the mechanism for the examination and management of information content, and in terms of any information content released that violates laws or regulations, take such measures as warning, restricting the functions, suspending the update and closing the accounts as the case may be, keep relevant records and report the same to relevant competent authorities; (iv) shall safeguard users' right to know and to make choices when users are installing or using such applications, and shall neither start such functions as collecting the information of users' positions, accessing users' contacts, turning on the camera and recording the sound, or any other function irrelevant to the services, nor forcefully install any other irrelevant applications without prior consent or users' when noticed expressly; (v) shall respect and protect the intellectual properties and shall neither produce nor release any application that infringes others' intellectual properties; and (vi) shall record the users' log information and keep the same for 60 days.

On November 29, 2019, the Secretary Bureau of the Cyberspace Administration of China, the MIIT, the Ministry of Public Security and the SAMR jointly promulgated the Measures for the Determination of the Collection and Use of Personal Information by APPs in Violation of Laws and Regulations, which came into effect on the same day. The Measures explicitly classify acts that may be determined as “failing to make public the collection and use rules”, “failing to explicitly showing the purposes, methods and scope of the collection and use of personal information”, “failing to collect and using personal information with a user’s consent”, “collecting personal information unrelated to the services it provides against the necessary principle” and “providing personal information to others without consent.”

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 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. Circular 32 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. On July 25, 2014, the SAPPRFT issued the Notice Regarding In-depth Development of Anti-fatigue Real Names Authentication on Online Games, which specifies that subject to the hardware, technology and other factors, the anti-fatigue compliance system applies to all online games excluding mobile games temporarily. 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.

On October 25, 2019, the Notice on Preventing Minors from Indulging in Online Games, or the “Notice”, issued by the SAPPRFT, which came into effect on November 1, 2019, requests online game operators to implement the real-name registration system. All online game users must use valid identity information to register their game accounts. Online game operators must require existing users to complete the real-name registration within 2 months from the date of implementation of this notice and stop providing game service to users, who cannot complete real-name registration within the prescribed period. The time and duration used by minors shall be strictly controlled. Online game companies are banned from providing game services to minors in any form between 10 p.m. and 8 a.m. The length of time that online game companies provide game services to minors shall not exceed 3 hours per day for statutory holidays and 1.5 hours for other days. Paid services provided to minors shall be regulated. Online game operators shall not provide paid game services for users under the age of 8 years old. As for the paid game services provided by the same online game operator, for users who are over 8 years old and under 16 years old, the single recharge amount shall not exceed RMB50, the monthly recharge amount shall not exceed RMB200; for users over 16 years old and under 18 years old, the amount of one single recharge shall not exceed RMB100, and the monthly recharge amount shall not exceed RMB400.

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, fourteen 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.

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 July 8, 2015, the National Copyright Administration issued the Circular regarding Ceasing Transmitting Unauthorized Music Products by Online Music Service Providers, which requires that (a) all unauthorized music products on the platform of online music services providers shall be removed prior to July 31, 2015; and (b) the National Copyright Administration investigate and punish the online music services providers who continue to transmit unauthorized music products following July 31, 2015.

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 of 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 service users 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, and amended the Notice on August 28, 2015, 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, regulation that 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 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 and amended on August 28, 2015. The Radio and TV Programs Regulations require any entity 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 SAMR 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 which became effective since September 1, 2015, and on October 26, 2018, respectively;
- 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 SAMR 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 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 SAMR 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.

Regulations on Internet Financing Business

We currently offer micro-credit internet financing service. The CBRC and PBOC jointly promulgated the Guidance on the Pilot Programs for Micro-credit Company, or the Micro-credit Company Guidance, on May 4, 2008. According to the Micro-credit Company Guidance, the principal funding sources of the micro-credit company shall either be the capital paid by shareholders, donated capital or the capital borrowed from at most two banking financial institutions. Within the scope prescribed by laws and regulations, the principal amount of the capital borrowed by a micro-credit company from banking financial institutions shall not exceed 50% of its net capital. The aggregate principal amount of loans provided by the micro-credit company to one single borrower shall not exceed 5% of the net capital of the micro-credit company.

The interest rate and term of the capital borrowed by a micro-credit company shall be mutually agreed by the micro-credit company and the banking financial institutions involved through negotiation, and the interest rate shall take the Shanghai inter-bank offered rate as the benchmark, ranging from 0.9 time of the benchmark of the PBOC corresponding interest rate to the upper limit prescribed by the judicial departments. The specific floating range thereof shall be independently determined according to the market-oriented principle.

Intellectual Property Rights

Software

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 to be entitled to better protections. For the number of software programs for which we had registered rights as of December 31, 2019, 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, 2019, see “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

Copyright

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 on May 30, 1991, and amended on August 2, 2002, January 8, 2011 and on January 30, 2013, respectively, 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 17, 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 works 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 joint 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.
- 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, 2019, 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, 2013 and 2019, with its implementation rules adopted in 2002 and amended in 2014, protects registered trademarks. The Trademark Office of the SAIC (currently known as the Trademark Office of National Intellectual Property Administration) 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, 2019, 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.

On December 15, 2019, the Cyberspace Administration of China promulgated the Provisions of Ecological Governance of Internet Information Content, which came into effect on March 1, 2020. Under this Provisions, an internet information content producer shall not make, copy or publish any illegal information, containing: (i) violating the fundamental principles set forth in the Constitution; (ii) jeopardizing national security, divulging state secrets, subverting the state power, or undermining the national unity; (iii) damaging the reputation or interests of the state; (iv) infringing name, portrait, reputation or honor of a hero or a martyr; (v) advocating terrorism or extremism; (vi) inciting ethnic hatred or discrimination to undermine ethnic solidarity; (vii) detrimental to state religious policies, propagating heretical or superstitious ideas; (viii) spreading rumors to disturb economic and social order; (ix) disseminating obscenity, pornography, force, brutality and terror or crime-abetting; (x) humiliating or defaming others or infringing upon their reputation, privacy and other legitimate rights and interests. In addition, an internet information content platform shall set up the mechanism of ecological governance of internet information content, develop the detailed rules for ecological governance of the internet information content on the platform and improve the systems of user registration, account management, information release and examination, etc. The platform shall set up the person in charge of the ecological governance of internet information content, equip itself with the professional personnel commensurate with the business scope and service scale, strengthen training and examination and improve the quality of practitioners, set up convenient channels for filing complaints and reports in prominent places and publish the ways of filing complaints and reports, and compile an annual report on the ecological governance of network information content. If an internet information content producer violates the provisions, the internet information content platform shall take disposal measures including warning for rectification, restricting functions, suspending updates and closing accounts, eliminating illegal information and contents in a timely manner, keeping relevant records and reporting to the relevant competent authorities. If an internet information content platform violates the provisions, the cyberspace authorities shall hold interviews, give warnings, order it to suspend information update, take measures including restricting it from engaging in internet information services, and impose online behavior restrictions and industry bans.

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.

On June 22, 2017, the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council jointly promulgated the Circular on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security. According to the Circular, the security protection grade of an information system may be classified into five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, handle the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality.

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. In May 2017, the Cyberspace Administration of China issued a trial version of the Measures for the Security Review of Network Products and Services (for Trial Implementation), which took effect on June 1, 2017, to provide for more detailed rules regarding cybersecurity review requirements.

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).

In January 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 principal regulations governing distribution of dividends paid by wholly foreign-invested enterprises include the PRC Company Law, promulgated in 1993 and amended in 2004, 2005, 2013 and 2018, and the New Foreign Investment Law and its Implementation Rules.

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 the PRC Enterprise Income Tax Law, or the New 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 and on December 29, 2018. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008 and amended on April 23, 2019. 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 New 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. In October 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37, effective December 2017, superseded the Non-resident Enterprises Measures and SAT Circular 698 as a whole and partially amended some provisions in SAT Circular 7. SAT Circular 37 purports to clarify certain issues by providing the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation. Specifically, SAT Circular 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in instalments, the instalments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

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 became subject to VAT from June 1, 2014, at a rate of 6%. Other revenues are subject to VAT for the years ended December 31, 2017, 2018 and 2019.

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 on December 29, 2018, respectively; 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 Labor Contract Law and the 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. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC, which was promulgated in October 28, 2010, effectively July 1, 2011 and amended on December 29, 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, workplace injury insurance and basic medical insurance and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance. Pursuant to the Reform Plan for Collection and Management System of National and Local Taxes released by General Office of the Communist Party of China and the State Council on July 20, 2018, all social insurance premiums, such as basic pension insurance premium, basic medical insurance premium, unemployment insurance premium, work-related injury insurance premium and maternity insurance premium, shall be collected uniformly by the relevant tax authorities starting from January 1, 2019.

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 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 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.

Overseas Regulations

As our globalized operations evolve, we may, from time to time, be subject to overseas regulations. As the live streaming and short-form video businesses are still at an early stage of development in the jurisdictions where we have presence, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those we currently have. This section sets forth the most important laws and regulations that govern our current business activities in overseas jurisdictions, including European Union, India and Singapore.

Regulations on Data Privacy and Protection

General Data Protection Regulation – European Union

The General Data Protection Regulation, or GDPR, regulates the collection and use of personal data in the EU. The GDPR covers any business, regardless of its location, that provides goods or services to residents in the EU and, thus, could incorporate our activities in EU member states. The GDPR imposes strict requirements on controllers and processors of personal data, including special protections for “sensitive information,” which includes health and genetic information of individuals residing in the EU. GDPR grants individuals the opportunity to object to the processing of their personal information, allows them to request deletion of personal information in certain circumstances, and provides the individual with an express right to seek legal remedies in the event the individual believes his or her rights have been violated. Further, the GDPR imposes strict rules on the transfer of personal data out of the EU to regions that have not been deemed to offer “adequate” privacy protections, such as the China. Failure to comply with the requirements of the GDPR and the related national data protection laws of the EU member states, which may deviate slightly from the GDPR, may result in warning letters, mandatory audits and financial penalties, including fines of up to 4 percent of global revenues, or €20,000,000, whichever is greater. As a result of the implementation of the GDPR, we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules.

There is significant uncertainty related to the manner in which data protection authorities will seek to enforce compliance with GDPR. For example, it is unclear whether the authorities will conduct random audits of companies doing business in the EU, or act solely after complaints are filed claiming a violation of the GDPR. The lack of compliance standards and precedent, enforcement uncertainty and the costs associated with ensuring GDPR compliance may be onerous and adversely affect our business, financial condition, results of operations and prospects.

California Consumer Privacy Act – California, United States

The California Consumer Privacy Act, or CCPA, went into effect on January 1, 2020. The CCPA creates new transparency rules and individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase the likelihood and cost of data breach litigation. The potential effects of this legislation are far-reaching and may require us to modify our data processing practices and policies and incur substantial costs and expenses in compliance and potential litigation efforts. As some other state and federal legislative and regulatory bodies are considering similar legislation on how to handle personal data, some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business.

Online Collection of Information from Children

The Children’s Online Privacy Protection Act of 1998, or COPPA, governs the online collection of personal information from children under the age of 13. Under COPPA, a website or online service that knowingly collects information from children under 13 years old, or that in whole or in part is directed to children under 13 years old, must obtain verifiable parental consent before collecting, using and/or disclosing personal information from any child (including, but not limited to, first and last name, home address, email address, telephone number, Social Security number, image or likeness, mobile device identifier or other persistent identifier that would permit the physical or online contacting of a specific individual).

Websites or online services subject to COPPA must therefore obtain verifiable parental consent before engaging in online advertising that involves tracking of children under the age of 13. The website operator must also post and obtain parental consent to a clear online privacy policy that provides notice of what information is collected from children, how the information is used, and a list of third parties with which the operator may share or sell the child's information. The privacy policy must give parents the choice to determine whether the child's information can be shared with third parties, provide parents access to the child's information, and offer parents the opportunity to delete any collected information. If the company permits third party advertising networks to use persistent identifiers to serve advertisements, those advertising networks must be informed that the site or service is directed towards children and the company must ensure that parental consent covers such collection, sharing, and use. Moreover, the operator must establish and maintain reasonable procedures to protect the confidentiality, security and integrity of any personal information collected from children under 13 years of age. COPPA also prohibits conditioning a child's participation in a game on the child disclosing more personal information than is reasonably necessary to participate in such activity. COPPA authorizes the FTC and the State Attorneys General to bring actions against website operators to enforce the statute, and provides for penalties of up to US\$42,530 per violation.

Information Technology Act 2000 – India

Information Technology Act 2000, or the IT Act, governs the data privacy regulations in India. The IT Act contains three provisions on data protection and privacy. Section 43A provides that we are subject to civil liability to compensate for wrongful loss or gain to any person arising from negligence in implementing and maintaining reasonable security practices and procedures with respect to sensitive personal data or information that we possess, deal with or handle in our computer systems, networks, databases and software. Section 72A provides for criminal punishment if, in the course of performing a contract, a service provider discloses personal information without the consent of the person concerned or in breach of a lawful contract and he or she does so with the intention to cause, or knowing he or she is likely to cause, wrongful loss or wrongful gain. Section 72 prescribes criminal punishment if a government official discloses records and information accessed by him or her in the course of his or her duties without the consent of the concerned person or unless permitted by other laws. India has also implemented privacy laws, including the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011, which impose limitations and restrictions on the collection, use and disclosure of personal information.

Personal Data Protection Act 2012 (No. 26 of 2012) – Singapore

A non-governmental entity collecting, processing or using personal data is subject to the Personal Data Protection Act, or the "PDPA," as amended on December 30, 2015. Any information that may be used to directly or indirectly identify a natural person is considered "personal data," including the name of the data subject, date of birth, identity card number, passport number, characteristics, fingerprints, marital status, family, education, occupation, medical record, medical treatment, genetic information, sexual life, health examination, criminal record, contact information, financial conditions, and social activities.

When an entity collects personal data, it must inform the data subject of matters including the purpose of collection, how the data will be used, the rights of the data subject to review, duplicate, correct the personal data, and the right to request the entity to cease using the data. When such entity processes or uses any personal data collected by any third parties, it must further inform the data subject about the source of such data in addition to the requirements mentioned above. In principle, prior consent from the data subject is required in order to process and/or use his/her personal data. However, this requirement is exempted if the use relates to public interests or if the personal data is available from the public domain and the interest to be protected is more important than the privacy of the data subject. Furthermore, the competent authorities may impose restrictions on any overseas transmission of personal data if (i) such transmission is related to the interests of the nation, (ii) such restriction is imposed pursuant to an international treaty or agreement, (iii) the receiving country has no laws or regulations that are sufficient to protect personal data, or (iv) such transmission is made through a third nation/region for the purpose of avoiding the regulations of the PDPA.

Violation of the PDPA may lead to a criminal sentence if such violation is committed with the intent to gain profits, and may also lead to damage claims whether with such intent to gain profits or not, even if no actual damage can be proven. The competent authorities may request an entity to delete the data and prohibit the entity from further collecting, processing or using the data if the entity is perceived to have violated the PDPA. A victim may authorize certain public-interest associations to file a lawsuit against the violator on his/her behalf.

Regulations on Intellectual Property

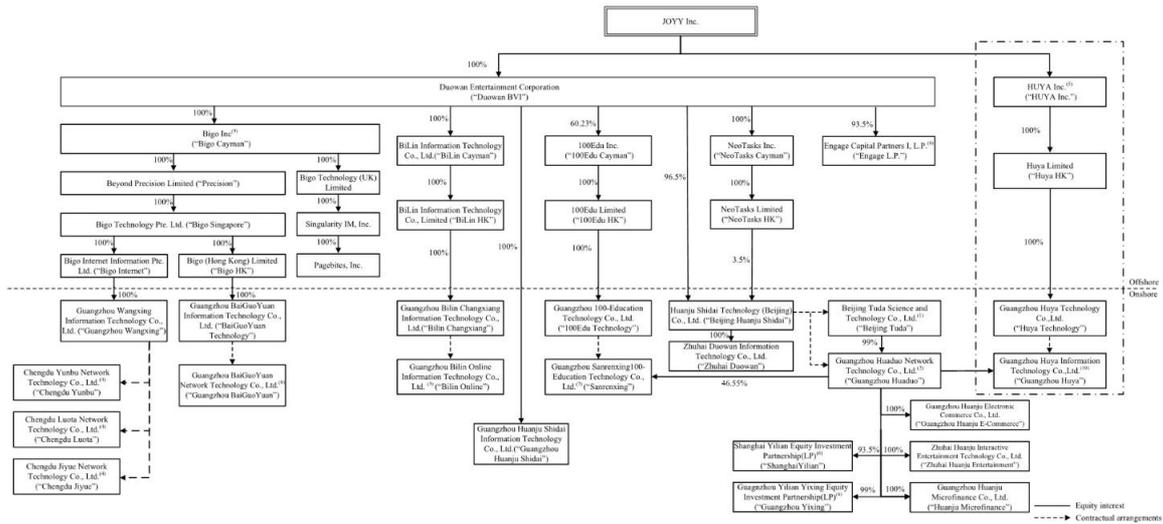
Copyright Act, 1957 – India

Copyright law in India is governed by the Copyright Act, 1957, which has been amended six times, with the last amendment in 2012. It is a comprehensive set of statutes providing for legal protection to copyright, moral rights and neighboring rights. Under the fair use provisions of the Act, section 52(1)(b) provides that transient or incidental storage of a work or performance purely in the technical process of electronic transmission or communication to the public does not constitute infringement of copyright. This provision provides safe harbor to internet service providers that may have incidentally stored infringing copies of a work for the purpose of transmission of data.

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 chief executive officer and director, owns 97.7% of Beijing Tuda's equity interests, and two individuals unaffiliated with us collectively own the remaining 2.3% 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 0.5% and 99.0% of Guangzhou Huaduo's equity interests, respectively, as of the date of this annual report. Mr. Jun Lei and two individuals unaffiliated with us collectively own the remaining 0.5% of Guangzhou Huaduo's equity interests. 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 and an individual unaffiliated with us owns 99.0% and 1.0% of Bilin Online'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 Bilin Online."
- (4) Each of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue is our PRC consolidated affiliated entity, as of the date of this annual report. Two individuals from the senior management team of Bigo collectively own all equity interest of each of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, respectively. For a detailed description of the contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue."
- (5) As of April 3, 2020, we owned 43.0% voting power in HUYA Inc. and no longer consolidate financial results of HUYA Inc., its subsidiaries and its PRC consolidated affiliated entities.
- (6) Duowan BVI is the limited partner of Engage L.P., and Guangzhou Huaduo is the limited partner of Shanghai Yilian and Guangzhou Yixing.
- (7) Sanrenxing is our PRC consolidated affiliated entity. Guangzhou Huaduo owns 46.55% of Sanrenxing'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 Sanrenxing."
- (8) Guangzhou BaiGuoYuan is our PRC consolidated affiliated entity. Mr. David Xueling Li and an individual from the senior management team of Bigo owns 99.9% and 0.1% of Guangzhou BaiGuoYuan'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 BaiGuoYuan."
- (9) In March 2019, we completed the acquisition of the remaining 68.3% equity interest in Bigo from the other shareholders of Bigo. As of the date of this annual report, we hold 100% shares of Bigo, and Bigo is our wholly owned subsidiary.
- (10) Guangzhou Huya was our PRC consolidated affiliated entity that we no longer consolidate its financial results, commencing from April 3, 2020. Guangzhou Huaduo owns 99.01% of Guangzhou Huya's equity interest, 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—Contractual Arrangements with Guangzhou Huya."

D. Property, Equipment and Land Use Right

Our corporate headquarters is located in Panyu District, Guangzhou, China, which comprise 37,548 square meters. We acquired a building in Zhuhai in October 2017 as branch office, which comprises 27,206 square meters. As of the date of this annual report, we have leased office space with an aggregate area of 8,930 square meters within and outside China. In August 2015, we acquired the use right of a parcel of land located at Pazhou, Haizhu District, Guangzhou, China. We expect to use this land to support future development of our company. YY's physical servers are primarily hosted at internet data centers owned by major domestic internet data center providers.

Bigo's corporate headquarters is located in Singapore. As of the date of this annual report, Bigo has leased office space with an aggregate area of 39,793 square meters, of which 19,874 square meters are in Guangzhou and the remainder in other cities within and outside China. Bigo's physical servers are primarily hosted at internet data centers owned by major international internet data center providers hosted outside China.

Huya's corporate headquarters is located in Guangzhou, China. As of the date of this annual report, Huya has leased office space with an aggregate area of 30,402 square meters, of which 22,701 square meters are in Guangzhou and the remainder in Zhuhai, Beijing and other cities within and outside China. Huya leases certain of its office premises from us under operating lease agreements. We no longer consolidate the operating results of Huya as a result of the share transfer to Tencent on April 3, 2020.

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 are a leading global social media platform, offering users around the world a uniquely engaging and immersive experience across various video-based content categories, such as live streaming, short-form videos and video communication. Our global average mobile monthly active users reached 485.2 million in the fourth quarter of 2019, of which over 78.8% came from overseas markets. In the fourth quarter of 2019, we had 158.9 million of average mobile monthly active users of global live streaming services and 115.3 million of average mobile monthly active users of global short-form video services.

With our pioneering business model in China, we have accumulated deep expertise in building and operating a vibrant video content ecosystem since our inception in 2005. Foreseeing the massive global opportunities, we began to expand overseas first by investing in Bigo, followed by the internationalization of *YY Live* and *Huya*, and by acquiring Bigo in March 2019.

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 virtual tips for live streaming. We derive our revenues primarily from live streaming services, accounting for 92.0%, 94.4% and 93.9% of our total net revenues in 2017, 2018 and 2019, respectively. 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. We generate other revenues mainly from advertising services, and to a lesser extent, our online game business, memberships and other services. Such other revenues accounted for 8.0%, 5.6% and 6.1% of our total net revenues in 2017, 2018 and 2019, respectively.

On April 3, 2020, we transferred 16,523,819 Class B ordinary shares of Huya to Linen Investment Limited, a wholly-owned subsidiary of Tencent. As a result of the closing of the share transfer, Tencent became the controlling shareholder of Huya and will consolidate financial statements of Huya. Starting from April 3, 2020, we no longer consolidate the operating results of Huya into our financial statements.

The COVID-19 outbreak may have negative impact on our results of operations, and the full extent of the impact will depend on future developments that are highly uncertain and cannot be predicted.

Discussion of Selected Statements of Operations Items

Revenues

Starting from the first quarter of 2018, we re-classified our revenues from live streaming, online games, revenues from memberships, and other revenues (which mainly represented revenues from our online advertising revenues) to the categories of live streaming and other revenues. The revenue presentation for the year ended December 31, 2016 and 2017 has been retrospectively adjusted. Our live streaming revenues are primarily comprised of revenues from *YY Live*, *Huya* and *Bigo Live*. Other revenues primarily include advertising revenues, and to a lesser extent revenues from online games, membership, online education, and financing income. As a result of the share transfer to Tencent on April 3, 2020, we no longer consolidate the results of operations of Huya.

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. Our revenues for the year ended December 31, 2019 include revenues generated by Bigo from March 4, 2019 to December 31, 2019.

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	% of total net revenues	RMB	% of total net revenues (in thousands, except for percentages)	RMB	US\$	
Live streaming	10,670,954	92.0	14,877,667	94.4	24,028,299	3,451,449	93.9
Others	923,838	8.0	885,890	5.6	1,547,905	222,343	6.1
Total net revenues ⁽¹⁾	11,594,792	100.0	15,763,557	100.0	25,576,204	3,673,792	100.0

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

Live streaming revenues. We generate live streaming revenues from the sales of in-channel virtual items used on our live streaming platforms. 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. Our management regularly monitor these operating metrics, which are important and direct performance indicators, in managing our live streaming business and in making relevant operational and production decisions.

- *The number of paying users.* Excluding Bigo's effects, we had 16.6 million, 19.8 million and 23.8 million paying users in 2017, 2018 and 2019, 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 platforms 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.
- *ARPU.* Excluding Bigo's effects, our ARPU for live streaming was RMB643.2, RMB751.2 and RMB818.9 in 2017, 2018 and 2019, 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 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.

Other revenues. We generate other revenues mainly from advertising services, and to a lesser extent, our online game business, memberships and other services.

(i) *Advertising revenues.* Advertising revenues were generated from sales of various forms of advertising and provision of promotion campaigns on our live streaming platforms.

- (ii) *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 online games we currently offer are primarily web games that can be run from an internet browser and require an internet connection to play.
- (iii) *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.
- (iv) *Others.* We generated other revenues from our online education, e-commerce, and financing business. Online education service consists of vocational training, language training and K-12 afterschool education courses and we generated revenue from course fee. Our e-commerce business offers e-commerce service solutions for merchants based on our core live-streaming technology. We also generated revenues from financing business.

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) payment handling costs, (iv) salary and welfare, (v) technical service fee, (vi) depreciation and amortization expense for servers, other equipment and intangibles directly related to operating the platform, (vii) share-based compensation, (viii) other taxes and surcharges, and (ix) other costs. Our cost of revenues generally increased in the past three years ended December 31, 2019, primarily due to the growth and expansion of our businesses, including the consolidation of Bigo in 2019.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses, (iii) general and administrative expenses, and (iv) goodwill impairment.

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, 2019, due to the need for additional research and development personnel to accommodate the growth of our business, especially the increase in AI-focused research personnel supporting the build-up of our AI capabilities, as well as the consolidation of Bigo in 2019.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of (i) advertising and promotion expenses, (ii) amortization of intangible assets from business acquisition, and (iii) salary and welfare for sales and marketing personnel. Our sales and marketing expenses generally increased over the past three years ended December 31, 2019, primarily reflecting increased marketing and promotional activities as well as the consolidation of Bigo in 2019.

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, (iii) impairment charge, and (iv) professional service fees. Our general and administrative expenses generally increased over the past three years ended December 31, 2019 as a result of our business growth and expansion including the consolidation of Bigo in 2019.

Goodwill Impairment

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 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,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands, except for percentages)			
Research and development expenses	122,348	225,173	505,697	72,639
Sales and marketing expenses	4,417	5,723	12,718	1,827
General and administrative expenses	88,137	342,790	348,479	50,056
Total	214,902	573,686	866,894	124,522

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 and business*

In February 2017, we disposed 46% the equity interest in Beijing Yunke Online, and recognized an income of RMB 38.0 million.

In December 2019, we disposed YY segment's online game business, and recognized an income of RMB82.7 million (US\$11.9 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 is not party to any double tax treaties that are applicable to any payments made to or by our company.

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.

Singapore

According to the Development and Expansion Incentive, or the Incentive, pursuant to the provisions of Part IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86, corporations engaging in new high-value-added projects, expanding or upgrading their operations, or undertaking incremental activities after their pioneer period may apply for their profits to be taxed at a reduced rate of not less than 5% for an initial period of up to ten years. The total tax relief period for each qualifying project or activity is subject to a maximum of 40 years (inclusive of the post-pioneer relief period previously granted, if applicable).

Bigo Singapore applied for the Incentive and received approval in October 2018. Bigo Singapore is entitled to enjoy the beneficial tax rate of 5% as the Incentive for the years 2018 through 2022, and will need to re-apply for the Incentive qualification renewal in 2023. Other subsidiaries incorporated in Singapore were subject to 17% of their taxable income.

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. 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.

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. The additional tax deducting amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018. 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, Guangzhou Huanju Shidai declared and distributed a cash dividend of part of its stand-alone 2014-2016 earnings, totaling to US\$15 million, to its direct oversea parent company, Duowan BVI. As a result, Guangzhou Huanju Shidai paid a 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. 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 are subject to VAT at a rate of 6% for the years ended December 31, 2017, 2018 and 2019. Other revenues are subject to VAT at a rate of 6%, 9% or 13% for the years ended December 31, 2017, 2018 and 2019. We also subject to surcharges of VAT, which are calculated based on 12% of the VAT paid for the years ended December 31, 2017, 2018 and 2019. Business taxes and related surcharges during 2017, 2018 and 2019 were RMB48.4 million, RMB48.7 million and RMB68.5 million (US\$9.8 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, 2018, revenue presentation has been changed to live streaming and others to better reflect the way we generate revenues. The revenue presentation for the years ended December 31, 2016 and 2017 are also retrospectively changed to be consistent with the year ended December 31, 2018. Other revenues are mainly generated from online games, membership, online education, advertising and finance business.

On January 1, 2018, we 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. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Based on our assessment, the adoption of ASC 606 did not result in any adjustment on our consolidated financial statements, and there were no material differences between our adoption of ASC 606 and our historic accounting under ASC 605.

Revenues are recognized when control of the promised virtual items or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those virtual items or services.

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 without expiry. As the virtual currency is often consumed soon after it is purchased based on history of turnover, we consider the impact of the breakage amount for virtual currency coupons is insignificant. 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. Our users can access the platforms and view the live streaming content for free. We share a portion of the sales proceeds of virtual items ("revenue sharing fee") with performers and talent agencies in accordance with their revenue sharing arrangements. Those performers who do not have revenue sharing arrangements with us are not entitled to any revenue sharing fee.

We evaluate and determine that we are the principal and streaming users to be our customers. We report live streaming revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues and revenue sharing fee paid to performers and talent agencies are recorded as cost of revenues. Where we are the principal, we control the virtual items before they are transferred to users. Our control is evidenced by our sole ability to monetize the virtual items before they are transferred to users, and is further supported by us being primarily responsible to users and having a level of discretion in establishing pricing.

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.

We may also enter into contracts that can include various combinations of virtual items, which are generally capable of being distinct and accounted for as separate performance obligations, such as noble member program. Judgments are required as follow: 1) determining whether those virtual items are considered distinct performance obligations that should be accounted for separately versus together, 2) determining the standalone selling price for each distinct performance obligation, and 3) allocating of the arrangement consideration to the separate accounting of each distinct performance obligation based on their relative standalone selling prices. Certain virtual items are provided to customers over time and have the same pattern of transfer to customers. We exercises judgement in determining the number of distinct performance obligations by accounting for services that have the same pattern of transfer to customers as a single performance obligation. In instances where standalone selling price is not directly observable as we do not sell the virtual item separately, we determine the standalone selling price based on pricing strategies, market factors and strategic objectives. We recognize revenue for each of the distinct performance obligations identified in accordance with the applicable revenue recognition method relevant for that obligation.

As our live streaming virtual items are generally sold without right of return and we do not provide any other credit and incentive to its users, therefore accounting of variable consideration when estimating the amount of revenue to recognize is not applicable to the our live streaming business.

Others

Other revenues mainly generated from online games, membership, online education, advertising and finance business.

Online games revenues

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, 2017, 2018 and 2019 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.

Pursuant to contracts signed between the game developers and us, game developers own the games' copyrights and other intellectual property, and take primary responsibilities of game development and game operation, including designing, developing and updating of the games related to game content, pricing of virtual items, providing ongoing updates of new contents and bug fixing. Our 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 our platforms. Accordingly, we record online games revenues derived from third party developed games, on a net basis, net of the amount paid to game developers.

Given that third party developed games are managed and administered by the third party game developers, we do not have access to the data on the consumption details such as when 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 responsibility 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.

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.

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.

Online education revenues

Educational programs and services consist of vocational training, language training courses and K-12 afterschool education 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 standalone selling price. 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 available to the students, which generally is from the enrolment date to the completion of the relevant professional examination date.

Advertising revenues

We 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 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 the service is transferred to our customers, 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. Payment terms and conditions vary by contract type, although the terms generally include a requirement of payment within 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. In instances where the timing of revenue recognition differs from the timing of billing, we have determined the advertising contracts generally do not include a significant financing component. The primary purpose of the credits terms is to provide customers with simplified and predictable ways of purchasing our advertising services, not to receive financing from our customers or to provide customers with financing.

Certain customers may receive sales incentives in the forms of discounts and rebates to advertisers or advertising agencies based on purchase volume, which is accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers considering the contracted rebate rates and estimated sales volume based on historical experience, and reduce revenues recognized. We believe that there will not be significant changes to its estimates of variable consideration.

Financing revenues

We generate revenues from micro-credit personal loans provided to individual borrowers and corporate loans to corporate customers. We recognize financing income related to those services over the life of the underlying financing using the effective interest method on unpaid principal amounts after net of loan origination cost.

We do not accrue financing revenues when a financing receivables is placed on non-accrual status. Financing revenues will be recognized when cash is received on a cash basis cost recovery method by applying first to reduce principal and then to interests thereafter.

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.

Financing receivables

Financing receivables represent receivables derived from finance business, including micro-credit personal loans and corporate loans. Financing receivables are recorded at amortized cost, reduced by a valuation allowance estimated as of the balance sheet date. The amortized cost is equal to the unpaid principal amount, accrued interest receivables and net deferred origination costs. The origination costs are the direct costs attributable to originating the financing charged by third-party companies. The cash flows related to the principal of finance business are included in the investing activities category in the consolidated statement of cash flows.

Micro-credit personal loans

We provide micro loans to qualified individual borrowers. The micro loan periods granted to the borrowers generally range from one month to twelve months.

Corporate loans

We provide loans to corporate borrowers mainly through sales-and-leaseback model. Under the sales-and-leaseback arrangement, we, as lender, purchase machinery and equipment from lessees, who are the borrowers, and lease the purchased equipment back to the lessees for a number of years. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing.

We assess the allowance for financing receivables either on an individual or collective basis. We estimate and evaluate the allowance amounts and whether such amounts are adequate to cover potential losses, and periodic reviews are performed to ensure such amounts continue to reflect the best estimate of the losses inherent in the outstanding portfolio of debts. The estimate is based on a pooled basis due to the composition of homogeneous financing with similar size and general credit risk characteristics for similar finance businesses. We consider the credit worthiness of the individuals and the companies receiving financing, aging of the outstanding financing receivables, value of the collateral assets and other specific circumstances related to the financing when determining the allowance for financing receivables.

Financing receivables are placed on non-accrual status upon reaching 90 days past due or when reasonable doubt exists in timely collection of the financing receivables. When a financing receivable is placed on non-accrual status, we stop accruing financing income. Financing receivable is returned to accrual status if the related individual or company has performed in accordance with the contractual terms for a reasonable period of time and, in our judgment, will continue to make period principal and financing income payments as scheduled.

Investments

ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions 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 through earnings, unless they qualify for a measurement alternative. The new guidance requires modified retrospective application to all outstanding instruments beginning January 1, 2018, with a cumulative effect adjustment recorded to opening accumulated deficit as of the beginning of the first period in which the guidance becomes effective. However, changes to the accounting for equity securities without a readily determinable fair value would be applied prospectively. We adopted the new financial instruments accounting standard from January 1, 2018. 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.

Equity Investments with Readily Determinable Fair Values

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date. We classify the valuation techniques that use these inputs as Level 1 of fair value measurements.

Equity Investments without Readily Determinable Fair Values

After the adoption of this new accounting standard, we elected to record equity investments without readily determinable fair values and not accounted for under the equity method at cost, less impairment, adjusted for subsequent observable price changes on a nonrecurring basis, and report changes in the carrying value of the equity investments in current earnings. Changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The implementation guidance notes that an entity should make a "reasonable effort" to identify price changes that are known or that can reasonably be known.

Equity Investments Accounted for Using the Equity Method

We account 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. We adjust 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. We assess 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.

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 we, or our 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 we or our subsidiaries are the primary beneficiary, we considered whether it has the power to direct activities that are significant to the VIEs' economic performance, and also our 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, 100 Edu Technology, BaiGuoYuan Technology and Guangzhou Wangxing and ultimately we hold all the variable interests of the VIEs and have been determined to be the primary beneficiary of the VIEs. As a result of the share transfer to Tencent on April 3, 2020, we no longer consolidate the results of operations of Huya.

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, restricted share units of the Company, share option, restricted share units and ordinary shares of the Company's subsidiaries granted to employees and non-employees. The details of these share-based awards and the respective terms and conditions are described in "Share-based compensation" in Note 25 to our audited consolidated financial statements for the years ended December 31, 2017, 2018 and 2019, which are included elsewhere in this annual report on Form 20-F.

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. We 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 we are 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. We recognize compensation cost for awards with performance conditions if and when we conclude that it is probable that the performance condition will be achieved, net of an estimate of pre-vesting forfeitures over the requisite service period. We reassess 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, we may not be able to determine that it is probable that a performance condition will be satisfied until the event occurs.

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 stock price of JOYY on the Nasdaq Stock Market, 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.

We use the similar method in determining the fair value of share options granted by Huya prior to the completion of Huya's initial public offering in 2018.

During the year ended December 31, 2019, we granted 438,100 share options to employees, pursuant to the 2011 Share Incentive Scheme.

Restricted share units

In determining the fair value of restricted share units granted, the fair value of the underlying shares of JOYY on the grant dates is applied. The grant date fair value of restricted share units is based on stock price of JOYY on the Nasdaq Stock Market.

The fair value of restricted share units of Huya is determined with reference to stock price of Huya on NYSE.

The following table sets forth certain information regarding the restricted share units of JOYY granted to our employees in 2017, 2018 and 2019 with share and per share information.

Grant Date	Restricted Shares Units Granted	Fair Value Per Common Share as of the Grant Date (US\$)	Type/Methodology of Valuation
March 22, 2017	985,000	2.3470	Contemporaneous/Stock price
June 30, 2017	850,000	2.9350	Contemporaneous/Stock price
July 1, 2017	266,756	2.9350	Contemporaneous/Stock price
August 2, 2017	640,000	3.5600	Contemporaneous/Stock price
October 19, 2017	160,000	4.6385	Contemporaneous/Stock price
December 30, 2017	19,188,274	5.6530	Contemporaneous/Stock price
April 16, 2018	241,200	4.6470	Contemporaneous/Stock price
June 12, 2018	203,700	5.7420	Contemporaneous/Stock price
June 15, 2018	498,100	5.7390	Contemporaneous/Stock price
June 30, 2018	7,174,328	5.0235	Contemporaneous/Stock price
July 31, 2018	2,088,006	4.6615	Contemporaneous/Stock price
October 1, 2018	20,000	3.6305	Contemporaneous/Stock price
December 30, 2018	1,752,460	3.0300	Contemporaneous/Stock price
February 15, 2019	20,000	3.4380	Contemporaneous/Stock price
June 30, 2019	6,647,136	3.4845	Contemporaneous/Stock price
July 15, 2019	113,100	3.4010	Contemporaneous/Stock price
August 15, 2019	4,502,331	2.6305	Contemporaneous/Stock price
September 4, 2019	1,354,900	2.7850	Contemporaneous/Stock price
October 2, 2019	233,128	2.7730	Contemporaneous/Stock price
November 29, 2019	92,900	3.1895	Contemporaneous/Stock price
December 30, 2019	3,150,600	2.6890	Contemporaneous/Stock price

Restricted shares

In connection with the acquisition of Bigo in March 2019, we issued common shares to replace Bigo's share incentive scheme.

In determining the fair value of restricted shares granted, the fair value of the underlying shares of JOYY on the grant dates is applied. The grant date fair value of restricted share units is based on stock price of JOYY on the Nasdaq Stock Market.

The following table sets forth certain information regarding the restricted shares of JOYY granted to our employees in 2019 with share and per share information.

<u>Replacement/ Grant Date</u>	<u>Restricted Shares Granted</u>	<u>Fair Value Per Common Share as of the Grant Date (US\$)</u>	<u>Type/Methodology of Valuation</u>
March 04, 2019	38,042,760	3.6020	Contemporaneous/Stock price
April 01, 2019	1,553,658	4.4150	Contemporaneous/Stock price
April 02, 2019	2,447,063	4.3245	Contemporaneous/Stock price
June 01, 2019	41,616	3.4225	Contemporaneous/Stock price
July 01, 2019	5,419,394	3.6355	Contemporaneous/Stock price
October 01, 2019	2,503,488	2.8580	Contemporaneous/Stock price
October 02, 2019	4,076,108	2.7730	Contemporaneous/Stock price

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 select 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.

We estimated the fair value of acquired trademark using the relief from royalty method. The value is estimated as the present value of the after-tax cost savings at an appropriate discount rate. In terms of the fair value of the acquired user base, the excess earnings method was used. The value is estimated as the present value of the revenues calculated at an appropriate discount rate. Our determination of the fair values of acquired trademark and user base acquired involved the use of estimates and assumptions related to revenue growth rates, royalty rates, discount rates and attrition rates.

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 in the fourth quarter of each year or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

We have performed an impairment test on the goodwill allocated to Bigo segment. The amount of goodwill allocated to the Bigo segment is RMB12.9 billion. When determining the fair value of the reporting unit subject to goodwill impairment test, we used the income approach. The income approach determines fair value based on discounted cash flow models derived from the reporting units' long-term forecasts which included a future cash flow projection and an estimated terminal value. The discounted cash flow model included a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) the future cash flows forecasts including expected revenue growth, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with each reporting units' operations and the uncertainty inherent in our internally developed forecasts. These key assumptions are subject to uncertainties and actual results may not be the same as the forecasted amounts. For example, our efforts to attract more paying users and increase the spending level of paying users may not be as successful as forecasted and therefore the actual revenue growth may not be as high as forecasted. Based on our assessment, the fair value of the Bigo segment slightly exceeded the carrying value of the reporting unit as of December 31, 2019. For details of the headroom, please refer to the consolidated financial statements included elsewhere in this annual report.

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. Impairment of investments of RMB43.2 million, RMB35.3 million and RMB62.3 million (US\$9.0 million) was recognized for the year ended December 31, 2017, 2018 and 2019, respectively.

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, 2017, 2018 and 2019, a total valuation allowance of RMB135.5 million, RMB175.8 million and RMB722.3 million (US\$103.8 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. We did not recognize any significant interest and penalties associated with tax positions for the years ended December 31, 2017, 2018 and 2019. As of December 31, 2017, 2018 and 2019, we had no significant unrecognized uncertain tax positions.

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. We adopted ASU 2016-16 from January 1, 2018 using a modified retrospective transition method. There was no material impact to our consolidated financial statements.

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, Hong Kong, Singapore, United States, India and Egypt 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

We determine the appropriate accounting treatment of our 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, we 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.

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. Starting from April 3, 2020, we no longer consolidate the operating results of Huya into our financial statements.

	For the Year Ended December 31,						
	2017		2018		2019		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US\$	
Total net revenues ⁽¹⁾⁽²⁾	11,594,792	100.0	15,763,557	100.0	25,576,204	3,673,792	100.0
Live streaming	10,670,954	92.0	14,877,667	94.4	24,028,299	3,451,449	93.9
Others	923,838	8.0	885,890	5.6	1,547,905	222,243	6.1
Cost of revenues	(7,026,402)	(60.6)	(10,017,134)	(63.5)	(17,148,350)	(2,463,206)	(67.0)
Gross profit	4,568,390	39.4	5,746,423	36.5	8,427,854	1,210,586	33.0
Research and development expenses	(781,886)	(6.7)	(1,192,052)	(7.6)	(2,535,482)	(364,199)	(9.9)
Sales and marketing expenses	(691,281)	(6.0)	(1,149,316)	(7.3)	(3,739,724)	(537,178)	(14.6)
General and administrative expenses	(544,641)	(4.7)	(883,225)	(5.6)	(1,489,495)	(213,953)	(5.8)
Goodwill impairment	(2,527)	—	—	—	—	—	—
Total operating expenses	(2,020,335)	(17.4)	(3,224,593)	(20.5)	(7,764,701)	(1,115,330)	(30.4)
Gain on deconsolidation and disposal of subsidiaries and business	37,989	0.3	—	—	82,699	11,879	0.3
Other income	113,187	1.0	117,860	0.7	322,103	46,267	1.3
Operating income	2,699,231	23.3	2,639,690	16.7	1,067,955	153,402	4.2
Gain on deemed disposal and disposal of investments	45,861	0.4	16,178	0.1	—	—	—
Fair value loss on derivative liabilities	—	—	(2,285,223)	(14.5)	(16,011)	(2,300)	(0.1)
Gain on fair value changes of investments	—	—	1,689,404	10.7	2,679,312	384,859	10.5
Foreign currency exchange (losses)/gains, net	(2,176)	—	(514)	—	9,796	1,407	—
Interest expense	(32,122)	(0.3)	(8,616)	(0.1)	(266,517)	(38,283)	(1.0)
Interest income and investment income	180,384	1.6	488,552	3.1	733,576	105,372	2.9
Other non-operating expense	—	—	(2,000)	—	—	—	—
Income before income tax expenses	2,891,178	24.9	2,534,471	16.1	4,208,111	604,457	16.5
Income tax expenses	(415,811)	(3.6)	(477,707)	(3.0)	(546,622)	(78,517)	(2.1)
Income before share of income in equity method investments, net of income taxes	2,475,367	21.3	2,056,764	13.0	3,661,489	525,940	14.3
Share of income in equity method investments, net of income taxes	33,024	0.3	59,933	0.4	38,540	5,536	0.2
Net income	2,508,391	21.6	2,115,697	13.4	3,700,029	531,476	14.5
Less: Net (loss) income attributable to the non-controlling interest shareholders and the mezzanine equity classified non-controlling interest shareholders	(4,532)	—	(93,310)	(0.6)	254,794	36,599	1.0
Net income attributable to controlling interest of the Company	2,512,923	21.7	2,209,007	14.0	3,445,235	494,877	13.5
Less: Accretion of subsidiaries' redeemable convertible preferred shares to redemption value	19,688	0.2	73,159	0.5	38,346	5,508	0.1
Cumulative dividend on subsidiary's Series A Preferred Shares	—	—	4,606	—	27,559	3,959	0.1
Deemed dividend to subsidiary's Series A Preferred Shareholders	—	—	489,284	3.1	—	—	—
Net income attributable to common shareholders of the Company	2,493,235	21.5	1,641,958	10.4	3,379,330	485,410	13.2

Notes:

(1) Net of rebates and discounts.

(2) From January 1, 2018, revenue presentation has been changed to live streaming and others. We also have retrospectively changed the revenue presentation for the year ended December 31, 2017.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net revenues. Our net revenues increased by 62.2% from RMB15,763.6 million in 2018 to RMB25,576.2 million (US\$3,673.8 million) in 2019. This increase was primarily driven by the increase in live streaming revenues and the contribution from Bigo's consolidation.

Live streaming revenues. Our live streaming revenues increased by 61.5% from RMB14,877.7 million in 2018 to RMB24,028.3 million (US\$3,451.4 million) in 2019. The overall increase was primarily caused by (i) the continued live streaming revenues growth in YY and Huya segments, amounting to RMB4,588.9 million (US\$659.2 million), driven by user growth; and (ii) the contribution from the consolidation of Bigo segment, amounting to RMB4,561.8 million (US\$655.3 million).

Other revenues. Other revenues increased by 74.7% from RMB885.9 million in 2018 to RMB1,547.9 million (US\$222.3 million) in 2019, primarily due to the increase in advertising revenues from Huya and Bigo.

Cost of revenues. Our cost of revenues increased by 71.2% from RMB10,017.1 million in 2018 to RMB17,148.4 million (US\$2,463.2 million) in 2019. The increase was due in large part to an increase in our revenue sharing fees and content costs, which increased by 55.5% from RMB8,272.7 million in 2018 to RMB12,861.4 million (US\$1,847.4 million) in 2019. This increase in revenue sharing fees and content costs was in line with the increase in live streaming revenues and mainly due to the consolidation of Bigo. Bandwidth costs increased 78.1% from RMB967.4 million in 2018 to RMB1,723.0 million (US\$247.5 million) in 2019, as the overseas user base and time spent continued to expand following the consolidation of Bigo. Payment handling costs increased from RMB104.8 million in 2018 to RMB866.5 million (US\$124.5 million) in 2019, primarily due to the consolidation of Bigo and the higher charge rate of overseas payment systems as we expanded our global operations.

Operating expenses. Our operating expenses increased by 140.8% from RMB3,224.6 million in 2018 to RMB7,764.7 million (US\$1,115.3 million) in 2019, primarily due to an increase in sales and marketing expenses, particularly in relation to sales and marketing activities in both China and the overseas market, 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. The increases in the expenses were also a result of the consolidation of Bigo in 2019.

Research and development expenses. Our research and development expenses increased by 112.7% from RMB1,192.1 million in 2018 to RMB2,535.5 million (US\$364.2 million) in 2019. This increase was primarily due to the increase in salary of research and development staff by RMB973.0 million (US\$139.8 million) and the increase in share-based compensation by RMB280.5 million (US\$40.3 million) from 2018 to 2019, which were mainly related to the consolidation of Bigo, as well as increased spending on AI-related initiatives and personnel costs.

Sales and marketing expenses. Our sales and marketing expenses increased by 225.4% from RMB1,149.3 million in 2018 to RMB3,739.7 million (US\$537.2 million) in 2019. This increase was primarily due to our increased efforts in sales and marketing activities in overseas markets and the impact of depreciation and amortization related to the consolidation of Bigo.

General and administrative expenses. Our general and administrative expenses increased by 68.6% from RMB883.2 million in 2018 to RMB1,489.5 million (US\$214.0 million) in 2019. This increase was primarily due to the consolidation of Bigo by RMB331.5 million (US\$47.6 million) and the impairment change by RMB148.5 million (US\$21.3 million).

Foreign currency exchange gains (losses). We had net foreign currency exchange gains of RMB9.8 million (US\$1.4 million) in 2019, compared to a net foreign currency exchange losses of RMB0.5 million in 2018.

Interest income and investment income. Our interest income and investment income increased from RMB485.6 million in 2018 to RMB733.6 million (US\$105.4 million) in 2019. This increase was primarily due to the initial public offering in 2018 and the follow-on offering of HUYA Inc. in 2019, and the issuance of convertible senior notes in 2019.

Income tax expenses. We recorded income tax expenses of RMB546.6 million (US\$78.5 million) in 2019 compared to RMB477.7 million in 2018. The effective tax rate in 2019 was significantly impacted by (i) the gain on fair value change of investment in Bigo of RMB2.7 billion as it was non-taxable for income tax purpose; and (ii) the profit (loss) structure and the different effective tax rates of YY, Huya and Bigo segments. Particularly, the Company was not receiving as much benefit from losses incurred by Bigo as a majority of Bigo's business was subject to a low applicable tax rate in its jurisdiction.

Net income. As a result of the foregoing, we had a net income attributable to common shareholders of the Company of RMB3,379.3 million (US\$485.4 million) in 2019 as compared to a net income attributable to common shareholders of the Company of RMB1,642.0 million in 2018.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net revenues. Our net revenues increased by 36.0% from RMB11,594.8 million in 2017 to RMB15,763.6 million in 2018. This increase was primarily driven by the increase in live streaming revenues.

Live streaming revenues. Our live streaming revenues increased by 39.4% from RMB10,671.0 million in 2017 to RMB14,877.7 million in 2018. The overall increase was primarily caused by increases in the number of paying users from 16.6 million in 2017 to 19.8 million in 2018 and ARPU from RMB643.2 in 2017 to RMB751.2 in 2018. 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.

Other revenues. Other revenues decreased by 4.1% to RMB885.9 million for 2018 from RMB923.8 million for 2017, primarily due to the decrease in online game revenue.

Cost of revenues. Our cost of revenues increased by 42.6% from RMB7,026.4 million in 2017 to RMB10,017.1 million in 2018. 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 RMB8,272.7 million in 2018, representing a 44.4% increase from RMB5,727.1 million in 2017. This increase in revenue sharing fees and content costs was in line with the increase in live streaming revenues for both YY Live and Huya segments, respectively. Bandwidth costs increased 39.0% from RMB695.8 million in 2017 to RMB967.4 million in 2018, primarily reflecting the continued user base expansion and the video quality improvements.

Operating expenses. Our operating expenses increased by 59.6% from RMB2,020.3 million in 2017 to RMB3,224.6 million in 2018, primarily due to an increase in sales and marketing expenses, particularly in relation to sales and marketing activities in both China and the overseas market, 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.

Research and development expenses. Our research and development expenses increased by 52.5% from RMB781.9 million in 2017 to RMB1,192.1 million in 2018. This increase was primarily due to the increase in salary of research and development staff by RMB296.8 million and the increase in share-based compensation by RMB102.8 million.

Sales and marketing expenses. Our sales and marketing expenses increased by 66.3% from RMB691.3 million in 2017 to RMB1,149.3 million in 2018. This increase was primarily due to our efforts in sales and marketing activities in both China and the overseas market.

General and administrative expenses. Our general and administrative expenses increased by 62.2% from RMB544.6 million in 2017 to RMB883.2 million in 2018. This increase was primarily due to the increase in the share-based compensation from RMB88.1 million in 2017 to RMB342.8 million in 2018.

Foreign currency exchange gains (losses). We had net foreign currency exchange losses of RMB0.5 million in 2018, compared to a net foreign currency exchange losses of RMB2.2 million in 2017.

Interest income and investment income. Our interest income and investment income increased from RMB180.4 million in 2017 to RMB485.6 million in 2018. This increase was primarily due to the follow-on public offering in 2017 and the issuance of the Series B-2 Preferred Shares and initial public offering of HUYA Inc. in 2018.

Income tax expenses. We recorded income tax expenses of RMB477.7 million in 2018 compared to RMB415.8 million in 2017. This increase was primarily due to the higher income before income tax expenses recorded by certain of our PRC subsidiaries and consolidated affiliated entities. To a lesser extent, the income tax expense in 2018 was also impacted by (i) non-recurring fair value loss on derivative liabilities which was non-deductible for income tax purpose, and (ii) gain on fair value change of Bigo which was non-taxable for income tax purpose, both recorded during the second quarter of 2018.

Net income. As a result of the foregoing, we had a net income attributable to common shareholders of the Company of RMB1,642.0 million in 2018 as compared to a net income of RMB2,493.2 million in 2017.

Segment Revenues

The following table sets forth our revenues by segment for the periods indicated:

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
Net Revenues:				
YY	9,409,976	11,102,172	12,233,530	1,757,237
Huya	2,184,816	4,663,440	8,374,501	1,202,922
Bigo	N/A	N/A	4,968,316	713,654
Elimination	—	(2,055)	(143)	(21)

YY

2019 compared to 2018. YY revenues increased from RMB11,102.2 million in 2018 to RMB12,233.5 million (US\$1,757.2 million) in 2019, primarily driven by the increase in the number of paying user on YY Live.

2018 compared to 2017. YY revenues increased from RMB9,410.0 million in 2017 to RMB11,102.2 million in 2018, primarily driven by the increase in the number of paying user on YY Live.

Huya

2019 compared to 2018. Huya revenues increased from RMB4,663.4 million in 2018 to RMB8,374.5 million (US\$1,202.9 million) in 2019. This increase was mainly attributable to increase in lives streaming revenue, which is in turn driven by the increase in spending per paying user and the increase in the number of paying users on Huya.

2018 compared to 2017. Huya revenues increased from RMB2,184.8 million in 2017 to RMB4,663.4 million in 2018, primarily driven by increase in lives streaming revenues, which is in turn driven by the increase in spending per paying user and the increase in the number of paying users on Huya.

Bigo

After our acquisition of Bigo in March 2019, we consolidated its financial information into ours. Bigo revenues after this consolidation was RMB4,968.3 million (US\$713.7 million) in 2019, which mainly included revenue from live streaming services.

Segment Operating Costs and Expenses

The following table sets forth our operating costs and expenses by segment for the periods indicated:

	Year ended December 31,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
Operating Costs and Expenses:				
YY	(6,757,426)	(8,568,066)	(9,842,782)	(1,413,827)
Huya	(2,289,311)	(4,675,716)	(8,192,513)	(1,176,781)
Bigo	N/A	N/A	(6,877,899)	(987,948)
Elimination	N/A	2,055	143	21

YY

Operating costs and expenses of YY mainly consist of revenue sharing fees and content costs, salaries and benefits, marketing and promotion expenses, bandwidth costs, depreciation and amortization, impairment charge and other costs.

Cost of revenues

2019 compared to 2018. The cost of revenues of YY increased by 10.9% from RMB6,083.5 million in 2018 to RMB6,747.4 million (US\$969.2 million) in 2019, which was in line with the increase in revenue.

2018 compared to 2017. The cost of revenues of YY increased by 19.4% from RMB5,096.5 million in 2017 to RMB6,083.5 million in 2018, which was in line with the increase in revenue.

Research and development expense

2019 compared to 2018. The research and development expenses of YY increased by 13.0% from RMB926.9 million in 2018 to RMB1,047.6 million (US\$150.5 million) in 2019, primarily due to increase in staff related expenses for AI research and development personnel.

2018 compared to 2017. The research and development expenses of YY increased by 51.5% from RMB611.7 million in 2017 to RMB926.9 million in 2018, primarily due to increase in staff related expenses for research and development personnel.

Sales and marketing expenses

2019 compared to 2018. The sales and marketing expenses of YY increased by 29.1% from RMB962.2 million in 2018 to RMB1,242.5 million (US\$178.5 million) in 2019, primarily due to global expansion.

2018 compared to 2017. The sales and marketing expenses of YY increased by 59.3% from RMB604.0 million in 2017 to RMB962.2 million in 2018, primarily due to our efforts in sales and marketing activities in both China and the overseas market.

General and administrative expense

2019 compared to 2018. The general and administrative expenses of YY increased by 35.2% from RMB595.5 million in 2018 to RMB805.2 million (US\$115.7 million) in 2019, primarily due to increase in staff related expenses and impairment charge for financing business and equity investments.

2018 compared to 2017. The general and administrative expenses of YY increased by 34.5% from RMB442.6 million in 2017 to RMB595.5 million in 2018, primarily due to the increase in the share-based compensation.

Huya

Operating costs and expenses of Huya mainly consist of revenue sharing fees and content costs, bandwidth costs, marketing and promotion expenses, salaries and benefits and other costs.

Cost of revenues

2019 compared to 2018. The cost of revenues of Huya increased by 75.2% from RMB3,933.6 million in 2018 to RMB6,892.6 million (US\$990.1 million) in 2019, primarily due to an increase in sales of virtual items on Huya's platform and its continued spending on content creators and e-sports content in both domestic and overseas markets.

2018 compared to 2017. The cost of revenues of Huya increased by 103.8% from RMB1,929.9 million in 2017 to RMB3,933.6 million in 2018, primarily due to an increase in sales of virtual items on Huya's platform and its continued spending on e-sports content and content creators .

Research and development expense

2019 compared to 2018. The research and development expenses of Huya increased by 91.9% from RMB265.2 million in 2018 to RMB508.7 million (US\$73.1 million) in 2019, primarily due to the increase in headcount and average salary of research and development personnel as well as shared-based compensation expenses related to the share awards newly granted in 2019.

2018 compared to 2017. The research and development expenses of Huya increased by 55.8% from RMB170.2 million in 2017 to RMB265.2 million in 2018, primarily due to the increase in the salaries and welfare of research and development personnel as well as shared-based compensation expenses related to the share awards newly granted in 2018.

Sales and marketing expenses

2019 compared to 2018. The sales and marketing expenses of Huya increased by 131.7% from RMB189.2 million in 2018 to RMB438.4 million (US\$63.0 million) in 2019, primarily due to the increased marketing expenses associated with the promotions for our products and brand name in both domestic and overseas markets, as well as increased personnel-related expenses.

2018 compared to 2017. The sales and marketing expenses of Huya increased by 116.8% from RMB87.3 million in 2017 to RMB189.2 million in 2018, primarily due to an increase in marketing and promotion expenses due to enhanced efforts in promoting our brand awareness, e-sport content, and cooperating with various marketing channels.

General and administrative expense

2019 compared to 2018. The general and administrative expenses of Huya increased by 22.6% from RMB287.7 million in 2018 to RMB352.8 million (US\$50.7 million) in 2019, primarily due to the increase in personnel-related expenses.

2018 compared to 2017. The general and administrative expenses of Huya increased by 182.1% from RMB102.0 million in 2017 to RMB287.7 million in 2018, primarily due to the increase in share-based compensation expenses related to the share awards newly granted, as well as salaries and welfare of management personnel and professional fees.

Bigo

Operating costs and expenses of Bigo mainly consist of revenue sharing, salaries and benefits, marketing and promotion expenses, bandwidth costs, depreciation and amortization, payment handling costs and other costs.

Cost of revenues. The cost of revenues of Bigo in 2019 after we consolidated Bigo's financial information was RMB3,508.5 million (US\$504.0 million), which consisted primarily of (i) revenue sharing fees and content costs, (ii) bandwidth costs, (iii) payment handling cost, (iv) salary and welfare, (v) technical service fee, and (vi) depreciation and amortization expense for servers.

Research and development expenses. The research and development expenses of Bigo in 2019 after we consolidated Bigo's financial information were RMB979.2 million (US\$140.6 million), which consisted primarily of salary and welfare, and share-based compensation for research and development personnel.

Sales and marketing expenses. The sales and marketing expenses of Bigo in 2019 after we consolidated Bigo's financial information were RMB2,058.8 million (US\$295.7 million), which consisted primarily of advertising and market promotion expenses, and amortization of intangible assets from consolidation of Bigo.

General and administrative expenses. The general and administrative expenses of Bigo in 2019 after we consolidated Bigo's financial information were RMB331.5 million (US\$47.6 million), which consisted 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.

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 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, 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(mm) 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 follow-on offering in August 2017 and the proceeds from our convertible senior notes offering in June 2019. 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. The notes bore 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 matured on April 1, 2019. On April 1, 2017, we repurchased for cash the notes of an aggregate principal amount of US\$399.0 million. As of the date of this annual report, no principal amount of the notes remain outstanding.

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 fully repaid the loan.

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 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 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.

In May 2018, HUYA Inc. successfully completed its initial public offering of 17,250,000 ADSs at a price of US\$12.0 per ADS, including 2,250,000 ADSs offered pursuant to the underwriters' full exercise of their over-allotment options. Each HUYA Inc. ADS represents one Class A ordinary share of HUYA Inc. HUYA Inc. received net proceeds of US\$190.1 million.

In June 2018, we invested US\$272 million in the Series D round of financing of Bigo as the lead investor. We were then an existing shareholder of Bigo and had become its largest shareholder after the Series D financing.

On February 28, 2019, we entered into a facility agreement with Goldman Sachs Lending Partners LLC, or Goldman Sachs. Subject to the terms of this agreement, Goldman Sachs agreed to make available to us a U.S. dollar term loan facility in an aggregate amount of up to US\$100.25 million. In March 2019, we borrowed a loan amounting to US\$100.25 million under this facility agreement. As of April 2019, we have fully repaid such loan.

In March 2019, we completed the acquisition of the remaining 68.3% of equity interest in Bigo from the other shareholders of Bigo, including Mr. David Xueling Li, our chairman of the board of directors and chief executive officer. Pursuant to the agreement, we paid US\$343.1 million in cash and resulted in issuance of 38,326,579 Class B common shares to Mr. David Xueling Li and 305,127,046 outstanding Class A common shares to Mr. David Xueling Li and other selling shareholders of Bigo.

In April 2019, HUYA Inc. successfully completed a follow-on public offering, issuing 13,600,000 ADSs at a price of US\$24.00 per ADS. We, as a selling shareholder, participated in the follow-on public offering and offered 4,800,000 ADSs. Huya and we raised from such public offering approximately US\$313.8 million in net proceeds after deducting underwriting commissions and the offering expenses payable.

In June 2019, we issued an aggregate of US\$500.0 million convertible senior notes due in 2025 and an aggregate of US\$500.0 million convertible senior notes due in 2026. The total net proceeds from the sale of the notes were US\$982.4 million. The 2025 Notes will bear interest at a rate of 0.75% per year, and the 2026 Notes at a rate of 1.375% per year. Interest on the notes will accrue from, and including, June 24, 2019 and will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2019. The 2025 Notes will mature on June 15, 2025 and the 2026 Notes will mature on June 15, 2026, unless repurchased, redeemed or converted in accordance with their terms prior to such date. On March 25, 2020, we announced a convertible notes repurchase plan under which we may repurchase up to an aggregate of US\$200 million of the 2025 Notes and 2026 Notes over the next 12 months. We expect to fund repurchases made under this plan from our existing funds.

As of December 31, 2017, 2018 and 2019, we had RMB3,617.4 million, RMB6,004.2 million and RMB4,551.5 million (US\$653.8 million), respectively, in cash, cash equivalents and restricted cash.

As of December 31, 2019, our subsidiaries, VIEs, and VIE's subsidiaries located in the PRC held cash and cash equivalents in the amount of RMB2,156.5 million (US\$309.8 million). Aggregate undistributed earnings and reserves of our subsidiaries, VIEs, and VIE's subsidiaries located in the PRC that are available for distribution to our company as of December 31, 2019 were RMB16,010.2 million (US\$2,299.7 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,			
	2017	2018	2019	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash provided by operating activities	3,718,452	4,464,814	4,581,691	658,118
Net cash used in investing activities	(3,037,516)	(6,295,386)	(15,609,900)	(2,242,222)
Net cash provided by financing activities	1,392,525	4,167,270	9,469,906	1,360,268
Net increase in cash, cash equivalents and restricted cash	2,073,461	2,336,698	(1,558,303)	(223,836)
Cash, cash equivalents and restricted cash at the beginning of the year	1,579,743	3,617,432	6,004,231	862,454
Effect of exchange rates change on cash, cash equivalents and restricted cash	(35,772)	50,101	105,536	15,159
Cash, cash equivalents and restricted cash at the end of the year	3,617,432	6,004,231	4,551,464	653,777

Operating Activities

Net cash provided by 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 RMB4,581.7 million (US\$658.1 million) for the year ended December 31, 2019. In 2019, the difference between our net cash provided by operating activities and our net income of RMB3,700.0 million (US\$531.5 million) was primarily due to an increase in accrued liabilities and other current liabilities of RMB1,369.6 million (US\$196.7 million) as a result of an increase in accrued revenue sharing fees, accrued salaries and welfare, and accrued promotion expenses, a non-cash item adjustment in share-based compensation of RMB948.1 million (US\$136.2 million), a non-cash item adjustment in amortization of acquired intangible assets of RMB717.8 million (US\$103.1 million), partially offset by a non-cash item adjustment in gain on fair value change of investments of RMB2,679.3 million (US\$384.9 million) and an increase in prepayments and other assets of RMB303.2 million (US\$43.5 million).

Net cash provided by operating activities amounted to RMB4,464.8 million for the year ended December 31, 2018. In 2018, the difference between our net cash provided by operating activities and our net income of RMB2,115.7 million was primarily due to a non-cash item adjustment in fair value loss on derivative liabilities of RMB2,285.2 million, an increase in accrued liabilities and other current liabilities of RMB947.0 million as a result of an increase in accrued revenue sharing fees, a non-cash item adjustment in share-based compensation of RMB648.0 million, an increase in deferred revenue of RMB227.6 million, a non-cash item adjustment in depreciation of property and equipment of RMB151.0 million, partially offset by a non-cash item adjustment in gain on fair value change of investments of RMB1,689.4 million and an increase in prepayments and other assets of RMB380.8 million.

Net cash provided by operating activities amounted to RMB3,718.5 million for the year ended December 31, 2017. In 2017, the difference between our net cash provided by operating activities and our net income of RMB2,508.4 million was primarily due to an increase in accrued liabilities and other current liabilities of RMB435.1 million as a result of an increase in accrued revenue sharing fees, an increase in deferred revenue of RMB366.6 million, a non-cash item adjustment in share-based compensation of RMB257.7 million, a non-cash item adjustment in depreciation of property and equipment of RMB176.7 million, partially offset by an increase in prepayments and other assets of RMB48.3 million and an adjustment in gain on deemed disposal and disposal of investments of RMB45.9 million.

Investing Activities

Net cash used in investing activities largely reflects placements of short-term deposits, placements of short-term investments, 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 investments in certain companies.

Net cash used in investing activities amounted to RMB15,609.9 million (US\$2,242.2 million) in the year ended December 31, 2019. Net cash used in investing activities primarily resulted from the placements of short-term deposits of RMB18,253.0 million (US\$2,621.9 million), the placements of short-term investments of RMB8,657.8 million (US\$1,243.6 million), cash paid for certain acquisitions and strategic investments of RMB2,299.0 million (US\$330.2 million), and payments of RMB779.4 million (US\$112.0 million) to originate financing receivable, partially offset by the maturities of short-term deposits and short-term investments in various banks in the amount of RMB14,036.1 million (US\$2,016.2 million), principal collection from financing receivables of RMB1,489.1 million (US\$213.9 million). The increase in cash used in investing activities was mainly due to the increase in investment in short-term deposits, short-term investments and acquisitions and strategic investments.

Net cash used in investing activities amounted to RMB6,295.4 million in the year ended December 31, 2018. Net cash used in investing activities primarily resulted from the placements of short-term deposits of RMB9,512.8 million, the placements of short-term investments of RMB3,505.1 million, the placements of long-term deposits of RMB1,000.0 million, payments of RMB334.0 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 RMB2,402.8 million, partially offset by the maturities of short-term deposits and short-term investments in various banks in the amount of RMB11,316.8 million. The increase in cash used in investing activities was mainly due to the increase in investment in short-term deposits, short-term investments, long-term deposits and acquisitions and strategic investments.

Net cash used in investing activities amounted to RMB3,037.5 million in the year ended December 31, 2017. Net cash used in investing activities primarily resulted from the placements of short-term deposits of RMB9,667.4 million, payments of RMB397.3 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 RMB329.7 million, partially offset by the maturities of short-term deposits and short-term investments in various banks in the amount of RMB7,426.2 million. The increase in cash used in investing activities was mainly due to the increase in investment in short-term deposits.

Financing Activities

Net cash provided by financing activities was RMB9,469.9 million (US\$1,360.3 million) in 2019, primarily attributable to the proceeds of RMB6,209.6 million (US\$892.0 million) from issuance of the Company's issuance of convertible bonds, net of issuance costs, the proceeds of RMB2,110.7 million (US\$303.2 million) from issuance of Huya's common shares upon its follow-on public offering, net of issuance cost, the proceeds of RMB1,550.5 million (US\$222.7 million) from bank borrowings, and RMB1,014.5 million (US\$145.7 million) repayment of bank borrowings.

Net cash provided by financing activities was RMB4,167.3 million in 2018, primarily attributable to the proceeds of RMB2,919.1 million from issuance of Huya's Series B-2 Preferred Shares, the proceeds of RMB1,207.7 million from issuance of Huya's common shares upon its initial public offering, net of issuance cost, the proceeds of RMB691.6 million from bank borrowings, and RMB1,308.1 million repayment of bank borrowings.

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

Capital Expenditures

We made capital expenditures of RMB497.7 million, RMB392.8 million and RMB1,224.5 million (US\$175.9 million) in 2017, 2018 and 2019, 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 increased in the past three years ended December 31, 2019, due to the need for additional research and development personnel to accommodate the rapid growth of our business. We incurred RMB781.9 million, RMB1,192.1 million and RMB2,535.5 million (US\$364.2 million) of research and development expenses in 2017, 2018 and 2019, 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 2019 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, 2019:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years (in thousands)	3-5 years	More than 5 years
Operating lease commitments ⁽¹⁾ (in RMB)	359,971	159,920	106,987	93,064	—
Capital commitment ⁽²⁾ (in RMB)	915,780	506,924	197,749	211,107	—
Convertible senior notes ⁽³⁾ (in US\$)	1,065,313	10,625	10,625	31,875	1,012,188

(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. Operating lease obligations presented in this table reflected undiscounted cash payments of both leases recognized as lease liabilities on the audited consolidated balance sheet and lease commitments not recognized as lease liabilities.

(2) Capital commitment refers to capital expenditures related to properties and additional investments in equity investments.

(3) Convertible senior notes refer to the 2025 Notes and the 2026 Notes issued in June 2019. The 2025 Notes will bear interest at a rate of 0.75% per year, and the 2026 Notes at a rate of 1.375% per year. Interest on the notes will accrue from, and including, June 24, 2019 and will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2019. The 2025 Notes will mature on June 15, 2025 and the 2026 Notes will mature on June 15, 2026, unless repurchased, redeemed or converted in accordance with their terms prior to such date.

Our operating lease obligations increased from December 31, 2018 to December 31, 2019 primarily because we entered into some new leases in 2019 and the consolidation of Bigo.

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, 2019.

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, Chief Executive Officer
Qin Liu	47	Independent Director
Peter Andrew Schloss	59	Independent Director
Richard Weidong Ji	52	Independent Director
David Tang	65	Independent Director
Bing Jin	42	Chief Financial Officer
Ting Li	37	Chief Operating Officer
Pengjun Lu	39	Chief Technology 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 and as our acting chief executive officer from May 2017 to April 2019. Currently, Mr. Li serves as our chief executive officer and also oversees our Bigo business. Mr. Li focuses on our broader corporate strategy and the development of new and emerging applications and products. Furthermore, Mr. Li is in charge of overseeing the business operations of Bigo. 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 served as our director since June 2008. Mr. Liu has served as managing director of Morningside Venture Capital Limited, or MVCL, since June 2007 and Evolution Capital Management Limited, or ECML, since August 2018. MVCL and ECML provide advisory service to various funds and Mr. Liu has served as a director in both public and non-public portfolio companies of such funds. Prior to that, Mr. Liu served in various roles, including as a business development director for investment at Morningside IT Management Services (Shanghai) Co., Ltd. Mr. Liu has also served as a director of Xiaomi Corporation (HKSE: 01810) since May 2010. Mr. Liu received a bachelor's degree in industrial electrical automation from University of Science and Technology Beijing in July 1993, and a master's degree in business administration from China Europe International Business School in April 2000.

Mr. Peter Andrew Schloss has served as our independent director since November 2012. Mr. Schloss is managing director and CEO of CastleHill Partners. He is also an independent director and audit committee chairman of Bright Scholar Education Holdings (NYSE: BEDU). Previously Mr. Schloss was an independent director and audit committee chairman of Giant Interactive Group Inc., and an independent director of Zhaopin Limited. 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. 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, such as Didi, SenseTime, Lufax, Xiaomi and Grab. 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 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.

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. 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.

Mr. Pengjun Lu has been our chief technology officer since May 2018. Prior to joining us, Mr. Lu served as the general manager in charge of search advertising and chief architect in infrastructure team at Baidu from 2014 to early 2018. From 2006 to 2014, Mr. Lu worked at Google, most recently as a staff engineer in charge of Shanghai advertising back-end team, and received the Google Founders Award for the QueST project. Mr. Lu received a master's degree in computer science and technology from Fudan University, and a bachelor's degree in computer science and technology from Wuhan University.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2019, we paid an aggregate of RMB28.8 million (US\$4.1 million) in cash, including salaries and bonuses, to our directors and executive officers. For details on the share incentive grants to our directors and officers, see "—Share Incentive Plans." For the fiscal year ended December 31, 2019, 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 RMB0.4 million (US\$0.06 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, 2019.

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 three share incentive plans, namely, the 2009 Scheme, the 2011 Plan and the 2019 Arrangement. The purpose of these 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, 2020, options to purchase 10,307,400 common shares, 37,126,854 restricted shares and 42,730,079 restricted share units were outstanding under the 2009 Scheme, the 2011 Plan and the 2019 Arrangement.

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. The 2009 Scheme expired in December 2019. No further awards will be granted under the 2009 Scheme and the provisions under the 2009 Scheme will remain in effect to the extent necessary to effect the exercise of any options granted prior to the expiration or otherwise as may be required in accordance with the 2009 Scheme.

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.

2019 Share Incentive Awards Arrangement

We adopted the 2019 Arrangement in March 2019, pursuant to which we can offer share-based awards to employees of Bigo. The 2019 Arrangement reserved 65,922,045 Class A common shares for incentive awards to be granted.

In the event of any dividend, share split, combination or exchange of common shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of our assets to our shareholders, or any other change affecting the shares of common shares or the share price of a common share, the board of directors shall make such proportionate adjustments, if any, as the board of directors 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 2019 Arrangement; (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 2019 Arrangement.

Grants of Options

The following table summarizes, as of March 31, 2020, the outstanding options granted to our executive officers, directors and other individuals as a group under the 2011 Plan.

	Common Shares Underlying Options Awarded	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Ting Li	*	4.7025	June 30, 2018	June 30, 2026
	*	3.5350	June 30, 2018	June 30, 2025
	*	3.5350	June 30, 2019	June 30, 2025
Bing Jin	*	4.7025	July 20, 2018	June 30, 2026
	*	3.5350	July 20, 2018	June 30, 2024
	*	3.5350	July 20, 2018	August 2, 2023
Total	*			

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

Grants of Restricted Shares

The following table summarizes, as of March 31, 2020, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group under the 2009 Scheme, the 2011 Plan and the 2019 Arrangement.

Name	Common Shares Underlying Restricted Shares Granted	Date of Grant
Other Individuals as a Group	*	January 1, 2010 to January 1, 2011
	22,505,365	March 04, 2019
	*	April 1, 2019 to April 30, 2019
	*	June 1, 2019 to June 30, 2019
	*	July 1, 2019 to July 30, 2019
	*	October 1, 2019 to October 31, 2019
Total	37,126,854	

* 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.

Grants of Restricted Share Units

The following table summarizes, as of March 31, 2020, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group under the 2009 Scheme and the 2011 Plan.

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
Richard Weidong Ji	*	May 23, 2013
	*	June 16, 2014
David Tang	*	May 23, 2013
	*	June 16, 2014
Qin Liu	*	August 6, 2015
Ting Li	*	April 30, 2013
	*	June 20, 2014
	*	July 1, 2015
	*	June 30, 2018
	*	June 30, 2019
Bing Jin	*	August 2, 2017
Pengjun Lu	*	June 30, 2018
	*	June 30, 2019
Other Individuals as a Group	34,753,620	January 1, 2011 to March 31, 2020
Total	<u>42,730,079</u>	

* 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.

C. Board Practices

Our board of directors currently consists of five 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, a corporate governance and nominating committee and an investment committee under the board of directors. We have adopted a charter for each of the audit committee, compensation committee and the corporate governance and nominating committee. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Peter Andrew Schloss, Mr. David Tang and Mr. Richard Weidong Ji, and is chaired by Mr. Schloss. We have determined that each of Mr. Schloss, Mr. Tang 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. David Tang, Mr. Qin Liu and Mr. Peter Andrew Schloss, and is chaired by Mr. Tang. We have determined that each of Mr. Tang 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.

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, 2019:

Functions	Number of Employees	Percentage
Customer services and operations	4,210	45%
Research and development	3,946	43%
Sales and marketing	446	5%
General and administration	671	7%
Total	9,273	100%

We had a total of 3,336, 4,325 and 9,273 employees as of December 31, 2017, 2018 and 2019, 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, 2020, we had 1,247,848,466 Class A common shares outstanding (excluding 55,422,958 outstanding restricted shares and treasury Class A common shares held by entities controlled by us).

Class B Common Shares

As of March 31, 2020, we had 326,509,555 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, 2020, by:

- each of our directors and executive officers; and
- each person known to us to beneficially own 5% or more 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, 2020, 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 1,247,848,466 Class A common shares outstanding (excluding 55,422,958 outstanding restricted shares and treasury Class A common shares held by entities controlled by us) and 326,509,555 Class B common shares as of March 31, 2020.

	Class A Common Shares	Class B Common Shares	Total Common Shares		Total
	Beneficially Owned ⁽¹⁾	Beneficially Owned ⁽²⁾	Beneficially Owned	% ⁽⁴⁾	Voting Power ⁽³⁾
	Number	Number	Number ⁽³⁾		%
Directors and Executive Officers:*					
David Xueling Li ⁽⁶⁾	160,505,284	203,768,062	364,273,346	23.1	75.8
Qin Liu	**	—	**	**	**
Peter Andrew Schloss	**	—	**	**	—
Richard Weidong Ji	**	—	**	**	**
David Tang	**	—	**	**	—
Bing Jin	**	—	**	**	—
Ting Li	**	—	**	**	**
Pengjun Lu	—	—	—	—	—
All directors and executive officers as a group	179,326,629	203,768,062	383,094,691	24.2	76.2
Principal Shareholders:					
Top Brand Holdings Limited ⁽⁷⁾	—	122,741,483	122,741,483	7.8	—
YYME Limited ⁽⁸⁾	156,340,804	203,768,062	360,108,866	22.9	48.6

Notes:

* Except for Mr. Peter Andrew Schloss, 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 business address of Mr. Qin Liu is Suite 905-6, 9th Floor, ICBC Tower, Three Garden Road, Hong Kong. The business address of Mr. Peter Andrew Schloss is 602 Silver Tower, No. 2 Dong San Huan Bei Lu, Chaoyang District, Beijing 100027, PRC. The business address of Mr. Richard Weidong Ji is Suite 2103, Two Exchange Square, 8 Connaught Place, Central, Hong Kong. The business address of Mr. David Tang is Room 710, Office Tower II, China World Trade Centre, No.1 Jianguomenwai Avenue, Beijing 100004, 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, 2020, by the sum of (i) 1,247,848,466, which is the total number of Class A common shares outstanding as of March 31, 2020 (excluding 55,422,958 outstanding restricted shares and treasury Class A common shares held by entities controlled by us), and (ii) the number of Class A common shares that such person or group has the right to acquire within 60 days after March 31, 2020.
- (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 326,509,555, being the total number of Class B common shares outstanding as of March 31, 2020.
- (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, 2020.

- (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) 156,340,804 Class A common shares (including 17,800,000 Class A common shares in the form of ADSs) and 199,448,382 Class B common shares held by YY One Limited, a British Virgin Islands company, (ii) 4,319,680 Class B common shares held by New Wales Holdings Limited, a British Virgin Islands company, and (iii) 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, 2020. 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 as of March 31, 2020, delegated the voting rights of such shares to Mr. David Xueling Li.
- (7) Representing 122,741,483 Class B common 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 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 Beishihuan Road, Chaoyang District, Beijing 100102, PRC.
- (8) Representing (i) 156,340,804 Class A common shares and 199,448,382 Class B common shares held by YY One Limited, a British Virgin Islands company, and (ii) 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, 2020, 1,574,358,021 of our common shares were issued and outstanding, including 326,509,555 Class B common shares and 1,247,848,466 Class A common shares (excluding 55,422,958 outstanding restricted shares and treasury Class A common shares held by entities controlled by us). Based on a review of the register of members maintained by our Cayman Islands corporate administrator, we believe that as of March 31, 2020, none of our total outstanding shares were held by record holder in the United States. 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. There is also a similar contractual arrangement among Bilin Changxiang, Bilin Online and its shareholders. Similarly, we operate Huya platform through contractual arrangement among Huya Technology, Guangzhou Huya and its shareholders. Furthermore, we operate Bigo platform through contractual arrangement among BaiGuoYuan Technology, Guangzhou BaiGuoYuan and its shareholders, as well as the contractual arrangements among Guangzhou Wangxing, Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue and their shareholders.

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, 2018 and 2019, we received service fees of RMB279.8 million, RMB313.1 million and RMB476.5 million (US\$68.4 million) from Guangzhou Huaduo, respectively. 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 Islands. In March 2018, we acquired the remaining 44.95% of the equity interests in BiLin Cayman Islands. 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. In 2019, we received service fees of RMB6.0 million (US\$0.9 million) from Bilin Online.

Contractual Arrangements with Guangzhou Huya

In 2018 and 2019, we received service fees of RMB420.2 million and RMB941.0 million (US\$135.2 million) from Guangzhou Huya, respectively. The following is a summary of the currently effective contracts among our subsidiary, Huya Technology, Guangzhou Huya, and the shareholders of Guangzhou Huya.

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.

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.

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.

Contractual Arrangements with Guangzhou BaiGuoYuan

In 2019, we received service fees of RMB 419.7 million (US\$60.3 million) from Guangzhou BaiGuoYuan. The following is a summary of the currently effective contracts among our subsidiary, Guangzhou BaiGuoYuan Information Technology Co., Ltd., or BaiGuoYuan Technology, our PRC consolidated affiliated entity, Guangzhou BaiGuoYuan Network Technology Co., Ltd., or Guangzhou BaiGuoYuan, and the shareholders of Guangzhou BaiGuoYuan.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

In 2017, BaiGuoYuan Technology and Guangzhou BaiGuoYuan, entered into an exclusive business cooperation agreement. Under the exclusive business cooperation agreement, BaiGuoYuan Technology has the exclusive right to provide Guangzhou BaiGuoYuan with technology support, business support and consulting services related to Guangzhou BaiGuoYuan's business, the scope of which is to be determined by BaiGuoYuan Technology from time to time. BaiGuoYuan Technology owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou BaiGuoYuan to BaiGuoYuan Technology shall be paid quarterly, and the amount is up to 100% of the quarterly net profit of Guangzhou BaiGuoYuan. The term of this agreement is in perpetuity from the execution date of this agreement, unless otherwise decided by BaiGuoYuan Technology.

Agreements that provide us effective control over Guangzhou BaiGuoYuan

Shareholder Voting Rights Proxy Agreement

In 2017, BaiGuoYuan Technology, Guangzhou BaiGuoYuan, and the shareholders of Guangzhou BaiGuoYuan entered into a voting rights proxy agreement. Under the voting rights proxy agreement, each of the shareholders of Guangzhou BaiGuoYuan irrevocably executed a power of attorney and appointed BaiGuoYuan Technology or its designated representatives as its attorney-in-fact to exercise such shareholders' rights in Guangzhou BaiGuoYuan, including, without limitation, the power to vote on its behalf on all matters of Guangzhou BaiGuoYuan requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou BaiGuoYuan and rights to information relating to all business aspects of Guangzhou BaiGuoYuan. The term of this agreement is in perpetuity from the execution date of this agreement, unless otherwise agreed upon by BaiGuoYuan Technology, Guangzhou BaiGuoYuan, and the shareholders of Guangzhou BaiGuoYuan.

Equity Interest Pledge Agreement

BaiGuoYuan Technology, Guangzhou BaiGuoYuan and each of the shareholders of Guangzhou BaiGuoYuan entered into an equity interest pledge agreement. Pursuant to the equity interest pledge agreement, the shareholders of Guangzhou BaiGuoYuan have pledged all of their equity interests in Guangzhou BaiGuoYuan to BaiGuoYuan Technology to guarantee the performance by Guangzhou BaiGuoYuan and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement and voting rights proxy agreement. If Guangzhou BaiGuoYuan or its shareholders breach their contractual obligations under those agreements, BaiGuoYuan 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 BaiGuoYuan. We registered the pledged equity interests with the competent administration for industry and commerce on January 19, 2016.

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

Exclusive Option Agreement

In 2017, BaiGuoYuan Technology, Guangzhou BaiGuoYuan, and each of the shareholders of Guangzhou BaiGuoYuan entered into an exclusive option agreement. Under the exclusive option agreement, each of the shareholders irrevocably granted BaiGuoYuan 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 BaiGuoYuan. BaiGuoYuan Technology or its designated representatives have sole discretion as to when to exercise such options, either in part or in full. Without BaiGuoYuan Technology's prior written consent, Guangzhou BaiGuoYuan's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou BaiGuoYuan. The term of this agreement is in perpetuity from the execution date of this agreement. BaiGuoYuan Technology has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou BaiGuoYuan and its shareholders.

Contractual Arrangements with Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue

The following is a summary of the currently effective contracts among our subsidiary, Guangzhou Wangxing Information Technology Co., Ltd., or Guangzhou Wangxing, our PRC consolidated affiliated entity, Chengdu Yunbu Internet Technology Co., Ltd., or Chengdu Yunbu, Chengdu Luota Internet Technology Co., Ltd., or Chengdu Luota, and Chengdu Jiyue Internet Technology Co., Ltd., or Chengdu Jiyue and their shareholders.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

On July 31, 2019, Guangzhou Wangxing entered into an exclusive business cooperation agreement respectively with Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue. Under the exclusive business cooperation agreement, Guangzhou Wangxing has the exclusive right to provide Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue with technology support, business support and consulting services related to their businesses, the scope of which is to be determined by Guangzhou Wangxing from time to time. Guangzhou Wangxing owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue to Guangzhou Wangxing shall be paid quarterly, and the amount is up to 100% of the quarterly net profit of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue after deducting the operating costs, taxes, and reasonable profits according to PRC tax principles and practices. The term of this agreement is in perpetuity from the execution date of this agreement, unless otherwise decided by Guangzhou Wangxing.

Agreements that provide us effective control over Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue

Shareholder Voting Rights Proxy Agreement

On July 31, 2019, Guangzhou Wangxing, Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, and the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue respectively entered into a voting rights proxy agreement. Under the voting rights proxy agreement, each of the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue irrevocably executed a power of attorney and appointed Guangzhou Wangxing or its designated representatives as its attorney-in-fact to exercise such shareholders' rights in Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, including, without limitation, the power to vote on its behalf on all matters of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue requiring shareholder approval under PRC laws and regulations and the articles of association and their amendments from time to time of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue and rights to information relating to all business aspects of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue. The term of this agreement is in perpetuity from the execution date of this agreement, unless otherwise agreed upon by Guangzhou Wangxing, Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, and the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue.

Equity Interest Pledge Agreement

On July 31, 2019, Guangzhou Wangxing entered into an equity interest pledge agreement respectively with Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue and the each of the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue. Pursuant to the equity interest pledge agreement, the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue have pledged all of their equity interests in Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue to Guangzhou Wangxing to guarantee the performance by Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue and their shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive asset purchase agreement and shareholder voting rights proxy agreement. If Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue or their shareholders breach their contractual obligations under those agreements, Guangzhou Wangxing, 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 recorded in the registry of shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, and will remain effective until Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue and the each of the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue have fully performed their obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive asset purchase agreement, shareholder voting rights proxy agreement and equity interest pledge agreement.

Agreement that provide us with the option to purchase the equity interests in Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue

Exclusive Option Agreement

On July 31, 2019, Guangzhou Wangxing, Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue, and each of the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue respectively entered into an exclusive option agreement. Under the exclusive option agreement, each of the shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue irrevocably granted Guangzhou Wangxing or its designated representatives an exclusive option to purchase, to the extent permitted under PRC law, all or part of his/her equity interests in Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue. Guangzhou Wangxing or its designated representatives have sole discretion as to when to exercise such options, either in part or in full. Without Guangzhou Wangxing's prior written consent, shareholders of Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue shall not, by any means, sell, transfer, mortgage or otherwise dispose or create any encumbrance on the pledged equity interests in Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue. The term of this agreement is in perpetuity from the execution date of this agreement, unless the agreement is terminated by Guangzhou Wangxing upon thirty (30) days written notice to the other parties.

Contractual Arrangements with Sanrenxing

The following is a summary of the currently effective contracts among our subsidiary, Guangzhou 100-Education Technology Co., Ltd., or 100-Education Technology, our PRC consolidated affiliated entity, Guangzhou Sanrenxing 100-Education Technology Co., Ltd., or Sanrenxing, and the shareholders of Sanrenxing.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

On October 17, 2018, 100-Education Technology and Sanrenxing, entered into an exclusive business cooperation agreement. Under the exclusive business cooperation agreement, 100-Education Technology has the exclusive right to provide Sanrenxing with technology support, consulting services and other services related to Sanrenxing's business. 100-Education Technology owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Sanrenxing to 100-Education Technology shall be paid annually, and the amount shall be determined at the sole discretion of 100-Education Technology. The term of this agreement is thirty years from the execution date of this agreement and will be automatically extended for thirty more years, unless 100-Education Technology agrees terminating of this agreement prior to the expiration.

Agreements that provide us effective control over Sanrenxing

Shareholder Voting Rights Proxy Agreement

On October 17, 2018, 100-Education Technology, Sanrenxing, and the shareholders of Sanrenxing entered into a voting rights proxy agreement. Under the voting rights proxy agreements, each of the shareholders of Sanrenxing irrevocably executed a power of attorney and appointed 100-Education Technology or its designated representatives as its attorney-in-fact to exercise such shareholders' rights in Sanrenxing, including, without limitation, the power to vote on its behalf on all matters of Sanrenxing requiring shareholder approval under PRC laws and regulations and the articles of association of Sanrenxing and rights to information relating to all business aspects of Sanrenxing. The term of this agreement is thirty years from the execution date of this agreement and will be automatically extended for one more year, unless 100-Education Technology agrees terminating of this agreement with thirty days prior notice.

Equity Interest Pledge Agreement

On October 17, 2018, 100-Education Technology, Sanrenxing, and the shareholders of Sanrenxing entered into an equity interest pledge agreement. Pursuant to the equity interest pledge agreements, the shareholders of Sanrenxing have pledged all of their equity interests in Sanrenxing to 100-Education Technology to guarantee the performance by Sanrenxing and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, voting rights proxy agreement and power of attorney. If Sanrenxing or its shareholders breach their contractual obligations under those agreements, 100-Education 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 all the contractual obligations have been fulfilled and all the secured debts have been paid up. We registered the pledged equity interests with the competent administration for industry and commerce on February 19, 2019.

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

Exclusive Option Agreement

On October 17, 2018, 100-Education Technology, Sanrenxing, and the shareholders of Sanrenxing entered into an exclusive option agreement. Under the exclusive option agreements, each of the shareholders irrevocably granted 100-Education 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 Sanrenxing. 100-Education Technology or its designated representatives have sole discretion as to when to exercise such options, either in part or in full. Without 100-Education Technology's prior written consent, Sanrenxing's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Sanrenxing. This agreement becomes effective on the date of the execution of this agreement, and will be terminated when all the shares held by the shareholders of Sanrenxing or all the assets of Sanrenxing have been transferred to 100-Education Technology or its designated person.

Transactions with Affiliates

Guangzhou Huaduo holds 40% 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, 2017, 2018 and 2019, the aggregate online game revenues shared from Zhuhai Daren was RMB30.5 million, RMB21.8 million and RMB0.1 million (US\$0.01 million), respectively.

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 Sunhongs provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Sunhongs is 19.5% owned by Mr. Jun Lei, our major shareholder and 5.1% owned by Shanghai Yilian, respectively. In the years ended December 31, 2017, 2018 and 2019, the bandwidth service that Guangzhou Huaduo received from Guangzhou Sunhongs amounted to RMB92.1 million, RMB103.4 million and RMB116.0 million (US\$16.7 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. Guangzhou Huaduo and Shanghai Jiazuo Internet and Technology Co., Ltd., or Shanghai Jiazuo, which is the wholly owned subsidiary of Guangzhou Kuyou, entered into similar series of cooperation agreements in 2015. The percentage of equity interest held by Guangzhou Huaduo in Guangzhou Kuyou is 12.3% as of December 31, 2019. The aggregate online game revenues shared from Guangzhou Kuyou and Shanghai Jiazuo was RMB25.6 million, RMB5.0 million and RMB1.3 million (US\$0.2 million) in 2017, 2018 and 2019, 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 then controlled by Mr. David Xuelling Li. Following three series of capital injection from other investors of Bigo in 2015, 2017 and 2018, including Mr. Li, we retained a 31.7% ownership stake in Bigo. In March 2019, we completed the acquisition of the remaining 68.3% equity interest in Bigo from the other shareholders of Bigo, and Bigo became our wholly owned subsidiary. We had paid daily operating expenses of 28.4 million, RMB15.0 million and RMB0.2 million (US\$0.03 million) on behalf of Bigo in 2017, 2018 and January 2019 to February 2019, respectively. Besides, Bigo borrowed RMB188.0 million and RMB170.0 million (US\$24.4 million) from Guangzhou Huaduo in 2018 and January 2019 to February 2019, respectively. Bigo became a subsidiary of us on March 4, 2019. Therefore, Bigo ceased to be a related party of us since March 4, 2019.

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

Registration Rights Agreement with Huya

On April 3, 2020, Huya and we entered into a registration rights agreement. Under the agreement, Huya have granted us certain registration rights, including:

- *Demand registration rights.* So long as we hold 25% or more of the voting power of Huya outstanding shares, we have the right to request us effect a registration for their shares. Huya is not obligated to effect more than two demand registrations that have been declared and ordered effective.
- *Form F-3 registration rights.* If Huya qualifies for registration on Form F-3, we may request Huya to file a registration statement on Form F-3. Huya is not obligated to effect more than six registration statements on Form F-3 that have been declared and ordered effective.
- *Piggyback registration rights.* If Huya proposes to file a registration statement for a public offering of its securities, it must afford us an opportunity to participate in that offering. Huya has the right to terminate or withdraw any registration initiated by it under the piggyback registration rights prior to the effectiveness of such registration.

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. In December 2019, the Higher People’s Court of Guangdong Province rejected the appeal of NetEase and us, and upheld the judgement of the Guangzhou Intellectual Property Court. We may apply for adjudication supervision from the Supreme People’s Court of PRC against the judgement. In 2019, we were involved in a few cases, each naming Huya as a defendant, relating to unfair competition in live streaming hosts recruitment conducts. In April 2020, local court passed a first-instance judgment on one of such unfair competition cases. The court held that Huya’s recruitment conducts did not constitute unfair competition and rejected all claims of the plaintiff. Such judgment is still subject to appeal, if any. Starting from April 3, 2020, we no longer consolidate the operating results of Huya.

Apart from the aforesaid lawsuit, 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.

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."

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 exempted 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 Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, 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 depository 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 depository 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 issued and 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, and subject to the voting rights attached to our Class A common shares and Class B common shares as described in this paragraph, 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 depository 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 depository entity (or its nominee(s)) as if such person was the registered holder of our shares held by the clearing house or central depository 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, sale, pledge, assignment or disposition 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 act 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 Conyers 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 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.

Differences Between the Law of Different Jurisdictions

The Companies Law is modeled after that of England but does not follow recent English statutory enactments and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The plan must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a "parent" of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest, and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company and 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, there are exceptions to the foregoing principle which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, cost and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our current Memorandum and Articles of Association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company — a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. 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.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Our Memorandum and 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.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association do not allow our shareholders to requisition an extraordinary general meeting of our shareholders and do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. 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 Memorandum and Articles of Association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, a director may be removed by a special resolution of our shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under 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. 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.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law and our Memorandum and Articles of Association, our Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

Exempted Company. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of taxation on profits, capital gains or inheritance (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;

- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

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. 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 JOYY 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 Class A common shares by a U.S. holder (as defined below) that holds our ADSs or Class A 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, certain former U.S. citizens or long-term residents, 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 (by vote or value), holders that hold their ADSs or Class A 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 Class A common shares pursuant to the exercise of any employee share option or otherwise as compensation, investors required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A common shares as a result of such income being recognized on an applicable financial statement, 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 Class A common shares.

General

For purposes of this summary, a “U.S. holder” is a beneficial owner of our ADSs or Class A 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 Class A 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 Class A common shares and partners in such partnerships are urged to consult their tax advisors regarding the ownership and disposition of our ADSs or Class A 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 Class A common 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 assets (generally determined on the basis of a quarterly average) 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, 25% or more (by value) of the stock.

Although the law in this regard is unclear, we treat our PRC consolidated affiliated entities 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.

Based on the market price of our ADSs and the composition of assets (in particular, the substantial amount of cash, deposits and investments), we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2019, and no assurances can be given with respect to our PFIC status for our current taxable year ending December 31, 2020 or any future taxable year.

If we are a PFIC for any year during which a U.S. holder holds our ADSs or Class A common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or Class A common shares even if we cease to meet the threshold requirements for PFIC status, unless a U.S. holder makes a taxable “deemed sale” election that may allow the U.S. holder to eliminate the continuing PFIC status under certain circumstances.

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 Class A 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 Depository, 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 Class A common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our Class A 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. Furthermore, as mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and no assurances can be given with respect to our PFIC status for our current taxable year ending December 31, 2020. U.S. holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to our ADSs or Class A common shares in their particular circumstances.

Dividends received on the ADSs or Class A 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 Class A 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 Class A 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 Class A common shares. Any capital gain or loss will be long-term if the ADSs or Class A 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 Class A common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and no assurances can be given with respect to our PFIC status for our current taxable year ending December 31, 2020. If we are classified as a PFIC for any taxable year during which a U.S. holder holds our ADSs or Class A 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 Class A common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or Class A 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 Class A 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 Class A 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 technically 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 Class A 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.

E. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

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 Citibank N.A., the depository 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 depository 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 depository 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

We are exposed to foreign exchange risks arising from various currency exposures. While a majority of our revenues and expenses are denominated in RMB, some of our expenses and revenues are dominated in various foreign currencies. We have used derivative financial instruments including the forward exchange contracts to hedge our exposure to foreign currency risks. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary 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.

As of December 31, 2019, we had U.S. dollar-denominated cash and cash equivalents, short-term deposits, restricted short-term deposits and short-term investments of US\$229.2 million, US\$1,759.0 million, US\$0.3 million and US\$1.2 million, respectively. A 10% depreciation of U.S. dollar against the Renminbi based on the foreign exchange rate on December 31, 2019 would result in a decrease of RMB159.9 million in cash and cash equivalents, RMB1,227.1 million in short-term deposits, RMB0.2 million in restricted short-term deposits and RMB0.8 million in short-term investments. A 10% appreciation of U.S. dollar against the Renminbi based on the foreign exchange rate on December 31, 2019 would result in an increase of RMB159.9 million in cash and cash equivalents, RMB1,227.1 million in short-term deposits, RMB0.2 million in restricted short-term deposits and RMB0.8 million in short-term investments.

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 US\$23.6 million in our interest income for the year ended December 31, 2019.

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 (<i>e.g.</i> , an issuance upon a deposit of Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason), excluding issuances as a result of distributions described in paragraph (4) below	Up to US\$5.00 per 100 ADSs (or fraction thereof) issued
• Cancellation of ADSs (<i>e.g.</i> , a cancellation of ADSs for Delivery of deposited Shares, upon a change in the ADS(s)-to-Share(s) ratio, or for any other reason)	Up to US\$5.00 per 100 ADSs (or fraction thereof) cancelled
• Distribution of cash dividends or other cash distributions (<i>e.g.</i> , upon a sale of rights and other entitlements)	Up to US\$5.00 per 100 ADSs (or fraction thereof) held
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) an exercise of rights to purchase additional ADSs	Up to US\$5.00 per 100 ADSs (or fraction thereof) held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (<i>e.g.</i> , spin-off shares)	Up to US\$5.00 per 100 ADSs (or fraction thereof) held
• ADS Services	Up to US\$5.00 per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary

As an ADS holder, you will also be responsible for the following ADS charges:

- (i) taxes (including applicable interest and penalties) and other governmental charges;
- (ii) the registration fees as may from time to time be in effect for the registration of Class A common shares on the share register and applicable to transfers of Class A common shares to or from the name of the custodian, the depositary bank or any nominees upon the making of deposits and withdrawals, respectively;
- (iii) certain cable, telex and facsimile transmission and delivery expenses;
- (iv) the expenses and charges incurred by the depositary bank in the conversion of foreign currency;
- (v) the fees and expenses incurred by the depositary bank in connection with compliance with exchange control regulations and other regulatory requirements applicable to Class A common shares, ADSs and ADRs; and
- (vi) the fees and expenses incurred by the depositary bank, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges for (i) the issuance of ADSs and (ii) the cancellation of ADSs will be payable by the person for whom the ADSs are so issued by the depositary bank (in the case of ADS issuances) and by the person for whom ADSs are being cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary bank into DTC or presented to the depositary via DTC, the ADS issuance and cancellation fees and charges will be payable by the DTC participant(s) receiving the ADSs from the depositary bank or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account(s) of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participant(s) as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are payable by holders as of the applicable ADS record date established by the depositary bank. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, the applicable holders as of the ADS record date established by the depositary bank will be invoiced for the amount of the ADS fees and charges and such ADS fees may be deducted from distributions made to holders. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC from time to time and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary bank 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 bank fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS service fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes. The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Fees and Other Payments Made by the Depositary to Us

Citibank, N.A., 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 amount 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, 2019, we have received US\$3.08 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.

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, 2019, 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, 2019 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, 2019.

Attestation Report of the Independent Registered Public Accounting Firm

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, 2019, as stated in its report, which appears on page F-2 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

In March 2019, we completed the acquisition of Bigo. In 2019, we completed the process of integrating the internal control over financial reporting of Bigo with the rest of our company.

Other than the foregoing, there has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that occurred during the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 technology 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>.

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,	
	2018	2019
	(in RMB thousands)	
Audit fees ⁽¹⁾	20,101	23,186
Audit-related fees ⁽²⁾	—	688
Tax fees ⁽³⁾	763	2,521
Others ⁽⁴⁾	680	534

- (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, audit of internal controls over financial reporting, and integrated audit or review of Huya's annual or quarterly financial statements and assurance services rendered in connection with Huya's public offering.
- (2) "Audit related fees" means aggregate fees billed for permissible services to review and comment on the design of internal control over financial reporting rendered by principal auditors in 2019.
- (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.
- (4) "Others" means the aggregate fees billed in each of the fiscal years listed services rendered by our principal auditors other than services reported under "Audit fees," "Audit related fees" and "Tax fees."

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, 2019.

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

Not applicable.

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

Our board of directors approved a share repurchase plan (the "2019 Share Repurchase Plan") on August 13, 2019, under which the Company may repurchase up to US\$300.0 million of its ADSs or ordinary shares over the next 12 months. The 2019 Share Repurchase Plan was publicly announced on August 14, 2019.

As of December 31, 2019, we had purchased an aggregate of approximately 0.4 million ADSs under the 2019 Share Repurchase Plan. The table below is a summary of the shares repurchased by us in 2019. All shares were repurchased in the open market pursuant to the 2019 Share Repurchase Plan.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan
August 14 — August 31, 2019	434,145	54.62	434,145	276,287
Total	434,145	54.62	434,145	276,287

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, following our home country practice in the Cayman Islands. Our compensation committee is chaired by a non-independent director, Mr. David Xueling Li, whose extensive experience in talent management and human resource in the internet industry is considered to be valuable for the functioning of our compensation committee.

We also relied on the exemption available to foreign private issuers to the requirement that shareholder approval should be obtained in certain circumstances prior to an issuance of securities in connection with the acquisition of the stock or assets of another company, and the requirement that shareholder approval should be obtained prior to the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants. We relied on home country practice exemption and did not convene a shareholder meeting to approve the 2019 Arrangement. If we continue to rely on the above 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 JOYY 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 depository 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	Amended and Restated Deposit Agreement dated May 21, 2018 among the Registrant, Citibank N.A., as depository, and holders and beneficial owners of American Depositary Shares evidenced by American Depositary Receipts issued thereunder (incorporated by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-229099), filed with the Securities and Exchange Commission on December 31, 2018)
2.5*	Description of Securities
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)
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)

Exhibit Number	Description of Document
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)
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)

Exhibit Number	Description of Document
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	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).
4.26	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).
4.27	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).
4.28	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).
4.29	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).

Exhibit Number	Description of Document
4.30	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).
4.31	HUYA Amended and Restated 2017 Plan (incorporated herein by reference to Exhibit 4.34 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2018).
4.32	Amended and Restated Shareholders Agreement dated as of March 8, 2018 between HUYA Inc. and other parties thereto (incorporated herein by reference to Exhibit 4.37 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2018).
4.33	English translation of Non-Compete Agreement between Guangzhou Huaduo and Guangzhou Huya dated March 8, 2018 (incorporated herein by reference to Exhibit 4.38 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2018).
4.34	English translation of Business Cooperation Agreement between Shenzhen Tencent Computer Systems Company Ltd. and Guangzhou Huya dated February 5, 2018 (incorporated herein by reference to Exhibit 4.39 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2018).
4.35	English translation of the Equity Interest Pledge agreement among Huya Technology, Guangzhou Huya, and Guangzhou Huaduo dated July 10, 2017 (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 of HUYA Inc. (File No. 333-224202), as amended, initially filed with the Securities and Exchange Commission on April 9, 2018).
4.36	English translation of the Equity Interest Pledge Agreement among Huya Technology, Guangzhou Qinlv and Guangzhou Huya dated July 10, 2017 (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 of HUYA Inc. (File No. 333-224202), as amended, initially filed with the Securities and Exchange Commission on April 9, 2018).
4.37	English translation of the Exclusive Business Operation Agreement between Huya Technology and Guangzhou Huya dated July 10, 2017 (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 of HUYA Inc. (File No. 333-224202), as amended, initially filed with the Securities and Exchange Commission on April 9, 2018).
4.38	English translation of the Shareholder Voting Rights Proxy Agreement among Guangzhou Huaduo, Guangzhou Qinlv, Huya Technology and Guangzhou Huya dated July 10, 2017 (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 of HUYA Inc. (File No. 333-224202), as amended, initially filed with the Securities and Exchange Commission on April 9, 2018).
4.39	English translation of the Exclusive Option Agreement among Huya Technology, Guangzhou Huaduo, Guangzhou Qinlv and Guangzhou Huya dated July 10, 2017 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 of HUYA Inc. (File No. 333-224202), as amended, initially filed with the Securities and Exchange Commission on April 9, 2018).
4.40	English translation of Equity Interest Pledge Agreements dated January 17, 2017 among Guangzhou BaiGuoYuan, BaiGuoYuan Technology and each of the shareholders of Guangzhou BaiGuoYuan (incorporated herein by reference to Exhibit 4.44 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.41	English translation of Exclusive Asset Purchase Agreements dated January 17, 2017 among Guangzhou BaiGuoYuan, BaiGuoYuan Technology and each of the shareholders of Guangzhou BaiGuoYuan (incorporated herein by reference to Exhibit 4.45 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).

Exhibit Number	Description of Document
4.42	English translation of Exclusive Business Cooperation Agreement dated January 17, 2017 between Guangzhou BaiGuoYuan and BaiGuoYuan Technology (incorporated herein by reference to Exhibit 4.46 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.43	English translation of Exclusive Option Agreements dated January 17, 2017 among Guangzhou BaiGuoYuan, BaiGuoYuan Technology and each of the shareholders of Guangzhou BaiGuoYuan (incorporated herein by reference to Exhibit 4.47 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.44	English translation of Shareholder Voting Rights Proxy Agreements dated January 17, 2017 issued to BaiGuoYuan Technology by each of the shareholders of Guangzhou BaiGuoYuan (incorporated herein by reference to Exhibit 4.48 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.45	English translation of Equity Interest Pledge Agreement dated October 17, 2018 among 100Edu Technology, Sanrenxing and each of the shareholders of Sanrenxing (incorporated herein by reference to Exhibit 4.49 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.46	English translation of Exclusive Business Cooperation Agreement dated October 17, 2018 between 100Edu Technology and Sanrenxing (incorporated herein by reference to Exhibit 4.50 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.47	English translation of Exclusive Option Agreement dated October 17, 2018 between 100Edu Technology, Sanrenxing and each of the shareholders of Sanrenxing (incorporated herein by reference to Exhibit 4.51 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.48	English translation of Shareholder Voting Rights Proxy Agreement dated October 17, 2018 among 100Edu Technology, Sanrenxing and each of the shareholders of Sanrenxing (incorporated herein by reference to Exhibit 4.52 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 26, 2019).
4.49*	English translation of Equity Interest Pledge Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Yunbu and each of the shareholders of Chengdu Yunbu
4.50*	English translation of Exclusive Asset Purchase Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Yunbu and each of the shareholders of Chengdu Yunbu
4.51*	English translation of Exclusive Business Cooperation Agreement dated July 31, 2019 between Guangzhou Wangxing and Chengdu Yunbu
4.52*	English translation of Exclusive Option Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Yunbu and each of the shareholders of Chengdu Yunbu
4.53*	English translation of Shareholder Voting Rights Proxy Agreements dated July 31, 2019 issued to Guangzhou Wangxing by each of the shareholders of Chengdu Yunbu
4.54*	English translation of Equity Interest Pledge Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Luota and each of the shareholders of Chengdu Luota
4.55*	English translation of Exclusive Asset Purchase Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Luota and each of the shareholders of Chengdu Luota

Exhibit Number	Description of Document
4.56*	English translation of Exclusive Business Cooperation Agreement dated July 31, 2019 between Guangzhou Wangxing and Chengdu Luota
4.57*	English translation of Exclusive Option Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Luota and each of the shareholders of Chengdu Luota
4.58*	English translation of Shareholder Voting Rights Proxy Agreements dated July 31, 2019 issued to Guangzhou Wangxing by each of the shareholders of Chengdu Luota
4.59*	English translation of Equity Interest Pledge Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Jiyue and each of the shareholders of Chengdu Jiyue
4.60*	English translation of Exclusive Asset Purchase Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Jiyue and each of the shareholders of Chengdu Jiyue
4.61*	English translation of Exclusive Business Cooperation Agreement dated July 31, 2019 between Guangzhou Wangxing and Chengdu Jiyue
4.62*	English translation of Exclusive Option Agreements dated July 31, 2019 among Guangzhou Wangxing, Chengdu Jiyue and each of the shareholders of Chengdu Jiyue
4.63*	English translation of Shareholder Voting Rights Proxy Agreements dated July 31, 2019 issued to Guangzhou Wangxing by each of the shareholders of Chengdu Jiyue
4.64*	Indenture, dated June 24, 2019 constituting \$500 million 0.75% Convertible Senior Notes due 2025
4.65*	Indenture, dated June 24, 2019 constituting \$500 million 1.375% Convertible Senior Notes due 2026
4.66	2019 Share Incentive Awards Arrangement (incorporated herein by reference to Exhibit 10.1 from our Form S-8 filed with the Securities and Exchange Commission on September 30, 2019)
4.67*	Share Transfer Agreement entered into by and between JOYY Inc. and Linen Investment Limited dated April 3, 2020
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*	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit Number	Description of Document
104*	Cover Page Interactive Data File — the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set
*	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.

JOYY INC.

By: /s/ David Xueling Li

Name: David Xueling Li

Title: Chairman and Chief Executive Officer

Date: April 27, 2020

JOYY INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of JOYY Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of JOYY Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, 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, 2019, 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, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, 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. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisition of Bigo Inc (Bigo) – valuation of trademark and user base intangible assets

As described in Note 4 to the consolidated financial statements, the Company completed the acquisition of the remaining outstanding shares of Bigo for net consideration of RMB16,025 million in 2019, of which RMB2,400 million of trademark and RMB1,027 million of user base were recognized as intangible assets. Management estimated the fair value of acquired trademark using the relief from royalty method. The value is estimated as the present value of the after-tax cost savings at an appropriate discount rate. In terms of the fair value of the acquired user base, the excess earnings method was used. The value is estimated as the present value of the revenues calculated at an appropriate discount rate. Management's determination of the fair values of acquired trademark and user base acquired involved the use of estimates and assumptions related to revenue growth rates, royalty rates, discount rates and attrition rates.

The principal considerations for our determination that performing procedures relating to valuation of trademark and user base intangible assets is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the testing of the fair value measurement of the acquired trademark and user base intangible assets due to the significant amount of judgment by management when developing the estimate; (ii) significant audit effort was necessary to perform procedures and evaluate audit evidence related to significant assumptions of revenue growth rates, royalty rates, discount rates and attrition rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to acquisition accounting, including controls over management's valuation of intangible assets and controls over development of the significant assumptions related to the valuation of intangible assets, including revenue growth rates, royalty rates, discount rates and attrition rates. These procedures also included, among others, reading the purchase agreement and testing management's process for estimating the fair values of the acquired trademark and user base intangible assets. Testing management's process included evaluating the appropriateness of the valuation method, testing the completeness, accuracy, and relevance of underlying data used in the model, and evaluating the reasonableness of the significant assumptions, including revenue growth rates, royalty rates, discount rates and attrition rates. Evaluating management's assumptions related to the revenue growth rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. The royalty rates were evaluated by considering the comparable market practice. The discount rates were evaluated by considering the cost of capital of comparable businesses and other industry factors. Evaluating the reasonableness of the attrition rates involved considering the current and past performance of the acquired business, as well as referencing to comparable market participants. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the Company's valuation methods and evaluating significant assumptions.

Goodwill impairment assessment - reporting unit within the Bigo segment

As described in Note 15 to the consolidated financial statements, the Company's consolidated goodwill balance was RMB12,947 million as of December 31, 2019, and the goodwill associated with the Bigo reportable segment, which only includes the Bigo reporting unit, was RMB12,935 million. Management conducts a goodwill impairment test at the reporting unit level at least annually in the fourth quarter, or more frequently when events or circumstances occur indicating that the recorded goodwill may be impaired. The impairment test compares the fair value of a reporting unit with its carrying value, with an impairment charge recorded for the amount by which the carrying amount exceeds the reporting unit's fair value up to a maximum amount of the goodwill balance for the reporting unit. For reporting units evaluated using a quantitative assessment, the fair values are determined using an income approach. The income approach determines fair value based on discounted cash flow models derived from the reporting units' long-term forecasts which included a seven-year future cash flow projection and an estimated terminal value. As disclosed by management, determining fair value requires the exercise of significant judgment, including judgments about appropriate revenue growth rates, discount rates, and the amount and timing of expected future cash flows.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Bigo reporting unit is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the goodwill impairment assessment due to the significant amount of judgment by management when developing the fair value measurement of the reporting unit; (ii) significant audit effort was necessary to perform procedures and evaluate audit evidence related to management's cash flow projections and significant assumptions related to the revenue growth rates and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units and controls over development of the significant assumptions including the revenue growth rates and discount rates. These procedures also included, among others, testing management's process for developing the fair value estimate; evaluating the appropriateness of the income approach; testing the completeness, accuracy, and relevance of underlying data used in the models; and evaluating the reasonableness of significant assumptions used by management, including the revenue growth rates and the discount rates. Evaluating management's assumptions related to the revenue growth rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. The discount rate was evaluated by considering the cost of capital of comparable businesses and other industry factors. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's models and certain significant assumptions, including the discount rate.

Revenue recognition — identification of distinct performance obligations and estimate of standalone selling price

As described in Note 2(v) to the consolidated financial statements, the Company's sources of revenue include live streaming and others. The Company's consolidated revenues were RMB25,576 million for the year ended December 31, 2019, of which RMB24,028 million were revenues from live streaming. Management identifies multiple distinct performance obligations in certain contracts of its live streaming business. Customers receive a series of services, virtual items and virtual rights by entering into these contracts with the Company. Management determines the distinct performance obligations and transaction price of each identified distinct performance obligation and recognizes revenue upon transfer of control of the promised services in an amount that reflects the consideration the Company expects to receive in exchange for those services. Management exercises significant judgment in determining the distinct performance obligations and transaction price which is dependent on the contractual terms for each type of contract with multiple distinct performance obligations.

The principal considerations for our determination that performing procedures relating to the identification of performance obligations and contracts with multiple performance obligations is a critical audit matter are that there was significant judgment by management in identifying the distinct performance obligations and estimating the standalone selling price of each distinct performance obligation due to the complexity of the contracts. Certain services are provided to customers over time and have the same pattern of transfer to customers. Management exercises judgement in determining the number of distinct performance obligations by accounting for services that have the same pattern of transfer to customers as a single performance obligation. Certain distinct performance obligations are not separately sold by the Company. Management exercises judgement in determining the standalone selling price of these distinct performance obligations. This in turn led to significant auditor judgment and effort in performing procedures and in evaluating management's significant judgment in determining whether the distinct performance obligations were appropriately identified and whether the standalone selling price of each distinct performance obligation was appropriately estimated.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including identification of distinct performance obligations and estimate of standalone selling prices used to allocate transaction price to distinct performance obligations in its contracts with customers. These procedures also included, among others, on a test basis: (i) testing the completeness and accuracy of management's identification of the distinct performance obligations by evaluating customer arrangements, (ii) testing management's process for estimating standalone selling price which included testing the completeness and accuracy of input data used and evaluating the reasonableness of significant assumptions used by management, principally including market and pricing conditions and other observable inputs such as historical pricing practices and (iii) testing management's process for determining the appropriate amount of revenue recognition based on the performance obligations identified in relevant contracts.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Guangzhou, the People's Republic of China
April 27, 2020

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

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2019
(All amounts in thousands, except share, ADS, per share and per ADS data)

	As of December 31,		
	2018	2019	2019
	RMB	RMB	US\$
			(Note2(e))
Assets			
Current assets			
Cash and cash equivalents	6,004,231	3,893,538	559,272
Restricted cash and cash equivalents	—	4,892	703
Short-term deposits	7,326,996	16,770,885	2,408,987
Restricted short-term deposits	—	653,034	93,802
Short-term investments	979,053	5,622,189	807,577
Accounts receivable, net	198,428	762,018	109,457
Amounts due from related parties	193,559	17,262	2,480
Financing receivables, net	768,343	105,344	15,132
Prepayments and other current assets	1,019,019	970,807	139,447
Total current assets	16,489,629	28,799,969	4,136,857
Non-current assets			
Long-term deposits	1,000,000	—	—
Deferred tax assets	70,834	127,635	18,334
Investments	4,591,524	2,362,907	339,410
Property and equipment, net	1,296,319	2,256,360	324,106
Land use rights, net	1,784,639	1,736,544	249,439
Intangible assets, net	74,685	3,179,863	456,759
Right-of-use assets, net	—	275,607	39,588
Goodwill	11,763	12,947,192	1,859,748
Financing receivables, net	224,793	129,380	18,584
Other non-current assets	223,859	394,026	56,598
Total non-current assets	9,278,416	23,409,514	3,362,566
Total assets	25,768,045	52,209,483	7,499,423
Liabilities, mezzanine equity and shareholders' equity			
Current liabilities			
Convertible bonds (including convertible bonds of the consolidated variable interest entities("VIEs") without recourse to the Company of nil and nil as of December 31, 2018 and 2019, respectively)	6,863	—	—
Accounts payable (including accounts payable of the consolidated VIEs without recourse to the Company of RMB112,167 and RMB90,764 as of December 31, 2018 and 2019, respectively)	114,589	124,551	17,891
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to the Company of RMB950,816 and RMB1,225,819 as of December 31, 2018 and 2019, respectively)	951,616	1,343,308	192,954
Advances from customers (including advances from customers of the consolidated VIEs without recourse to the Company of RMB101,690 and RMB150,091 as of December 31, 2018 and 2019, respectively)	101,690	150,091	21,559
Income taxes payable (including income taxes payable of the consolidated VIEs without recourse to the Company of RMB162,118 and RMB319,888 as of December 31, 2018 and 2019, respectively)	235,561	451,623	64,872
Accrued liabilities and other current liabilities (including accrued liabilities and other current liabilities of the consolidated VIEs without recourse to the Company of RMB2,207,138 and RMB2,657,811 as of December 31, 2018 and 2019, respectively)	2,414,371	4,673,000	671,234
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs without recourse to the Company of RMB28,336 and RMB208,833 as of December 31, 2018 and 2019, respectively)	28,336	222,281	31,929
Lease liabilities due within one year (including lease liabilities due within one year of the consolidated VIEs without recourse to the Company of nil and RMB34,292 as of December 31, 2018 and 2019, respectively)	—	115,564	16,600
Short-term loans (including short-term loans of the consolidated VIEs without recourse to the Company of nil and RMB270,565 as of December 31, 2018 and 2019, respectively)	—	557,203	80,037
Total current liabilities	3,853,026	7,637,621	1,097,076
Non-current liabilities			
Convertible bonds (including convertible bonds of the consolidated VIEs without recourse to the Company of nil and nil as of December 31, 2018 and 2019, respectively)	—	5,008,571	719,436
Lease liabilities (including lease liabilities of the consolidated VIEs without recourse to the Company of nil and RMB31,105 as of December 31, 2018 and 2019, respectively)	—	162,779	23,382
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to the Company of RMB86,977 and RMB228,111 as of December 31, 2018 and 2019, respectively)	91,710	240,541	34,552
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs without recourse to the Company of nil and RMB85,479 as of December 31, 2018 and 2019, respectively)	27,505	264,639	38,013
Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the Company of nil and RMB11,495 as of December 31, 2018 and 2019, respectively)	—	11,495	1,651
Total non-current liabilities	119,215	5,688,025	817,034
Total liabilities	3,972,241	13,325,646	1,914,110

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2019 (CONTINUED)

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

	As of December 31,		
	2018 RMB	2019 RMB	2019 US\$ (Note 2(e))
Commitments and contingencies(Note 29)			
Mezzanine equity	418,673	466,071	66,947
Shareholders' equity			
Class A common shares (US\$0.00001 par value; 10,000,000,000 and 10,000,000,000 shares authorized, 981,740,848 shares issued and outstanding as of December 31, 2018; 1,301,845,404 shares issued and 1,293,162,504 shares outstanding as of and December 31, 2019, respectively)	59	80	11
Class B common shares (US\$0.00001 par value; 1,000,000,000 and 1,000,000,000 shares authorized, 288,182,976 and 326,509,555 shares issued and outstanding as of December 31, 2018 and December 31, 2019, respectively)	21	24	3
Treasury Shares (US\$0.00001 par value; nil and 8,682,900 shares held as of December 31, 2018 and December 31, 2019, respectively)	—	(168,072)	(24,142)
Additional paid-in capital	11,168,866	21,921,562	3,148,835
Statutory reserves	101,725	149,961	21,541
Retained earnings	6,913,469	10,272,122	1,475,498
Accumulated other comprehensive income	336,152	890,209	127,871
Total JOYY Inc.'s shareholders' equity	18,520,292	33,065,886	4,749,617
Non-controlling interests	2,856,839	5,351,880	768,749
Total shareholders' equity	21,377,131	38,417,766	5,518,366
Total liabilities, mezzanine equity and shareholders' equity	25,768,045	52,209,483	7,499,423

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(All amounts in thousands, except share, ADS, per share and per ADS data)

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	2019 US\$ (Note2(c))
Net revenues				
Live streaming	10,670,954	14,877,667	24,028,299	3,451,449
Others	923,838	885,890	1,547,905	222,343
Total net revenues	11,594,792	15,763,557	25,576,204	3,673,792
Cost of revenues (1)	(7,026,402)	(10,017,134)	(17,148,350)	(2,463,206)
Gross profit	4,568,390	5,746,423	8,427,854	1,210,586
Operating expenses (1)				
Research and development expenses	(781,886)	(1,192,052)	(2,535,482)	(364,199)
Sales and marketing expenses	(691,281)	(1,149,316)	(3,739,724)	(537,178)
General and administrative expenses	(544,641)	(883,225)	(1,489,495)	(213,953)
Goodwill impairment	(2,527)	—	—	—
Total operating expenses	(2,020,335)	(3,224,593)	(7,764,701)	(1,115,330)
Gain on disposal of subsidiaries and business	37,989	—	82,699	11,879
Other income	113,187	117,860	322,103	46,267
Operating income	2,699,231	2,639,690	1,067,955	153,402
Interest expense	(32,122)	(8,616)	(266,517)	(38,283)
Interest income and investment income	180,384	485,552	733,576	105,372
Foreign currency exchange (losses) gains, net	(2,176)	(514)	9,796	1,407
Gain on deemed disposal and disposal of investments	45,861	16,178	—	—
Gain on fair value changes of investments	—	1,689,404	2,679,312	384,859
Fair value loss on derivative liabilities	—	(2,285,223)	(16,011)	(2,300)
Other non-operating expenses	—	(2,000)	—	—
Income before income tax expenses	2,891,178	2,534,471	4,208,111	604,457
Income tax expenses	(415,811)	(477,707)	(546,622)	(78,517)
Income before share of income in equity method investments, net of income taxes	2,475,367	2,056,764	3,661,489	525,940
Share of income in equity method investments, net of income taxes	33,024	58,933	38,540	5,536
Net income	2,508,391	2,115,697	3,700,029	531,476
Less: Net (loss) income attributable to the non-controlling interest shareholders and the mezzanine equity classified non-controlling interest shareholders	(4,532)	(93,310)	254,794	36,599
Net income attributable to controlling interest of the Company	2,512,923	2,209,007	3,445,235	494,877
Less: Accretion of subsidiaries' redeemable convertible preferred shares to redemption value	19,688	73,159	38,346	5,508
Deemed dividend to Huya Inc.'s (Huya's) Series A preferred shareholders	—	489,284	—	—
Cumulative dividend on a subsidiary's preferred shares	—	4,606	27,559	3,959
Net income attributable to common shareholders of the Company	2,493,235	1,641,958	3,379,330	485,410
Other comprehensive income (loss):				
Unrealized loss of available-for-sale securities, net of nil tax	(41,150)	—	—	—
Foreign currency translation adjustments, net of nil tax	(61,513)	434,080	571,815	82,136
Comprehensive income attributable to the common shareholders of JOYY Inc.	2,390,572	2,076,038	3,951,145	567,546

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (CONTINUED)

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

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	2019 US\$ (Note2(e))
Net income per ADS*				
—Basic	42.03	25.64	43.76	6.29
—Diluted	41.33	25.38	43.01	6.18
Weighted average number of ADS used in calculating net income per ADS				
—Basic	59,323,007	64,042,390	77,219,846	77,219,846
—Diluted	60,831,887	64,704,470	78,254,045	78,254,045
Net income per common share*				
—Basic	2.10	1.28	2.19	0.31
—Diluted	2.07	1.27	2.15	0.31
Weighted average number of common shares used in calculating net income per common share				
—Basic	1,186,460,144	1,280,847,795	1,544,396,920	1,544,396,920
—Diluted	1,216,637,741	1,294,089,406	1,565,080,905	1,565,080,905

* Each ADS represents 20 common shares.

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

	For the year ended December 31,			
	2017 RMB	2018 RMB	2019 RMB	2019 US\$ (Note2(e))
Cost of revenues	42,759	74,339	81,254	11,671
Research and development expenses	122,348	225,173	505,697	72,639
Sales and marketing expenses	4,417	5,723	12,718	1,827
General and administrative expenses	88,137	342,790	348,479	50,056

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, 2017, 2018 AND 2019
 (All amounts in thousands, except share, ADS, per share and per ADS data)

	Class A common shares		Class B common shares		Additional paid-in capital RMB	Statutory reserves RMB	Retained earnings RMB	Accumulated other comprehensive income (loss) RMB	Total JOYY Inc.'s shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
	Number of shares	Amount RMB	Number of shares	Amount 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	379,120	—	—	—	20	—	—	—	20	—	20
Issuance of common shares for vested restricted shares and restricted share units	20,926,760	1	—	—	(1)	—	—	—	—	—	—
Issuance of common share	132,250,000	9	—	—	2,946,125	—	—	—	2,946,134	—	2,946,134
Class B common shares converted to Class A common shares	41,575,000	3	(41,575,000)	(3)	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	229,435	—	—	—	229,435	28,226	257,661
Deemed disposal of partial interest in an equity investment	—	—	—	—	(1,501)	—	—	—	(1,501)	—	(1,501)
Appropriation to statutory reserves	—	—	—	—	—	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	—	—	—	—	—	—	—	—	—	12,833	12,833
Components of comprehensive income											
Net income (loss) attributable to JOYY Inc. and non-controlling interest shareholders	—	—	—	—	—	—	2,512,923	—	2,512,923	(10,589)	2,502,334
Accretion of subsidiaries' redeemable convertible preferred shares to redemption value	—	—	—	—	—	—	(19,688)	—	(19,688)	(154)	(19,842)
Unrealized loss of available-for-sale securities	—	—	—	—	—	—	(41,150)	(41,150)	(41,150)	—	(41,150)
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	(61,513)	(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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (CONTINUED)
 (All amounts in thousands, except share, ADS, per share and per ADS data)

	Class A common shares		Class B common shares		Additional paid-in capital	Statutory reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total JOYY Inc.'s shareholders' equity	Non-controlling interests	Total shareholders' equity
	Number of shares	Amount RMB	Number of shares	Amount RMB							
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
Adoption of ASU 2016-01	—	—	—	—	—	—	87,802	(87,802)	—	—	—
Issuance of common shares for exercised share options	154,260	—	—	—	7	—	—	—	7	—	7
Issuance of common shares for vested restricted shares and restricted share units	6,540,680	—	—	—	—	—	—	—	—	—	—
Class B common shares converted to Class A common shares	29,800,000	2	(29,800,000)	(2)	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	648,025	—	—	—	648,025	—	648,025
Appropriation to statutory reserves	—	—	—	—	—	39,007	(39,007)	—	—	—	—
Capital injection in subsidiaries from non-controlling interest shareholders	—	—	—	—	—	—	—	—	—	658	658
Acquisition of a subsidiary's shares from mezzanine equity holders	—	—	—	—	(13,315)	—	—	—	(13,315)	—	(13,315)
Conversion of a Huya's preferred shares to ordinary shares upon the completion of its IPO	—	—	—	—	4,009,874	—	—	—	4,009,874	2,280,543	6,290,417
Proceed from a Huya's IPO, net of issuance cost	—	—	—	—	795,073	—	—	—	795,073	412,676	1,207,749
Partial disposal of a subsidiary's interests to non-controlling interest shareholders, net of tax	—	—	—	—	389,358	—	—	(529)	388,829	(34,081)	354,748
Components of comprehensive income	—	—	—	—	—	—	2,209,007	—	2,209,007	(94,666)	2,114,341
Net income (loss) attributable to JOYY Inc. and non-controlling interest shareholders	—	—	—	—	—	—	2,209,007	—	2,209,007	(94,666)	2,114,341
Accretion of subsidiaries' redeemable convertible preferred shares to redemption value	—	—	—	—	—	—	(73,159)	—	(73,159)	(4,692)	(77,851)
Declared dividend to Huya's Series A Preferred shareholders	—	—	—	—	—	—	(489,284)	—	(489,284)	(7,711)	(496,995)
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	—	434,080	434,080	202,408	636,488
Balance as of December 31, 2018	981,740,848	59	288,182,976	21	11,168,866	101,725	6,913,469	336,152	18,520,292	2,856,839	21,377,131

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (CONTINUED)

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

	Class A common shares		Class B common shares		Treasury shares Amount RMB	Additional paid-in capital RMB	Statutory reserves RMB	Retained earnings RMB	Accumulated other comprehensive income (loss) RMB	Total JOYY Inc.'s shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
	Number of shares	Amount RMB	Number of shares	Amount RMB								
Balance as of December 31, 2018	981,740,848	59	288,182,976	21	—	11,168,866	101,725	6,913,469	336,152	18,520,292	2,856,839	21,377,131
Issuance of common shares for vested restricted shares and restricted share units	6,216,060	—	—	—	—	—	—	—	—	—	—	—
Issuance of common shares in connection with the acquisition of Bigo	305,127,046	21	38,326,579	3	—	7,704,396	—	—	—	7,704,420	—	7,704,420
Grant of restricted shares	8,761,450	—	—	—	—	817,739	—	—	—	817,739	130,409	948,148
Share-based compensation	—	—	—	—	—	—	48,236	(48,236)	—	—	—	—
Appropriation to statutory reserves	—	—	—	—	—	—	—	—	—	—	—	—
Bifurcation of conversion feature of convertible bonds	—	—	—	—	—	2,014,966	—	—	—	2,014,966	—	2,014,966
Purchase of capped call options in relation to the conversion features of the convertible bonds	—	—	—	—	—	(527,473)	—	—	—	(527,473)	—	(527,473)
Proceed from Huya's follow-on public offering, net of issuance cost	—	—	—	—	—	293,403	—	—	(9,919)	283,484	1,826,582	2,110,066
Issuance of Huya's common shares for exercised share options	—	—	—	—	—	(18,805)	—	—	(1,448)	(20,253)	52,654	32,411
Exercise/Settlement of RSUs in subsidiaries	—	—	—	—	—	(7,746)	—	—	—	(7,746)	3,580	(4,166)
Repurchase of common shares	(8,682,900)	—	—	—	(168,072)	(83,027)	—	—	—	(251,099)	—	(251,099)
Deemed contribution from non-controlling interest shareholders	—	—	—	—	—	6,162	—	—	—	6,162	(6,162)	—
Partial disposal of a subsidiary's interests to non-controlling interest shareholders, net of tax	—	—	—	—	—	553,081	—	—	(6,391)	546,690	133,938	680,628
Components of comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—
Net income (loss) attributable to JOYY Inc. and non-controlling interest shareholders	—	—	—	—	—	—	—	3,445,235	—	3,445,235	254,794	3,700,029
Accretion of subsidiaries' redeemable convertible preferred shares to redemption value	—	—	—	—	—	—	—	(38,346)	—	(38,346)	(1,669)	(40,015)
Foreign currency translation adjustments, net of nil tax	—	—	—	—	—	—	—	—	571,815	571,815	100,905	672,720
Balance as of December 31, 2019	1,293,162,504	80	326,509,555	24	(168,072)	21,921,562	149,961	10,272,122	890,209	33,065,886	5,351,880	38,417,766

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(All amounts in thousands)

	For the year ended December 31,			
	2017	2018	2019	2019
	RMB	RMB	RMB	US\$
				(Note2(e))
Cash flows from operating activities				
Net income	—	—	—	—
Adjustments to reconcile net income to net cash provided by operating activities	2,508,391	2,115,697	3,700,029	531,476
Depreciation of property and equipment	176,715	150,991	362,495	52,069
Amortization of acquired intangible assets and land use rights	62,419	69,095	717,753	103,099
Amortization of right-of-use assets	—	—	103,451	14,860
Allowance for doubtful accounts	15,106	54,073	169,522	24,350
Loss (gain) on disposal of property and equipment, intangible assets and other long-term assets	17,620	(799)	(460)	(66)
Impairment of investments	43,205	35,348	62,334	8,954
Impairment of property and equipment	—	—	5,347	768
Impairment of intangible assets	—	—	3,061	440
Impairment of goodwill	2,527	—	—	—
Share-based compensation	257,661	648,025	948,148	136,193
Share of income in equity method investments, net of income taxes	(33,024)	(58,933)	(38,540)	(5,536)
Gain on deemed disposal and disposal of investments	(45,861)	(16,178)	—	—
Gain on disposal of subsidiaries and business	(37,989)	—	(82,699)	(11,879)
Deferred income taxes, net	3,919	49,646	(168,029)	(24,136)
Foreign currency exchange (gains) losses, net	2,176	514	(9,796)	(1,407)
Interest expenses	—	—	211,226	30,341
Investment income	—	(17,093)	(50,535)	(7,259)
Gain on fair value changes of investments	—	(1,689,404)	(2,679,312)	(384,859)
Fair value loss on derivative liabilities	—	2,285,223	16,011	2,300
Changes in operating assets and liabilities, net of business acquisition and disposal of subsidiaries				
Accounts receivable	18,383	(45,682)	(157,337)	(22,600)
Interest receivables recorded in financing receivables	—	(832)	(13,720)	(1,971)
Prepayments and other assets	(48,277)	(380,834)	(303,167)	(43,549)
Amounts due from related parties	155	486	(14,608)	(2,098)
Inventory	1,434	315	—	—
Lease liabilities	—	—	(101,274)	(14,547)
Amounts due to related parties	(18,615)	(1,896)	30,030	4,314
Accounts payable	(39,060)	8,699	(26,298)	(3,777)
Deferred revenue	366,634	227,564	384,838	55,279
Advances from customers	24,254	21,284	48,401	6,952
Income taxes payable	5,544	62,520	95,235	13,680
Accrued liabilities and other current liabilities	435,135	946,985	1,369,585	196,727
Net cash provided by operating activities	3,718,452	4,464,814	4,581,691	658,118
Cash flows from investing activities				
Placements of short-term deposits	(9,667,447)	(9,512,818)	(18,252,986)	(2,621,877)
Maturities of short-term deposits	7,361,225	8,649,150	9,970,909	1,432,231
Placements of long-term deposits	—	(1,000,000)	—	—
Placements of short-term investments	(189,550)	(3,505,075)	(8,657,771)	(1,243,611)
Maturities of short-term investments	65,000	2,667,665	4,065,170	583,925
Placements of derivative financial instruments	—	—	(10,832)	(1,556)
Purchase of property and equipment	(397,327)	(333,994)	(987,678)	(141,871)
Purchase of intangible assets and land use right	(17,749)	(58,838)	(104,838)	(15,059)
Purchase of other non-current assets	(82,645)	—	(132,000)	(18,961)
Prepayments for investments	—	(67,250)	(525)	(75)
Cash paid for investments	(325,647)	(2,335,537)	(641,675)	(92,171)
Cash received from disposal of investments	86,714	718,476	163,526	23,489
Cash dividend received from an equity investee	—	6,125	—	—
Acquisition of businesses, net of cash, cash equivalents and restricted cash acquired	(6,161)	—	(1,656,763)	(237,979)
Decommissioning and disposal of subsidiaries, net of cash disposed	117,005	—	—	—
Payments on behalf of related parties, net of repayment	23,116	2,543	12,261	1,761
Loans to related parties	(24,962)	(188,000)	(170,000)	(24,419)
Repayments of loans from related parties	35,462	20,000	—	—
Loans to employees and third parties	(20,550)	(282,031)	(62,998)	(9,049)
Repayments of loans from employees and third parties	4,641	35,067	144,306	20,728
Payments to originate financing receivables	—	(1,458,012)	(779,414)	(111,956)
Principal collection from financing receivables	—	346,028	1,489,148	213,903
Proceeds from disposal of property and equipment	1,359	1,115	2,260	325
Net cash used in investing activities	(3,037,516)	(6,295,386)	(15,609,900)	(2,242,222)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019 (CONTINUED)

(All amounts in thousands)

	For the year ended December 31,			
	2017	2018	2019	2019
	RMB	RMB	RMB	US\$
				(Note2(e))
Cash flows from financing activities				
Proceeds from exercise of vested share options	20	7	22,936	3,295
Capital contributions from the non-controlling interests shareholders	64,875	658	—	—
Capital contributions from mezzanine equity holders	509,535	3,231,261	100,536	14,441
Proceeds from issuance of Huya's common shares upon its Initial Public Offering	—	1,207,749	—	—
Proceeds from issuance of Huya's common shares upon its Follow-on Public Offering	—	—	2,110,715	303,185
Acquisition of a subsidiary's shares from mezzanine equity holders	—	(30,000)	—	—
Partial disposal of Huya's interests to non-controlling interest shareholders	—	378,548	748,005	107,444
Purchase of capped call option in relation to repurchase of common shares	—	—	(83,027)	(11,926)
Proceeds from bank borrowings	621,118	691,612	1,550,453	222,709
Repayment of bank borrowings	—	(1,308,092)	(1,014,496)	(145,723)
Proceeds from issuance of common shares, net of issuance cost	2,950,607	(4,473)	—	—
Repurchase of common shares	—	—	(168,072)	(24,142)
Proceeds from issuance of convertible bonds, net of issuance costs	—	—	6,209,590	891,952
Repayment of convertible bonds	(2,753,630)	—	(6,734)	(967)
Net cash provided by financing activities	1,392,525	4,167,270	9,469,906	1,360,268
Net increase/(decrease) in cash, cash equivalents, restricted cash and restricted short-term deposits	2,073,461	2,336,698	(1,558,303)	(223,836)
Cash, cash equivalents, restricted cash and restricted short-term deposits at the beginning of the year	1,579,743	3,617,432	6,004,231	862,454
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted short-term deposits	(35,772)	50,101	105,536	15,159
Cash, cash equivalents and restricted cash at the end of the year	3,617,432	6,004,231	4,551,464	653,777

	For the year ended December 31,			
	2017	2018	2019	2019
	RMB	RMB	RMB	US\$
				(Note2(e))
Supplemental disclosure of cash flows information:				
—Cash paid for interest, net of amounts capitalized	(41,729)	(9,354)	(53,479)	(7,682)
—Income taxes paid	(406,348)	(365,541)	(592,673)	(85,132)
Supplemental disclosures of non-cash investing and financing activities:				
—Acquisition of property and equipment	16,865	64,041	119,400	17,151
—Disposal of investments and business	7,986	77,423	366,882	52,699
—Common shares issued for the acquisition of Bigo	—	—	7,704,420	1,106,671
—Conversion of Huya's preferred shares to ordinary shares	—	6,290,417	—	—
—Amounts receivable from issuance of a subsidiary's preferred shares	—	102,951	—	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities

(a) Organization and principal activities

JOYY Inc. (the “Company” or “JOYY” or “YY”), together with its subsidiaries, its VIEs (also referred to as VIEs and their subsidiaries as a whole, where appropriate) (collectively, the “Group”), is a leading global social media platform, offering users around the world a uniquely engaging and immersive experience across various video-based products and services, such as live streaming, short-form videos and video communication.

In March 2019, the Company completed the acquisition of Bigo Inc (“Bigo”). Bigo is primarily engaged in the video and audio broadcast business all over the world. The Company paid US\$343.1 million in cash and issued 305,127,046 Class A common shares, which were outstanding, and 38,326,579 Class B common shares of the Company to Bigo’s selling shareholders. The details of this acquisition are disclosed in Note 4.

(b) Initial Public Offering

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (Continued)

(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, 2019 are set out below:

<u>Name</u>	<u>Place of incorporation</u>	<u>Date of incorporation or acquisition</u>	<u>% of direct or indirect economic ownership</u>	<u>Principal activities</u>
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")	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	38.7 %	Investment holding
Guangzhou Huya Technology Co., Ltd. ("Huya Technology")	PRC	June 16, 2017	38.7 %	Software development
Hago Singapore Pte. Ltd. ("Hago Singapore")	Singapore	May 7, 2018	100 %	Internet value added services
Bigo	Cayman Islands	March 4, 2019	100 %	Investment holding
Bigo Technology Pte. Ltd. ("Bigo Singapore")	Singapore	March 4, 2019	100 %	Investment holding, operation of live streaming platform
Bigo (Hong Kong) Limited ("Bigo HK")	Hong Kong	March 4, 2019	100 %	Investment holding
Guangzhou BaiGuoYuan Information Technology Co., Ltd. ("BaiGuoYuan Technology")	PRC	March 4, 2019	100 %	Software development and provision of information technology services
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
Guangzhou Huya Information Technology Co., Ltd. ("Guangzhou Huya")	PRC	August 10, 2016	38.7 %	Holder of internet content provider licenses and internet value added services
Guangzhou BaiGuoYuan Network Technology Co., Ltd. ("Guangzhou BaiGuoYuan")	PRC	March 4, 2019	100 %	Holder of internet content provider licenses and internet value added services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide internet-content, the Group conducts its operations primarily through its principal VIEs Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan, 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 2038 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.

- **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

• **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (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 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 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.

(iii) VIE agreements amongst BaiGuoYuan Technology, Guangzhou BaiGuoYuan and its nominee shareholders

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

• **Exclusive Business Cooperation Agreement**

Under the exclusive business cooperation agreement between BaiGuoYuan Technology and Guangzhou BaiGuoYuan, BaiGuoYuan Technology has the exclusive right to provide Guangzhou BaiGuoYuan technology support, business support and consulting services related to the services provided by Guangzhou BaiGuoYuan, the scope of which is to be determined by BaiGuoYuan Technology from time to time. BaiGuoYuan Technology owns the exclusive intellectual property rights created as a result of the performance of this agreement. BaiGuoYuan Technology receives substantially all of the economic interest returns generated by Guangzhou BaiGuoYuan. The term of this agreement will not expire unless with BaiGuoYuan Technology's written confirmation to terminate the agreement.

• **Exclusive Option Agreement**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

• Powers of Attorney

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

• Share Pledge Agreement

Pursuant to the share pledge agreement between BaiGuoYuan Technology and the shareholders of Guangzhou BaiGuoYuan, the shareholders of Guangzhou BaiGuoYuan have pledged all of their equity interests in Guangzhou BaiGuoYuan to BaiGuoYuan Technology to guarantee the performance by Guangzhou BaiGuoYuan and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement and powers of attorney. If Guangzhou BaiGuoYuan and/or its shareholders breach their contractual obligations under those agreements, BaiGuoYuan Technology, as pledgee, will be entitled to voting right and the right to sell the pledged equity interests.

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

- exercise effective control over Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan;
- 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"), Guangzhou Bilin Changxiang Information Technology Co., Ltd. ("Bilin Changxiang") and Guangzhou 100 Education Technology Co., Ltd. ("100 Edu Technology"), subsidiaries of the Company, also entered into similar contractual agreements with Guangzhou Bilin Online Information Technology Co., Ltd. ("Bilin Online") and Guangzhou Sanrenxing 100 Education Technology Co., Ltd. ("Guangzhou Sanrenxing"), respectively. Guangzhou Wangxing Information Technology Co., Ltd. ("Guangzhou Wangxing") also entered into similar contractual agreements with Chengdu Yunbu Network Technology Co., Ltd. ("Chengdu Yunbu"), Chengdu Luota Network Technology Co., Ltd. ("Chengdu Luota") and Chengdu Jiyue Network Technology Co., Ltd. ("Chengdu Jiyue"). Through these contractual agreements, Beijing Tuda, Bilin Online, Guangzhou Sanrenxing, Chengdu Yunbu, Chengdu Luota and Chengdu Jiyue are considered VIEs of the Group.

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 RMB5,524,402 as of December 31, 2019. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

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 discretionary 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, 2019.

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, 100 Edu Technology, BaiGuoYuan Technology, Guangzhou Wangxing and ultimately the Company hold all the variable interests of the VIEs and have been determined to be the primary beneficiary of the VIEs.

The Company deconsolidates its subsidiaries or business 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 or business 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(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 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 elements revenue contracts, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, purchase price allocation in a business combination, 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, determination of the fair value of derivative liabilities arising from Huya's Preferred Shares prior to Huya's IPO, subsequent adjustment due to significant observable price change for the equity investments without readily determinable fair values and not accounted for by the equity method, 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, Hong Kong, Singapore, United States and India 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 6.9618 on December 31, 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

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.

The Group considers all highly liquid investments with original maturities of three months or less as cash equivalents.

In November 2016, the FASB issued new guidance related to the classification of restricted cash in the statement of cash flows. The new standard requires that a statement of cash flows explain any change during the year in total cash, cash equivalents, and restricted cash. The new standard is effective for fiscal years beginning after December 15, 2017, and should be applied retrospectively. The Company adopted the new standard during the beginning of 2018 and applied the standard retrospectively for all periods presented. Cash, cash equivalents, restricted cash and restricted short-term deposits presented on the consolidated statements of cash flows included cash, cash equivalents, restricted cash and restricted short-term deposits in the consolidated balance sheets. As of December 31, 2018, cash, cash equivalents, restricted cash and restricted short-term deposits presented in the consolidated statement of cash flows is RMB6,004,231, including cash and cash equivalents of RMB6,004,231 in the consolidated balance sheets. As of December 31, 2019, cash, cash equivalents, restricted cash and restricted short-term deposits presented in the consolidated statement of cash flows is RMB4,551,464, including cash and cash equivalents of RMB3,893,538, restricted cash of RMB4,892 and restricted short-term deposits of RMB653,034 in the consolidated balance sheets, respectively.

(g) Short-term deposits

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

(h) Long-term deposits

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

(i) Short-term investments

For investments in financial instruments with a variable interest rate indexed to the performance of underlying assets, the Group 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.

(j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(j) Accounts receivable (continued)

The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Group 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, Group makes specific bad debt provisions based on any specific knowledge Group has acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require Group to use substantial judgment in assessing its collectability.

(k) Financing receivables

Financing receivables represent receivables derived from finance business, including micro-credit personal loans and corporate loans. Financing receivables are recorded at amortized cost, reduced by a valuation allowance estimated as of the balance sheet date. The amortized cost is equal to the unpaid principal amount, accrued interest receivables and net deferred origination costs. The origination costs are the direct costs attributable to originating the financing charged by third-party companies. The cash flows related to the principal of finance business are included in the investing activities category in the consolidated statement of cash flows.

Micro-credit personal loans

The Group provides micro loans to qualified individual borrowers. The micro loan periods granted to the borrowers generally range from one month to twelve months.

Corporate loans

The Group provides loans to corporate borrowers mainly through sales-and-leaseback model. Under the sales-and-leaseback arrangement, the Group, who is also the lender, purchases machinery and equipment from lessees, who are also the borrowers, and leases the purchased equipment back to the lessees for a number of years. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing.

Allowance for financing receivables

The Group assesses the allowance for financing receivables either on an individual or collective basis. The Group estimates and evaluates the allowance amounts and whether such amounts are adequate to cover potential losses, and periodic reviews are performed to ensure such amounts continue to reflect the best estimate of the losses inherent in the outstanding portfolio of debts. The estimate is based on a pooled basis due to the composition of homogeneous financing with similar size and general credit risk characteristics for similar finance businesses. The Group considers the credit worthiness of the individuals and the companies receiving financing, aging of the outstanding financing receivables, value of the collateral assets and other specific circumstances related to the financing when determining the allowance for financing receivables.

Financing receivables are placed on non-accrual status upon reaching 90 days past due or when reasonable doubt exists in timely collection of the financing receivables. When a financing receivable is placed on non-accrual status, the Group stops accruing financing income. Financing receivable is returned to accrual status if the related individual or company has performed in accordance with the contractual terms for a reasonable period of time and, in the Group's judgment, will continue to make period principal and financing income payments as scheduled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(i) Investments

ASU 2016-01 (“ASU 2016-01”), Recognition and Measurement of Financial Assets and Financial Liabilities amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The main provisions 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 through earnings, unless they qualify for a measurement alternative. The new guidance requires modified retrospective application to all outstanding instruments beginning January 1, 2018, with a cumulative effect adjustment recorded to opening accumulated deficit as of the beginning of the first period in which the guidance becomes effective. However, changes to the accounting for equity securities without a readily determinable fair value would be applied prospectively. The Group adopted the new financial instruments accounting standard from January 1, 2018. 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.

Equity Investments with Readily Determinable Fair Values

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level 1 of fair value measurements.

Equity Investments without Readily Determinable Fair Values

After the adoption of this new accounting standard, the Group elected to record equity investments without readily determinable fair values and not accounted for under the equity method at cost, less impairment, adjusted for subsequent observable price changes on a nonrecurring basis, and report changes in the carrying value of the equity investments in current earnings. Changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The implementation guidance notes that an entity should make a “reasonable effort” to identify price changes that are known or that can reasonably be known.

Equity Investments Accounted for Using the Equity Method

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****2. Principal accounting policies (continued)****(o) Intangible assets**

Intangible assets mainly consist of trademark, user bases, non-compete agreement, operating rights, software, domain names, technology, license and others. 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:

	<u>Estimated useful lives</u>
Trademark	10 years
User bases	3 years
License	15 years
Non-compete agreement	1 year
Operating rights	Shorter of the economic life or contract terms
Software	1-5 years
Domain names	15 years
Technology	5 years
Others	Shorter of the economic life or contract terms

(p) Land use rights

Land use rights are carried at cost less accumulated amortization. Amortization of the land use rights is made on straight-line basis over 40 years from the date when the Group first obtained the land use rights 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 long-lived assets recorded in general and administrative expenses for the years ended December 31, 2017, 2018 and 2019 were amounting to nil, nil and RMB8,408, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Annual test for impairment of goodwill

Goodwill assessment for impairment is performed on at least an annual basis in the fourth quarter 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(u) Mezzanine equity and non-controlling interests

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 interests

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.

(v) Revenue

Revenue recognition and significant judgments

For the year ended December 31, 2018, revenue presentation has been changed to live streaming and others to better reflect the way the Group generates revenues. The revenue presentation for the years ended December 31, 2017 is also retrospectively changed to be consistent with the year ended December 31, 2018. Revenues from live streaming are mainly generated from YY platform, Huya platform and Bigo platform. Other revenues are mainly generated from online games, membership, online education, advertising and finance business. Disaggregated revenues are disclosed in Note 32 "Segment Reporting".

On January 1, 2018, the Group 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. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Group's historic accounting under Topic 605. Based on the Group's assessment, the adoption of ASC 606 did not result in any adjustment on the Group's consolidated financial statements, and there were no material differences between the Group's adoption of ASC 606 and its historic accounting under ASC 605.

Revenues are recognized when control of the promised virtual items or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those virtual items or services.

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 without expiry. As the virtual currency is often consumed soon after it is purchased based on history of turnover, the Group considers the impact of the breakage amount for virtual currency coupons is insignificant. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(v) Revenue (continued)

(i) Live streaming

Live streaming mainly consists of YY platform, Huya platform and Bigo platform. It generates revenue from sales of virtual items in the platforms. Users can access the platforms and view the live streaming content showed by the performers. The Group shares a portion of the sales proceeds of virtual items (“revenue sharing fee”) with performers and talent agencies in accordance with their revenue sharing arrangements. Those performers who do not have revenue sharing arrangements with the Group are not entitled to any revenue sharing fee.

The Group evaluates and determines that it is the principal and views users to be its customers. The Group reports live streaming revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues and revenue sharing fee paid to performers and talent agencies are recorded as cost of revenues. Where the Group is the principal, it controls the virtual items before they are transferred to users. Its control is evidenced by the Group’s sole ability to monetize the virtual items before they are transferred to users, and is further supported by the Group being primarily responsible to users and having a level of discretion in establishing pricing.

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.

The Group may also enter into contracts that can include various combinations of virtual items, which are generally capable of being distinct and accounted for as separate performance obligations, such as the noble member program. Judgments are required as follow: 1) determining whether those virtual items are considered distinct performance obligations that should be accounted for separately versus together, 2) determining the standalone selling price for each distinct performance obligation, and 3) allocating of the arrangement consideration to the separate accounting of each distinct performance obligation based on their relative standalone selling prices. Certain virtual items are provided to customers over time and have the same pattern of transfer to customers. The Group exercises judgement in determining the number of distinct performance obligations by accounting for services that have the same pattern of transfer to customers as a single performance obligation. In instances where standalone selling price is not directly observable as the Group does not sell the virtual item separately, the Group determines the standalone selling price based on pricing strategies, market factors and strategic objectives. The Group recognizes revenue for each of the distinct performance obligations identified in accordance with the applicable revenue recognition method relevant for that obligation.

As the Group’s live streaming virtual items are generally sold without right of return and the Group does not provide any other credit and incentive to its users, therefore accounting of variable consideration when estimating the amount of revenue to recognize is not applicable to the Group’s live streaming business.

(ii) Others

Other revenues mainly generated from online games, membership, online education, advertising and finance business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(v) Revenue (continued)

(1) Online games revenues

The Group generates revenues from offering virtual items in online games developed by third parties or the Group itself to game players. Historically, the majority of online games revenues for the three years ended December 31, 2017, 2018 and 2019 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.

Pursuant to contracts signed between the Group and the respective game developers, game developers own the games' copyrights and other intellectual property, and take primary responsibilities of game development and game operation, including designing, developing and updating of the games related to game content, pricing of virtual items, providing ongoing updates of new contents and bug fixing. 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. Therefore, revenues derived from third party developed games are recorded on a net basis, net of the amount paid to game developers.

Given that third party developed games are managed and administered by the third party game developers, the Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, the Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Group believes that its responsibility 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(v) Revenue (continued)

(2) 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.

(3) Online education revenues

Educational programs and services consist of vocational training, language training courses and K-12 afterschool education 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 Group 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 Group 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 standalone selling price. The Group 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 Group 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 Group 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.

(4) Advertising revenues

The Group primarily generates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(v) Revenue (continued)

The Group enters into advertising contracts directly with advertisers or third-party advertising agencies that represent advertisers. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 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. In instances where the timing of revenue recognition differs from the timing of billing, the Group has determined the advertising contracts generally do not include a significant financing component. The primary purpose of the credits terms is to provide customers with simplified and predictable ways of purchasing the Group's advertising services, not to receive financing from its customers or to provide customers with financing.

Certain customers may receive sales incentives in the forms of discounts and rebates to advertisers or advertising agencies based on purchase volume, which are accounted for as variable consideration. The Group estimates these amounts based on the expected amount to be provided to customers considering the contracted rebate rates and estimated sales volume based on historical experience, and reduce revenues recognized. The Group believes that there will not be significant changes to the estimates of variable consideration.

(5) Financing revenues

The Group generates revenues from micro-credit personal loans provided to individual borrowers and corporate loans to corporate customers. The Group recognizes financing income related to those services over the life of the underlying financing using the effective interest method on unpaid principal amounts after net of loan origination cost.

The Group does not accrue financing revenues when a financing receivables is placed on non-accrual status. Financing revenues will be recognized when cash is received on a cash basis cost recovery method by applying first to reduce principal and then to interests thereafter.

Contract balances

The Group collects accounts receivable from various online payment platforms, distribution platforms and advertising customers. The allowance for doubtful accounts reflects the Group's best estimate of probable losses inherent in the accounts receivable balance. The Group determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The activity in the allowance for doubtful accounts for the periods presented is disclosed and detailed in Note 8.

The opening balance of accounts receivable was RMB153,944 as of January 1, 2018. As of December 31, 2018 and 2019, accounts receivable were RMB198,428 and RMB762,018, respectively. During the years ended December 31, 2017, 2018 and 2019, the Group recognized an addition of RMB3,049, and an addition of RMB1,198 and an addition of RMB117 of allowance for accounts receivable, respectively.

Contract liabilities primarily consists of deferred revenue for unconsumed virtual items and unamortized revenue from virtual items in the Group's platforms, where there is still an obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met.

The opening balance of deferred revenue related to live streaming business as of January 1, 2018 was RMB682,613. As of December 31, 2018 and 2019, deferred revenue related to live streaming business were RMB922,774 and RMB1,398,320 respectively. During the years ended December 31, 2018 and 2019, the Group recognized revenue of live streaming business amounted to RMB637,346 and RMB842,040, respectively, that was included in the corresponding contract liability balance at the beginning of the periods.

The opening balance of deferred revenue related to other revenue as of January 1, 2018 was RMB133,149. As of December 31, 2018 and 2019, deferred revenue related to other revenue were RMB120,552 and RMB185,529, respectively. During the years ended December 31, 2018 and 2019, the Group recognized revenue of other revenue amounted to RMB120,698 and RMB109,576, respectively, that was included in the corresponding contract liability balance at the beginning of the periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(v) Revenue (continued)

During the years ended December 31, 2017, 2018 and 2019, the Group does not have any arrangement where the performance obligations have already been satisfied in the past year, but the corresponding revenue is recognized in a later year.

As of December 31, 2019, the aggregate amount of the transaction price allocated to the remaining performance obligation is RMB1,583,849 the Group expects to recognize RMB1,343,308 performance obligation as revenue in 2020, the remaining performance obligation is expected to be recognized as revenue in 2021 and after years. However, the amount and timing of revenue recognition is largely driven by customer usage, which can extend beyond the original contractual term.

(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 primarily consists of (i) revenue sharing fees and content costs, including payments to various channel owners and performers, and content providers, (ii) bandwidth costs, (iii) payment handling costs, (iv) salary and welfare, (v) technical service fee, (vi) depreciation and amortization expense for servers, other equipment and intangibles directly related to operating the platform, (vii) share-based compensation, (viii) other taxes and surcharges, and (ix) 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, 2017, 2018 and 2019.

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%, 9% or 13% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(y) Research and development expenses

Research and development expenses primarily consist 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 Group 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 Group has not capitalized any costs related to internal use software during the years ended December 31, 2017, 2018 and 2019, respectively.

(z) Sales and marketing expenses

Sales and marketing expenses primarily consist of (i) advertising and market promotion expenses, (ii) amortization of intangible assets from business acquisitions, and (iii) salary and welfare for sales and marketing personnel. The advertising and market promotion expenses amounted to approximately RMB621,771, RMB1,065,866 and RMB2,981,328 during the years ended December 31, 2017, 2018 and 2019, respectively.

(aa) General and administrative expenses

General and administrative expenses primarily consist of (i) share-based compensation for management and administrative personnel, (ii) salary and welfare for general and administrative personnel, (iii) impairment charge, and (iv) 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 RMB214,848, RMB286,139 and RMB509,375 for the years ended December 31, 2017, 2018 and 2019, respectively.

(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, restricted share units and ordinary shares of the Company's subsidiaries to eligible employees, officers, directors, and non-employee consultants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(cc) Share-based compensation (continued)

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. The Group 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 Group 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.

ASU 2017-09, Compensation—Stock Compensation (Topic 718), Scope of Modification Accounting, provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.

An entity should account for the effects of a modification unless all the followings are met:

- The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification.
- The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.
- The classification of the modified award as an equity instrument or a liability instrument is the same as the classification immediately before the original award is modified.

The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this ASU 2017-09.

The Group adopted these amendments to Subtopic 718-10 and there was no impact on the consolidated financial statements for the years presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(cc) Share-based compensation (continued)

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

(1) Restricted share units

In determining the fair value of restricted share units granted, the fair value of the underlying shares of JOYY 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 Select Market

The fair value of restricted share units of Huya is determined with reference to stock price of Huya in the NYSE.

(2) 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 stock price of YY in the Nasdaq Global Select Market, 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.

The Group uses the similar meth in determining the fair value of share options granted by Huya.

(3) Restricted shares

Upon the acquisition of Bigo, Class A common shares are issued for the replacement awards to Bigo's employees to replace their original share-based awards, namely restricted shares. In determining the fair value of restricted share granted to Bigo's employees, the fair value of the underlying shares of JOYY on the grant dates is applied. The grant date fair value of restricted shares is based on stock price of YY in the Nasdaq Global Select Market.

(4) Huya's ordinary shares

Prior to the IPO, 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 Huya's current stage of development and the conceptual strength of the income approach, 50% weight was assigned to each of the income approach and the market approach for the valuation date.

Upon the completion of Huya's initial public offering, the fair value of Huya's ordinary shares is determined with reference to stock price of Huya in the NYSE.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(ee) Leases

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. On January 1, 2019, the Company adopted ASU No. 2016-02 (Topic 842) "Leases" using the optional transition method. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical accounting under Topic 840. Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases. A contract is or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Company determines whether a contract conveys the right to control the use of an identified asset for a period of time by assessing whether the Company has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

The main impact of the adoption of the standard is that assets and liabilities amounting to RMB145.2 million and RMB141.2 million, respectively, are recognized beginning January 1, 2019 for leased office space with terms of more than 12 months. The Company accounts for short-term leases with terms less than 12 months in accordance with ASC 842-20-25-2 to recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The adoption of the standard did not have a significant impact on the Group's consolidated financial statements.

Operating leases are included in operating lease right-of-use assets, current lease liabilities and non-current lease liabilities on the consolidated balance sheets.

(i) Right-of-use assets

Right-of-use assets, which mainly comprise of office lease, are initially measured at the present value of the lease payments. Amortization of the right-of-use assets is made over the lease term on a generally straight-line basis.

(ii) Lease liabilities

Lease liabilities are lessees' obligations to make the lease payments arising from a lease, measured on a discounted basis.

As a lessee, the weighted average remaining lease terms of the right-of-use assets was 2.79 years and the discount rate for the lease is the rate implicit in the lease unless that rate cannot be readily determined. In that case, the lessee is required to use its incremental borrowing rate. A weighted average incremental borrowing rate of 4.98% was adopted at commencement date in determining the present value of lease payments.

For the year ended December 31, 2019, operating lease cost and short-term lease cost were RMB117,066 and RMB56,557, respectively. There were no other lease cost other than operating lease cost and short-term lease cost for the year ended December 31, 2019. For the year ended December 31, 2019, cash paid for operating leases included in operating cash flows was RMB114,889. For the year ended December 31, 2019, lease liabilities arising from obtaining right-of-use assets was RMB112,917.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****2. Principal accounting policies (continued)****(ee) Leases (continued)**

A maturity analysis of the Company's operating lease liabilities and reconciliation of the undiscounted cash flows to the operating lease liabilities recognized on the consolidated balance sheet was as below:

	<u>Office rental</u> <u>RMB</u>
2020	122,996
2021	95,307
2022	56,544
2023 and after	25,274
Total undiscounted cash flows	<u>300,121</u>
Less: imputed interest	<u>(21,778)</u>
Present value of lease liabilities	<u>278,343</u>

(ff) 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, 2017, 2018 and 2019. As of December 31, 2018 and 2019, the Group did not have any significant unrecognized uncertain tax positions.

Adoption of ASU 2016-16

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. The Group adopted ASU 2016-16 from January 1, 2018 using a modified retrospective transition method. There was no material impact to the Company's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(gg) 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 years ended December 31, 2017, 2018 and 2019, appropriations to general reserve fund and statutory surplus fund amounted to RMB3,861, RMB39,007, and RMB48,236, respectively.

(hh) 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.

(ii) Dividends

Dividends are recognized when declared. No dividends on common shares were declared for the years ended December 31, 2017, 2018 and 2019, 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.

(jj) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

2. Principal accounting policies (continued)

(kk) 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.

As of December 31, 2018 and 2019, accumulated other comprehensive income/loss of the Group is the foreign currency translation adjustments.

(ll) 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 segment results when making decisions about allocating resources and assessing performance of the Group.

(mm) Recently issued accounting pronouncements

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 does not expect ASU 2016-13 to have a material impact to the Company'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 does not expect ASU 2017-04 to have a material impact to the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this standard will remove, modify and add certain disclosures under ASC Topic 820, Fair Value Measurement, with the objective of improving disclosure effectiveness. ASU 2018-13 will be effective for the Group's fiscal year beginning January 1, 2020, with early adoption permitted. The transition requirements are dependent upon each amendment within this update and will be applied either prospectively or retrospectively. The Company does not expect ASU 2018-13 to have a material impact to the Company's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

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, Guangzhou Huya and Guangzhou BaiGuoYuan. As of December 31, 2019, Beijing Tuda owns the majority equity interests of Guangzhou Huaduo, Guangzhou Huaduo owns the majority equity interests of Guangzhou Huya, and Mr. David Xueling Li owns the majority equity interest of Guangzhou BaiGuoYuan.

Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan hold the licenses and permits necessary to conduct its internet value-added services 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, Huya Technology and BaiGuoYuan Technology's unilateral termination right. Under the respective service agreements, Beijing Huanju Shidai, Huya Technology and BaiGuoYuan Technology will provide services including technology support, technology services, business support and consulting services to Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan, respectively, in exchange for service fees.

The amount of service fees payable is determined by various factors, including (a) a percentage of Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan's revenues or earnings, and (b) the expenses that Beijing Huanju Shidai, Huya Technology and BaiGuoYuan Technology incur for providing such services. Beijing Huanju Shidai, Huya Technology and BaiGuoYuan Technology may charge up to 100% of the income in Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan and a multiple of the expenses incurred for providing such services, as determined by Beijing Huanju Shidai, Huya Technology and BaiGuoYuan Technology, respectively, from time to time. The service fees payable by Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan to Beijing Huanju Shidai, Huya Technology and BaiGuoYuan Technology are determined to be up to 100% of the profits of Guangzhou Huaduo, Guangzhou Huya and Guangzhou BaiGuoYuan, with the timing of such payment to be determined at the sole discretion of Beijing Huanju Shidai, Huya Technology and BaiGuoYuan 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, 2017, 2018 and 2019, the Company's wholly owned foreign enterprises determined that service fees of RMB279,828, RMB744,339 and RMB1,843,097 were charged to the Group's VIEs, respectively.

Further, the Group believes that the contractual arrangements among Beijing Huanju Shidai, Huya Technology, BaiGuoYuan Technology and Bilin Changxiang, the VIEs, and their shareholders are in compliance with PRC law and are legally enforceable. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIEs were to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

In March 2019, the National People's Congress enacted PRC Foreign Investment Law which would be effective starting from January 1, 2020. The Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, but it contains a catch-all provision under the definition of "foreign investment," which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Existing laws or administrative regulations remain unclear whether the contractual arrangements with variable interest entities will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. However, the possibility that such entities will be deemed as foreign invested enterprise and subject to relevant restrictions in the future shall not be excluded. If VIEs fall within the definition of foreign investment entities, the Group's ability to use the contractual arrangements with its VIEs and the Group's ability to conduct business through the VIEs could be severely limited. The Group's ability to control the VIEs also depends on the power of attorney that the wholly owned subsidiary of the Group has to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Group believes these power of attorney are legally enforceable but may not be as effective as direct equity ownership. In addition, if the Group's corporate structure and the contractual arrangements with the VIEs through which the Group conducts its business in the PRC were found to be in violation of any existing or future PRC laws and regulations, the Group's relevant PRC regulatory authorities could:

- revoke or refuse to grant or renew the Group's business and operating licenses;
- restrict or prohibit related party transactions between the wholly owned subsidiary of the Group and the VIE;
- impose fines, confiscate income or other requirements which the Group may find difficult or impossible to comply with;
- require the Group to alter, discontinue or restrict its operations;
- restrict or prohibit the Group's ability to finance its operations, and;
- take other regulatory or enforcement actions against the Group that could be harmful to the Group's business.

The imposition of any of these restrictions or actions could result in a material adverse effect on the Group's ability to conduct its business. In such case, the Group may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs in the Group's consolidated financial statements. In the opinion of management, the likelihood for the Group to lose such ability is remote based on current facts and circumstances. The Group's operations depend on the VIEs to honor their contractual arrangements with the Group. These contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. The management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application to an effect on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since 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 involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS 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,	
	2018	2019
	RMB	RMB
Assets		
Current assets		
Cash and cash equivalents	4,665,938	2,097,191
Restricted cash and cash equivalents	—	4,892
Short-term deposits	2,100,000	4,100,003
Restricted short-term deposits	—	650,000
Short-term investments	979,052	4,581,725
Accounts receivable, net	192,932	189,889
Amounts due from related parties	172,258	15,397
Financing receivables, net	725,336	74,247
Prepayments and other current assets	663,437	556,610
Total current assets	9,498,953	12,269,954
Non-current assets		
Long-term deposits	1,000,000	—
Deferred tax assets	70,834	117,214
Investments	862,272	1,875,685
Property and equipment, net	655,402	911,427
Land use rights, net	1,784,639	1,736,544
Intangible assets, net	57,050	622,968
Right of use asset, net	—	65,840
Other non-current assets	143,240	281,989
Total non-current assets	4,573,437	5,611,667
Total assets	14,072,390	17,881,621
Liabilities		
Current liabilities		
Accounts payable	112,167	90,764
Deferred revenue	950,816	1,225,819
Advances from customers	101,690	150,091
Income taxes payable	162,118	319,888
Accrued liabilities and other current liabilities	2,207,138	2,657,811
Amounts due to related parties	28,336	208,833
Lease liabilities due within one year	—	34,292
Short-term loans	—	270,565
Total current liabilities	3,562,265	4,958,063
Non-current liabilities		
Lease liabilities	—	31,105
Deferred revenue	86,977	228,111
Deferred tax liabilities	—	85,479
Other non-current liabilities	—	11,495
Total non-current liabilities	86,977	356,190
Total liabilities	3,649,242	5,314,253

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Net revenues	11,577,104	15,740,097	21,205,945
Net income	2,766,279	3,475,109	4,797,984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****3. Certain risks and concentration (continued)****(a) PRC regulations (continued)**

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Net cash provided by operating activities	3,974,085	4,672,879	6,267,972
Net cash used in investing activities	(3,571,668)	(1,212,622)	(4,985,027)
Net cash provided by financing activities	66,875	—	271,333
	<u>469,292</u>	<u>3,460,257</u>	<u>1,554,278</u>

(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 oversea operation and investing and 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) Credit risk

Assets that potentially expose the Group to credit risk primarily consist of cash and cash equivalents, short-term deposits, long-term deposits, short-term investments, accounts receivable, financing receivables, amounts due from related parties, prepayments and other current assets.

As of December 31, 2018 and 2019, substantially all of the Group's cash and cash equivalents, short-term deposits, short-term investments and long-term deposits 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, 2017, 2018 and 2019 and believes that its credit risk to be minimal.

The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on the payment platforms, game platforms, customers and the ongoing monitoring process of outstanding balances.

The Group is exposed to default risk on its financing receivables. The Group conducts credit evaluations of customers in finance business, either on an individual or collective basis. The Group also considers the value of collateral assets when assessing the collectability of certain financing receivables. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Amounts due from related parties, prepayments and other current assets are typically unsecured. In evaluating the collectability of the balance, the Group considers many factors, including the related parties and third parties' repayment history and their credit-worthiness. An allowance for doubtful accounts is made when collection of the full amount is no longer probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****4. Business combination and disposal of subsidiaries and businesses****(a) Business combination***Acquisition of Bigo*

Immediately prior to this acquisition, the Company held 31.7% of equity interest of Bigo, a company which is primarily engaged in the video and audio broadcast business through its live-streaming applications and platforms all over the world. The Company had a contingent redemption right on its investment in Bigo, therefore the interest held by the Company did not meet the definition of in-substance common stock under ASC 323. As the investment in Bigo did not have readily determinable fair value, it was accounted for as an investment at cost less impairments, adjusted by observable price changes.

In February 2019, the Group entered into a share purchase agreement with Bigo and its shareholders. Under the agreement, the Group agreed to purchase all outstanding shares of Bigo that were not already owned by the Group. Pursuant to the agreement, the Company paid US\$343.1 million in cash and issued 305,127,046 Class A common shares, which were outstanding, and 38,326,579 Class B common shares of the Company to Bigo's selling shareholders. In addition, the Company has also issued 8,761,450 Class A common shares for future grants to employees as share-based awards. The acquisition was completed on March 4, 2019. The Group believed that the acquisition of Bigo helped the Group create enhanced live streaming content, expand global footprint and offer world-class user experiences for global user community. Upon the completion of the acquisition, Bigo became a wholly-owned subsidiary of the Group.

The following table summarizes the components of the purchase consideration transferred based on the closing price of the Company's common share as of the acquisition date:

	<u>As of acquisition date</u> RMB
Cash	2,300,196
Fair value of common shares issued	7,704,420
Fair value of previously held equity interest in Bigo	5,697,154
Elimination of preexisting amounts due from Bigo	323,002
Total consideration	16,024,772

The fair value of common shares issued above does not include post-acquisition share-based compensation amounting to RMB590,346. Out of the 305,127,046 Class A common shares issued and outstanding 38,042,760 shares are for the replacement awards to Bigo's employees to replace their original share-based awards. The post-acquisition share-based compensation of RMB590,346 are share-based compensation subject to continuous employment and will be recognized as share-based compensation expenses over the remaining required service period.

Immediately before the acquisition, the amounts due from Bigo to the Company amounted to RMB323,002. This amount due from Bigo was effectively eliminated upon the acquisition. The amount of the preexisting amounts due from Bigo of RMB323,002 was included as part of the consideration.

In accordance with ASC 805, the Company's previously held equity interest in Bigo was re-measured to fair value on the acquisition date, and a re-measurement gain of RMB2,669,334 was recognized as gain on fair value changes of investments. Acquisition-related costs of RMB27,162 was recognized as general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

4. Business combination and disposal of subsidiaries and businesses (continued)

(a) Business combination (continued)

The acquisition was accounted for as a business combination. The Group made estimates and judgements in determining the fair value of the assets acquired and liabilities assumed with the assistance from an independent valuation firm. The consideration was allocated on the acquisition date as follows:

	<u>As of acquisition date</u>	<u>Amortization period</u>
	RMB	
Net tangible assets acquired:		
-Cash and cash equivalents, restricted cash and cash equivalents and restricted short-term deposits	643,433	
-Accounts receivables	386,517	
-Other current assets	52,432	
-Property and equipment, net	294,030	
-Other non-current assets	174,837	
Identifiable intangible assets acquired:		
-Trademark	2,400,354	10 years
-User Base	1,027,191	3 years
-Non-compete agreement	81,129	1 year
-Others	6,195	
Accrued liabilities and other liabilities	(1,156,854)	
Deferred tax liabilities	(316,859)	
Goodwill	12,432,367	
Total	<u>16,024,772</u>	

The Company estimated the fair value of acquired trademark using the relief from royalty method. The value is estimated as the present value of the after-tax cost savings at an appropriate discount rate. In terms of the fair value of the acquired user base, the excess earnings method was used. The value is estimated as the present value of the revenues calculated at an appropriate discount rate. The Company's determination of the fair values of acquired trademark and user base acquired involved the use of estimates and assumptions related to revenue growth rates, royalty rates, discount rates and attrition rates.

The goodwill was mainly attributable to intangible assets that cannot be recognized separately as identifiable assets under U.S. GAAP, and mainly comprised (a) the assembled work force and (b) the expected future growth, enhancing world-class user experiences and expansion in global markets as a result of the synergy resulting from the acquisition. The goodwill recognized was not expected to be deductible for income tax purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****4. Business combination and disposal of subsidiaries and businesses (continued)****(a) Business combination (continued)**

Pro forma information of the acquisition

The following unaudited pro forma information summarizes the results of operations for the years ended December 31, 2018 and 2019 of the Company as if the acquisition had occurred on January 1, 2018. The unaudited pro forma information includes: (i) amortization associated with estimates for the acquired intangible assets and corresponding deferred tax liability; (ii) recognition of the post-combination share-based compensation; (iii) removal of the transaction costs related to the acquisition; (iv) removal of the remeasurement gain of JOYY's previously held interests in Bigo; (v) removal of fair value loss on derivative liabilities related to Bigo's preferred shares; (vi) elimination of transaction between Bigo and the Company and (vii) the associated tax impact on these unaudited pro forma adjustments. The following pro forma financial information is presented for informational purpose only and is not necessarily indicative of the results that would have occurred had the acquisition been completed on January 1 2018, nor is it indicative of future operating results.

	For the year ended December 31,	
	2018	2019
	RMB	RMB
Pro forma net revenues	18,786,008	26,237,534
Pro forma net (loss) income	(153,302)	805,905

The amounts of revenues and earnings of Bigo since the acquisition date are disclosed in Note 32 "Segment Reporting".

(b) Disposal of subsidiaries and businesses***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.

Disposal of online game business

In 2019, the Group entered into a restructuring and subscription agreement with a third party company and the third party company's then shareholders. Pursuant to the agreement, Guangzhou Huaduo obtained 30% of equity interest of the third party company by injecting the Group's wholly owned online games business into the third party company. The Group disposed of its online games business by injecting it into the third party company. After the disposal, the Group classified the investment in this company as an equity investment without readily determinable fair value. The investment was initially recognised at fair value. With the assistance of an independent valuer, the Group has determined that the fair value of the investment upon initial recognition was RMB347,000. In addition, the Company also entered into a business cooperation agreement with this company under which the Group will provide internet traffic and other support to this company. The Company will help to collect recharge amount from certain users on behalf of this company and pay the recharge amount to this company. The fair value of the business cooperation agreement, being RMB103,600, is recognised as deferred revenue and will be recognised the amount as revenue over the estimated period in which the investee can be benefitted from such service, which is 5 years. As a result, a net gain of RMB82,699 was recognised, which is the difference between (a) the fair value of consideration received, which was RMB347,000 and (b) the carrying amount of the assets and liabilities being de-consolidated, the deferred revenue being recognised and the direct related tax resulting from the disposal, which was RMB264,301.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****5. Cash and cash equivalents**

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2018 and 2019 primarily consist of the following currencies:

	December 31, 2018		December 31, 2019	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	4,707,868	4,707,868	2,154,711	2,154,711
US\$	188,869	1,296,284	229,198	1,598,931
Others	N/A	79	N/A	139,896
Total		6,004,231		3,893,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****6. Short-term and Long-term deposits**

Short-term deposits represent time deposits placed with banks with original maturities between three months and one year. Long-term deposits represent time deposits placed with banks with original maturities more than one year. The term deposits balance as of December 31, 2018 and 2019 primarily consist of the following currencies:

	December 31, 2018		December 31, 2019	
	Amount	RMB equivalent	Amount	RMB equivalent
Short-term deposits				
RMB	2,100,000	2,100,000	4,500,003	4,500,003
US\$	761,573	5,226,996	1,758,964	12,270,882
Total		7,326,996		16,770,885
Long-term deposits				
RMB	1,000,000	1,000,000	—	—

7. Restricted short-term deposits

As of December 31, 2019, the Group's restricted short-term deposits were RMB653,034, which was mainly pledged as collateral for the banking facilities of HK\$320 million and US\$40 million.

8. Accounts receivable, net

	December 31,	
	2018 RMB	2019 RMB
Accounts receivable, gross	206,772	763,004
Less: allowance for doubtful receivables	(8,344)	(986)
Accounts receivable, net	198,428	762,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****8. Accounts receivable, net (continued)**

The following table summarizes the details of the Group's allowance for doubtful accounts:

	For the year ended December 31,		
	2017 RMB	2018 RMB	2019 RMB
Balance at the beginning of the year	(55,220)	(7,356)	(8,344)
Additions charged to general and administrative expenses, net	(3,049)	(1,198)	(117)
Write-off during the year	50,913	210	7,475
Balance at the end of the year	(7,356)	(8,344)	(986)

9. Financing receivables, net

Financing receivables consist of the following:

	December 31,	
	2018 RMB	2019 RMB
Financing receivables, gross		
Micro-credit personal loans	734,108	194,517
Corporate loans	274,857	226,977
Total	1,008,965	421,494
Less: allowance for financing receivables	(15,829)	(186,770)
Financing receivables, net	993,136	234,724
Current portion	768,343	105,344
Non-current portion	224,793	129,380

As of December 31, 2018, micro-credit personal loans amounting to RMB371,031 was guaranteed by a third party corporation. The co-operation with this third party corporation was ceased in 2019 and as of December 31, 2019 the personal loans were not guaranteed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

9. Financing receivables, net (continued)

The following table presents the aging of gross financing receivables as of December 31, 2018 and 2019.

	1-90 days past due	91-180 days past due	181-360 days past due	over 1 year past due	Total past due	Current	Total financing receivables
December 31, 2018							
Micro-credit personal loans	13,074	6,590	1,411	—	21,075	713,033	734,108
Corporate loans	—	—	—	—	—	274,857	274,857
	<u>13,074</u>	<u>6,590</u>	<u>1,411</u>	<u>—</u>	<u>21,075</u>	<u>987,890</u>	<u>1,008,965</u>
December 31, 2019							
Micro-credit personal loans	29,109	26,192	36,999	20,183	112,483	82,034	194,517
Corporate loans	—	—	195,143	—	195,143	31,834	226,977
	<u>29,109</u>	<u>26,192</u>	<u>232,142</u>	<u>20,183</u>	<u>307,626</u>	<u>113,868</u>	<u>421,494</u>

The non-accrual financing receivables related to personal loans as of December 31, 2018 and 2019 amounted to RMB8,001 and RMB83,374, respectively, as they were past due for over 90 days. As a result, an impairment charge of RMB104 million was recognized in general and administrative expenses for the year ended December 31, 2019 due to the increasing receivables of past due.

A majority of the Group's corporate loan business was in the form of sale-and-leaseback arrangements, under which the Group purchases equipment from third party companies and lease back the equipment to the sellers. In 2019, one lessee was unable to repay the principal amount of around RMB15 million due in January and was default. Total financial receivable due from the lessee is RMB195 million. The Group has brought certain lawsuits against this lessee to the court, claiming the lessee to repay all the outstanding amount. Upon the date of the issuance of the consolidated financial statements, the court has passed the first instance judgement on all of these lawsuits, which supported the Group's claim and ordered the lessee to repay all the outstanding amounts due to the Group. Furthermore, the Group pledged or preserved additional assets of the lessee or its related entity as collateral. Based on the Group's assessment on the lessors' finance condition and the recoverable amount from the collateral, the financial receivable cannot be fully recovered. As a result, an impairment charge of RMB67 million was recognized in general and administrative expenses for the year ended December 31, 2019, against the carrying value of the financing receivables.

The financing receivable was placed on non-accrual status. The Group has decided not to further develop corporate loan business so as to avoid further potential risk arising from such business.

Movement of allowance for financing receivables is as follows:

	For the year ended December 31,	
	2018	2019
	RMB	RMB
Balance at the beginning of the year	—	(15,829)
Charge for the year	(15,829)	(170,941)
Balance at the end of the year	(15,829)	(186,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****10. Prepayments and other current assets**

	December 31,	
	2018	2019
	RMB	RMB
Interests receivable	218,553	324,019
Prepayments and deposits to vendors and content providers	183,293	235,134
Loans to third parties	180,964	93,253
Value added taxes to be deducted	69,563	84,783
Receivables from payment platforms	112,061	74,770
Rental and other deposits	22,457	38,489
Employee advances	11,536	27,683
Receivables from disposal of subsidiaries and investments	59,255	19,882
Amounts receivables from issuance of a subsidiary's preferred shares	102,951	—
Others	58,386	72,794
Total	1,019,019	970,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****11. Investments**

	December 31,	
	2018	2019
	RMB	RMB
Equity investments accounted for using the equity method (i)	378,378	754,144
Equity investments with readily determinable fair values (ii)	238,915	115,926
Equity investments without readily determinable fair values (iii)	3,974,231	1,492,837
Total	4,591,524	2,362,907

(i) In 2018 and 2019, the Group acquired minority stake of a number of privately-held entities with total consideration of RMB14,277 and RMB332,401, respectively. Investments have been accounted for under the equity method where the Group has significant influence on these investees and the investments are considered as in-substance common shares.

(ii) In 2018, the Group made an investment in an investment fund with total consideration of RMB204,499, which primarily invests in public stock market. The Group does not have the ability to exercise significant influence over the investment. Therefore, it has been precluded from applying the equity method of accounting.

In 2019, the Group disposed of an investment with readily determinable fair values, for a cash consideration of RMB141,875.

In 2018 and 2019, fair value loss of RMB113,677 and fair value gain of RMB21,942 related to investments with readily determinable fair values were recognized in the consolidated statements of comprehensive income (Note 28), respectively.

(iii) Equity securities without readily determinable fair values and over which the Company has neither significant influence nor control through investments in common stock or in-substance common stock.

In 2018 and 2019, the Group acquired minority preferred shares or ordinary shares of a number of privately-held entities with total consideration of RMB2,118,648 and RMB723,024, respectively. The ownership interests were less than 20% of the investees' total equities or the ownership interest redeemable upon condition. These equity investments are not considered as debt securities or equity securities that have readily determinable fair values. Accordingly the Company elected to account for these investments at cost less impairments, adjusted by observable price changes.

In 2019, The Group completed the acquisition of the remaining 68.3% of equity interest in Bigo and Bigo became a wholly owned subsidiary of the Group. Therefore the previously held 31.7% equity interest in Bigo, which was classified as equity investments without readily determinable fair value, was derecognized. Please refer to Note 4(a) for the acquisition of Bigo.

In 2019, the Group partially disposed of an investment without readily determinable fair values, with a consideration of RMB23,761.

In 2018 and 2019, fair value gain of RMB1,803,081 and RMB2,657,370 due to the observable price change, were recognized in gain on fair value changes of investments (Note 28), which was mainly due to gain on the fair value change on the investment in Bigo before the Company's acquisition of Bigo. Out of the fair value gain of RMB1,803,081 for the year ended December 31, 2018, fair value gain of RMB356,545 was realized and RMB1,446,536 was unrealized. Out of the fair value gain of RMB2,657,370 for the year ended December 31, 2019, fair value gain of RMB2,676,014 was realized and fair value loss of RMB18,644 was unrealized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****11. Investments (continued)**

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 2017, 2018 and 2019, based on the Group's assessment, an impairment charge of RMB43,205, RMB35,348 and RMB62,334 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.

12. Property and equipment, net

Property and equipment consists of the following:

	December 31,	
	2018	2019
	RMB	RMB
Gross carrying amount		
Servers, computers and equipment	679,735	1,865,395
Buildings	857,020	867,518
Construction in progress	211,657	333,550
Decoration of buildings	103,305	103,305
Leasehold improvements	22,913	76,560
Motor vehicles	38,407	48,638
Furniture, fixture and office equipment	26,439	35,253
Total	<u>1,939,476</u>	<u>3,330,219</u>
Less: accumulated depreciation	(643,157)	(1,068,559)
Less: impairment loss	—	(5,300)
Property and equipment, net	<u><u>1,296,319</u></u>	<u><u>2,256,360</u></u>

Depreciation expense for the years ended December 31, 2017, 2018 and 2019 were RMB176,715, RMB150,991, and RMB362,495, respectively.

13. Land use rights, net

Land use rights consist of the following:

	December 31, 2019
	RMB
Gross carrying amount	1,924,563
Less: accumulated amortization	(188,019)
Land use rights, net	<u><u>1,736,544</u></u>

Amortization expense for the years ended December 31, 2017, 2018 and 2019 were RMB47,909, RMB48,100 and RMB48,096, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

13. Land use rights, net (continued)

The estimated amortization expenses for each of the following five years are as follows:

	Amortization expense of land use rights
	RMB
2020	48,096
2021	48,096
2022	48,096
2023	48,096
2024	48,096

14. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31,	
	2018	2019
	RMB	RMB
Gross carrying amount		
Trademark	—	2,497,480
User bases	—	1,069,668
License	32,000	142,318
Non-compete agreement	—	84,412
Operating rights	67,080	76,272
Software	39,535	60,309
Domain names	26,819	28,044
Technology	18,094	18,237
Others	—	2,158
Total of gross carrying amount	183,528	3,978,898
Less: accumulated amortization		
Trademark	—	(208,128)
User bases	—	(366,139)
License	(1,422)	(4,435)
Non-compete agreement	—	(70,348)
Operating rights	(48,451)	(63,147)
Software	(28,406)	(50,151)
Domain names	(11,213)	(13,327)
Technology	(11,856)	(11,916)
Others	—	(91)
Total accumulated amortization	(101,348)	(787,682)
Less: accumulated impairment	(7,495)	(11,353)
Intangible assets, net	74,685	3,179,863

Amortization expense for the years ended December 31, 2017, 2018 and 2019 were RMB14,510, RMB20,995 and RMB669,657, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS 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 RMB
2020	728,771
2021	391,154
2022	325,675
2023	325,548
2024	272,618

The weighted average amortization periods of intangible assets as of December 31, 2018 and 2019 are as below:

	December 31,	
	2018	2019
Trademark	Not applicable	10 years
User base	Not applicable	3 years
License	15 years	15 years
Non-compete agreement	Not applicable	1 year
Operating rights	2 years	2 years
Software	4 years	4 years
Domain names	15 years	15 years
Technology	Not applicable	Not applicable
Others	Not applicable	10 years

15. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2019 are as follows:

	YY RMB	Bigo RMB	Total RMB
Balance as of December 31, 2017	11,716	—	11,716
Foreign currency translation adjustments	47	—	47
Balance as of December 31, 2018	11,763	—	11,763
Increase in goodwill related to acquisition	—	12,432,367	12,432,367
Foreign currency translation adjustments	16	503,046	503,062
Balance as of December 31, 2019	11,779	12,935,413	12,947,192

The increase in goodwill in 2019 was related to the acquisition of Bigo. Please refer to Note 4(a) for the acquisition of Bigo.

The Group performs its annual goodwill impairment test of each reporting unit in the fourth quarter, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****15. Goodwill (continued)**

The Group performed a goodwill impairment analysis in the fourth quarter of 2019. When determining the fair value of Bigo reporting unit, the Group used the income approach. The income approach determines fair value based on discounted cash flow models derived from the reporting units' long-term forecasts which included a seven-year future cash flow projection and an estimated terminal value.

The discounted cash flow model included a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) the seven-year future cash flows forecasts including expected revenue growth, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with the YY and Bigo reporting units' operations and the uncertainty inherent in the Group's internally developed forecasts. Based on the Group's assessment, the fair value of Bigo reporting units exceeded their carrying value by around 1% of the carrying value of the Bigo reporting unit.

16. Deferred revenue

	December 31,	
	2018 RMB	2019 RMB
Deferred revenue, current		
Live streaming	842,040	1,220,722
Others	109,576	122,586
Total current deferred revenue	<u>951,616</u>	<u>1,343,308</u>
Deferred revenue, non-current		
Live streaming	80,734	177,598
Others	10,976	62,943
Total non-current deferred revenue	<u>91,710</u>	<u>240,541</u>

17. Accrued liabilities and other current liabilities

	December 31,	
	2018 RMB	2019 RMB
Revenue sharing fees	1,318,561	1,820,663
Salaries and welfare	329,169	882,644
Marketing and promotion expenses	213,216	688,530
Bandwidth costs	131,252	417,213
Value added taxes and other taxes payable	109,040	410,357
Payables to merchants	75,471	106,814
Deposits from third parties	82,771	81,251
Other payable to content providers	30,313	76,162
Others	124,578	189,366
Total	<u>2,414,371</u>	<u>4,673,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****18. Short-term loans**

	December 31,	
	2018	2019
	RMB	RMB
Short-term loans	—	557,203

The Group entered into agreements with banks, pursuant to which the Group borrowed three loans with total principal amount of HK \$320 million and US\$39 million (equivalent to RMB557 million) within a banking facility of HK\$320 million and US\$40 million in 2019, respectively. These loans were all with a maturity of less than one year and the annual interest rates ranged from 2.38% to 3.77%. Short-term deposits of RMB650 million were pledged as collateral for the banking facilities, which were classified as restricted short-term deposits.

19. Convertible bonds

	December 31,	
	2018	2019
	RMB	RMB
Convertible bonds, current		
2019 Convertible Senior Notes	6,863	—
Convertible bonds, non-current		
2025 Convertible Senior Notes	—	2,646,642
2026 Convertible Senior Notes	—	2,361,929
Total	—	5,008,571

On June 19, 2019, the Company issued Convertible Senior Notes due 2025 with principal amount of US\$500 million (the “Notes due 2025”) and Convertible Senior Notes due 2026 with principal amount of US\$500 million (the “Notes due 2026”) (collective the “Notes”). The Notes due 2025 and Notes due 2026 bear interest at a coupon rate of 0.75% and 1.375% per year, respectively, and both of them are payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2019. The Notes due 2025 will mature on June 15, 2025 and the Notes due 2026 will mature on June 15, 2026. The Notes due 2025 and the Notes due 2026 may be converted, under certain circumstances, based on an initial conversion rate of 10.4271 ADS per USD1,000 principal amount of the Notes (equivalent to an initial conversion price of approximately US\$95.9 per ADS).

The Notes due 2025 and Notes due 2026 are not redeemable prior to their maturity date, 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 June 15, 2023 and June 15, 2024, respectively. 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.

Upon conversion, the Company may deliver ADS, cash, or a combination of ADS and cash at the option of the Company itself. Therefore, the Notes due 2025 and Notes due 2026 contains cash conversion features, which was an equity component and need to be bifurcated from the debt component of the Notes. Determination of the carrying amount of the debt component was based on the fair value of a similar debt instrument excluding the embedded conversion feature, by using discounted cash flow method. The conversion features were recognized by ascribing the difference between the proceeds and the fair value of the debt component in Additional paid-in capital. As a result, the cash conversion version features for the Notes due 2025 and Notes due 2026 were US\$364 million and US\$324 million after deducting debt issuance costs, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****19. Convertible bonds (continued)**

The net proceeds to the Company from the issuance of the Notes due 2025 were US\$491 million. Debt issuance costs of the Notes due 2025 were US\$9 million. Out of the debt issuance costs, US\$7 million was amortized to interest expense from the issuance date (June 19, 2019) to the first put date of the Notes (June 15, 2023) and US\$2 million was allocated as deduction to the equity component. The net proceeds to the Company from the issuance of the Notes due 2026 were US\$491 million. Debt issuance costs of the Notes due 2026 were US\$9 million. Out of the debt issuance costs, US\$6 million was amortized to interest expense from the issuance date (June 19, 2019) to the first put date of the Notes (June 15, 2024) and US\$3 million was allocated as deduction to the equity component.

The value of Notes due 2025 and Notes due 2026 is initially measured by the cash received after deducting the issuance cost and the bifurcation of the conversion features. The Notes due 2025 and Notes due 2026 are subsequently stated at amortized cost. The difference between the principal amount of the Notes due 2025 and Notes due 2026 and the amount of the proceeds allocated to the debt component plus the issuance costs are regarded as a debt discount, which is subsequently amortized through interest expense over the Notes due 2025 and Notes due 2026's expected life using the interest method, respectively.

As of December 31, 2019, RMB 5,008.6 million (US\$719.4 million) has been accounted for as the value of the convertible bonds in non-current liabilities. Interest expense related to the Notes due 2025 and Notes due 2026 recognized during the years ended December 31, 2019 was RMB246,434.

During 2019, the outstanding 2019 Convertible Senior Notes matured and were redeemed by the holders. Interest expense related to 2019 Convertible Senior Notes recognized during the years ended December 31, 2018 and 2019 was RMB149 and RMB38, respectively.

Concurrently with the issuance of the Notes, the Company purchased a capped call option ("Purchased Call Option") in the amount of US\$77,000, in order to mitigate the potential future economic dilution associated with the conversion of the Notes and to increase the initial conversion price to USD127.9 per ADS. Counterparty agreed to sell to the Company up to approximately 10.4 million ADS, which is the number of ADS initially issuable upon conversion of the Notes in full, at a price of USD95.9 per ADS. The Purchased Call Option will be settled in ADSs and will terminate upon the maturity date of the Notes. Settlement of the Purchased Call Option in ADSs, based on the number of ADSs issued upon conversion of the Notes, on the expiration date would result in the Company receiving shares equivalent to the number of shares issuable by the Company upon conversion of the Notes. In accordance with ASC 815-10-15-83, the Purchased Call Option meets the definition of a derivative instrument. However, the scope exception in accordance with ASC 815-10-15-74 applies to the Purchased Call Option as it is indexed to its own stock, and the Purchased Call Option meets the requirements of ASC 815 and would be classified in stockholders' equity, therefore, the cost paid for Purchased Call Option was accounted for within stockholders' equity, and subsequent changes in fair value will not be recorded.

20. Cost of revenues

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Revenue sharing fees and content costs	5,727,081	8,272,696	12,861,431
Bandwidth costs	695,839	967,436	1,722,979
Payment handling costs	72,953	104,772	866,455
Salary and welfare	237,063	323,623	746,517
Technical service fee	18,232	42,686	327,403
Depreciation and amortization	128,639	117,293	282,162
Share-based compensation	42,759	74,339	81,254
Other taxes and surcharges	48,360	48,724	68,471
Other costs	55,476	65,565	191,678
Total	7,026,402	10,017,134	17,148,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****21. Other income**

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Government grants	88,873	88,488	247,416
Others	24,314	29,372	74,687
Total	113,187	117,860	322,103

22. Income tax

(i) Cayman Islands

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 are not subject to any Hong Kong withholding tax.

(iv) Singapore

The income tax provision of the Group in respect of its international operations in Singapore was calculated at the tax rate of 17% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

According to the Development and Expansion Incentive (the "Incentive") pursuant to the provisions of Part IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86, corporations engaging in new high-value-added projects, expanding or upgrading their operations, or undertaking incremental activities after their pioneer period may apply for their profits to be taxed at a reduced rate of not less than 5% for an initial period of up to ten years. The total tax relief period for each qualifying project or activity is subject to a maximum of 40 years (inclusive of the post-pioneer relief period previously granted, if applicable).

The Group's Singapore entities provided for income tax are as follows:

- Bigo Singapore applied for the Incentive and received approval in October 2018. Bigo Singapore is entitled to enjoy the beneficial tax rate of 5% as the Incentive for the years 2018 through 2022, and will need to re-apply for the Incentive qualification renewal in 2023.
- Other Singapore entities were subject to 17% income tax for the periods reported.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

22. Income tax (continued)

(v) PRC

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 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 in any year, the enterprise cannot enjoy the 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 adopting 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 2019. Guangzhou Huaduo is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2019 through 2021, and will need to re-apply for HNTE qualification renewal in 2022.
- In 2018, 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%. In 2019, Guangzhou Huanju Shidai is expected to enjoy a reduced tax rate of 10% based on its self-assessment.
- 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.
- Huya Technology was qualified as a Software Enterprise and enjoyed the zero preferential tax rate in 2017 and 2018. In 2019, Huya Technology assessed it is qualified as a KNSE and applied the preferential income tax rate of 10%.
- Guangzhou Huya was qualified as an HNTE in 2018. It is entitled to enjoy the preferential tax rate of 15% for three years starting from 2018, and will need to apply for HNTE qualification renewal in 2021.
- Guangzhou BaiGuoYuan was qualified as a Software Enterprise and enjoyed the zero preferential tax rate in 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

22. Income tax (continued)

(v) PRC (continued)

- BaiGuoYuan Technology was qualified as an HNTE in 2018. It is entitled to enjoy the preferential tax rate of 15% for the years 2018 through 2020, and will need to re-apply for HNTE qualification renewal in 2021.
- Other PRC subsidiaries and VIEs were subject to 25% EIT for the periods reported.

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 an additional tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its tax assessable profits for that year. The additional tax deducting amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 ("Super Deduction").

Qualified subsidiaries and VIEs of the Group 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 an 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, 2018 and 2019 are approximately RMB11,519,699 and RMB16,010,167, respectively.

In 2017, the Group determined to cause one of its PRC subsidiaries, Guangzhou Huanju Shidai, to declare and distribute a one-off cash dividend of part of its stand-alone earnings from 2014 to 2016, amounting to US\$15,000, to its direct oversea parent company, Duowan BVI. Guangzhou Huanju Shidai paid for the withholding tax in the amount of US\$1,500 in 2017. The Group has a plan to indefinitely reinvest its aggregate undistributed earnings and reserves and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability on 10% withholding tax 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, 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

22. Income tax (continued)

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,		
	2017	2018	2019
	RMB	RMB	RMB
Income (loss) before income tax expenses			
PRC entities	2,919,350	3,494,192	4,265,759
Non-PRC entities	(28,172)	(959,721)	(57,648)
Total	<u>2,891,178</u>	<u>2,534,471</u>	<u>4,208,111</u>
Current income tax expenses			
PRC entities	(402,012)	(379,130)	(684,086)
Non-PRC entities	(9,880)	(48,931)	(30,565)
Total	<u>(411,892)</u>	<u>(428,061)</u>	<u>(714,651)</u>
Deferred income tax benefit (expenses)			
PRC entities	(3,919)	(25,081)	63,582
Non-PRC entities	—	(24,565)	104,447
Total	<u>(3,919)</u>	<u>(49,646)</u>	<u>168,029</u>
Income tax expenses			
PRC entities	(405,931)	(404,211)	(620,504)
Non-PRC entities	(9,880)	(73,496)	73,882
Total	<u>(415,811)</u>	<u>(477,707)</u>	<u>(546,622)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****22. Income tax (continued)***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,		
	2017	2018	2019
PRC Statutory income tax rate	(25.0)%	(25.0)%	(25.0)%
Effect of tax holiday and preferential tax benefit	13.2 %	16.5 %	8.9 %
Effect of different tax rates available to different jurisdictions (i)	(0.3)%	(10.1)%	10.9 %
Permanent differences (ii)	(1.8)%	(3.5)%	(1.3)%
Change in valuation allowance	(2.3)%	(1.6)%	(11.2)%
Effect of Super Deduction available to the Group	1.8 %	4.9 %	4.7 %
Effective income tax rate	<u>(14.4)%</u>	<u>(18.8)%</u>	<u>(13.0)%</u>
Per ADS effect of tax holiday (RMB)	4.71	5.35	6.59
Per share effect of tax holiday (RMB)	<u>0.24</u>	<u>0.27</u>	<u>0.33</u>

(i) The effect of different tax rates available to different jurisdictions was mainly due to the fair value loss on derivative liabilities incurred by Huya whose applicable tax rate is zero for the year ended December 31, 2018. The effect of different tax rates available to different jurisdictions was mainly due to the re-measurement gain of the previously held equity interest in Bigo on the acquisition date incurred by Duowan BVI whose applicable tax rate is zero for the year ended December 31, 2019.

(ii) Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by subsidiaries and VIEs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****22. Income tax (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, 2018 and 2019 are as follows:

	December 31,	
	2018	2019
	RMB	RMB
Deferred tax assets:		
Tax loss carried forward	148,899	707,744
Allowance for doubtful receivable, accrued expense and others not currently deductible for tax purposes	84,249	173,512
Deferred revenue	36,007	90,959
Impairment of investment	17,180	19,280
Others	753	2,725
Valuation allowance (i)	(175,793)	(722,280)
Amounts offset by deferred tax liabilities	(40,461)	(144,305)
Total deferred tax assets, net	70,834	127,635
Deferred tax liabilities:		
Related to the fair value changes of investments	61,658	70,517
Related to acquired intangible assets	1,531	323,466
Others	4,777	14,961
Amounts offset by deferred tax assets	(40,461)	(144,305)
Total deferred tax liabilities, net	27,505	264,639

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****22. Income tax (continued)****Movement of valuation allowance**

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Balance at beginning of the year	(80,712)	(135,505)	(175,793)
Additions	(78,978)	(113,597)	(585,557)
Reversals	24,185	73,309	39,070
Balance at end of the year	<u>(135,505)</u>	<u>(175,793)</u>	<u>(722,280)</u>

Tax loss carry forwards

As of December 31, 2019, total tax loss carry forwards of the Company's subsidiaries and VIEs in the PRC amounted to RMB1,495,129, which were mainly generated by non-HNTEs and will then expire if not used between 2020 and 2024. The accumulated tax losses of subsidiaries incorporated in Hong Kong, Singapore and other countries, subject to the agreement of the relevant tax authorities, of RMB15,573, RMB3,096,692 and RMB351,108 respectively, are allowed to be carried forward to offset against future taxable profits. Such carry forward of tax losses in Hong Kong and Singapore have no time limit.

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, 2019.

23. Mezzanine equity

On July 10, 2017, Huya issued 22,058,823 shares of redeemable convertible preferred shares ("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).

On March 8, 2018, Huya issued 64,488,235 shares of redeemable convertible preferred shares ("Series B-2 Preferred Shares") for cash consideration of US\$461,600 (equivalent to RMB2,919,112 as of the issuance date) to Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited ("Tencent"). As holders of the Series B-2 Preferred Shares who exercise the redemption rights are allowed to request Huya to issue a convertible note if the Huya's assets or funds legally available for redemption are insufficient, the host contract is considered to be a debt host. As the conversion feature is an equity instrument as it results in conversion of preferred shares into equity shares, this feature is not clearly and closely related to the debt host. In addition, net settlement criteria is met for the conversion right given the holder will receive the greater of a fixed amount or the if-converted value in the occurrence of a liquidation or deemed liquidation. Therefore, Huya determined that conversion feature embedded in the Series B-2 Preferred Shares is required to be bifurcated and accounted for as a derivative liability and measured at fair value at the end of each reporting year prior to the completion of Huya's IPO. Upon the issuance of Series B-2 Preferred Shares, the conversion features of Series A Preferred Shares was also modified to be the same as Series B-2 Preferred Shares. Therefore, the difference between the fair value of the modified Series A Preferred Shares and the carrying value of Series A Preferred Shares on the modification date was recognized as a deemed dividend against retained earnings, amounting to RMB489,284. The initial recognition of the derivative liabilities for Series A Preferred Shares and Series B-2 Preferred Shares amounted to RMB892 million and the fair value loss on derivative liabilities of RMB2,285,223 was recognized in the consolidated statement of comprehensive income for the year ended December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

23. Mezzanine equity (continued)

Prior to the completion of Huya's IPO, the Group recorded accretion of redemption value in accordance with ASC 480-10. The Group used the interest method to accrete the changes in redemption value over the period from the date of issuance to the earliest redemption date of the redeemable convertible preferred shares. In 2017 and 2018, the accretion charges of redeemable convertible preferred shares to redemption value were RMB19,842 and RMB71,628, respectively.

Upon the completion of Huya's IPO in May 2018, all the redeemable convertible preferred shares were automatically converted into ordinary share of Huya. As a result, the Group held 44.0% of the outstanding ordinary shares of Huya. However, the Group is able to control Huya under Huya's dual voting structure by gaining the simple majority of the voting right of Huya immediately after the IPO. Accordingly, the Group continues to consolidate the operations and the financial results of Huya and provides for non-controlling interests reflecting ordinary shares in Huya held by shareholders other than the Group in the consolidated financial statements. The Group derecognized the derivative liability mentioned above and recognized a one-time credit to additional paid-in capital of RMB4,804,947 in shareholders' equity in the consolidated balance sheets to reflect: 1) the increase in the value of the Group's equity in Huya resulted from the proceeds from Huya's IPO amounting to RMB795,073 and 2) conversion of redeemable convertible preferred shares amounting to RMB4,009,874.

In 2018, another subsidiary of the Group issued 500,000,000 shares of redeemable convertible preferred shares for cash consideration of US\$50,000 (equivalent to RMB345,420 as of the issuance date) to certain third-party investors. The Group classifies the redeemable convertible preferred shares as mezzanine equity and records accretion of redemption value in accordance with ASC 480-10. The Group used the interest method for the changes of redemption value over the period from the date of issuance to the earliest redemption date of the non-controlling interests. Accretion of redeemable convertible preferred shares to redemption value of RMB5,758 and RMB34,448 was recognized for the years ended December 31, 2018 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

24. Common shares and treasury shares

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.

During the year ended December 31, 2018, 6,694,940 Class A common shares were issued for the exercised share options, vested restricted shares and restricted share units and 29,800,000 Class B common shares were converted to Class A common shares.

As of December 31, 2018, 10,000,000,000 Class A common shares and 1,000,000,000 Class B common shares had been authorized, 981,740,848 Class A common shares and 288,182,976 Class B common shares had been issued and outstanding, respectively.

During the year ended December 31, 2019, 6,216,060 Class A common shares were issued for the exercised share options, vested restricted shares and restricted share. 305,127,046 Class A common shares and 38,326,579 Class B common shares were issued to Bigo's selling shareholders during Bigo's acquisition.

On August 13, 2019, the Company's board of directors approved a share repurchase programs (the "Share Repurchase Program"), 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\$300 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, 2019, the Company had repurchased an aggregate of 434,145 ADSs, representing 8,682,900 Class A common shares at an average price of US\$54.6194 per ADS, or US\$2.7310 per Class A common share, for aggregate consideration of US\$23.7 million. Since the shares repurchased hasn't been cancelled, the excess of repurchase price over par value was recorded as treasury shares upon the repurchase date.

Additionally, in order to lower the average cost of acquiring shares in the ongoing share repurchase program, the Company purchased a capped call option of US\$11.7 million for the repurchase of shares. Upon expiration of the option, if the closing market price of the Company's common share is at or above the pre-determined price (the "Strike Price"), the Company will have its initial investment returned with a premium in either cash or shares at the Company's election. If the closing market price is below the Strike Price, the Company will receive the number of shares specified in the agreement. As the outcome of these arrangements is based entirely on the Company's stock price and does not require the Company to deliver either shares or cash, other than the initial investment, the entire transaction is recorded in equity. The agreement was expired in January 2020 and the Company received approximate US\$12.2 million (approximately RMB84.8 million) of cash that was recorded in equity.

As of December 31, 2019, 10,000,000,000 Class A common shares and 1,000,000,000 Class B common shares had been authorized, 1,301,845,404 Class A common shares and 326,509,555 Class B common shares had been issued, 1,293,162,504 Class A common shares and 326,509,555 Class B common shares were outstanding, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation****(a) JOYY's share-based awards****(i) Restricted Share Units**

On September 16, 2011, the board of directors of the Company approved the 2011 Share Incentive Scheme which include share options, restricted share units and restricted shares. 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, 2017, 2018 and 2019, the Company granted restricted share units to employees of 22,090,030, 11,977,794 and 16,114,095 respectively pursuant to the 2011 Share Incentive Plan.

During the years ended December 31, 2017, 2018 and 2019, the Company granted restricted share units to non-employees of 150,000, nil and nil pursuant to the 2011 Share Incentive Plan.

The following table summarizes the restricted share units activity for the years ended December 31, 2017, 2018 and 2019:

	Number of restricted shares	Weighted average grant-date fair value (US\$)
Outstanding, December 31, 2016	20,955,720	2.4320
Granted	22,090,030	5.3001
Forfeited	(4,007,728)	2.5561
Vested	<u>(8,163,878)</u>	<u>2.3227</u>
Outstanding, December 31, 2017	30,874,144	4.4969
Granted	11,977,794	4.7052
Forfeited	(5,115,304)	4.6843
Vested	<u>(12,507,000)</u>	<u>3.6776</u>
Outstanding, December 31, 2018	25,229,634	4.9639
Granted	16,114,095	3.0005
Forfeited	(6,381,786)	4.7840
Vested	<u>(7,848,811)</u>	<u>4.7427</u>
Outstanding, December 31, 2019	27,113,132	3.9034
Expected to vest as of December 31, 2019	<u>25,703,976</u>	<u>3.8916</u>

For the years ended December 31, 2017, 2018 and 2019, the Company recorded share-based compensation of RMB211,189, RMB372,281 and RMB207,185 using the graded-vesting attribution method. As of December 31, 2019, total unrecognized compensation expense relating to the restricted share units was RMB375,846. The expense is expected to be recognized over a weighted average period of 1.09 years using the graded-vesting attribution method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation (continued)****(a) JOYY's share-based awards (continued)****(ii) Restricted Shares**

In connection with the acquisition of Bigo in March 2019, the Group issued common shares to replace Bigo's share incentive scheme.

There are mainly three types of vesting schedule under Bigo's share incentive scheme, which are: i) 50% of the share-based awards 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, ii) share-based awards will be vested in four equal installments over the following 48 months, and iii) share-based awards will be vested in three equal installments over the following 36 months. After the acquisition, Bigo's share incentive scheme are replaced by JOYY's restricted shares of 38,042,760 without change in vesting terms. The post-acquisition share-based compensation expenses are recognized over the remaining vesting period after the acquisition date.

In addition, the Company granted additional restricted shares to employees of 16,041,327, during the year ended December 31, 2019.

The following table summarizes the restricted shares activity for the three months ended December 31, 2019:

	Number of restricted shares	Weighted average grant-date fair value (US\$)
Outstanding, December 31, 2018	—	—
Replacement due to acquisition of Bigo	38,042,760	3.6100
Granted	16,041,327	3.4750
Forfeited	(7,279,877)	3.6302
Vested	(8,599,959)	3.6608
Outstanding, December 31, 2019	38,204,251	3.5267
Expected to vest as of December 31, 2019	32,715,029	3.5533

For the year ended December 31, 2019, the Company recorded share-based compensation for restricted shares of RMB364,907 using the graded-vesting attribution method.

As of December 31, 2019, total unrecognized compensation expense relating to the restricted shares was RMB438,455. The expense is expected to be recognized over a weighted average period of 1.58 years using the graded-vesting attribution method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation (continued)****(a) JOYY's share-based awards (continued)****(iii) Share options***Pre-2009 Scheme 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").

The vesting of the Pre-2009 Scheme Options has already been completed before January 1, 2016. As of December 31, 2017, the outstanding, vested and exercisable share options was 154,535. As of December 31, 2018, all outstanding, vested and exercisable share options have been exercised.

*2011 Share Incentive Scheme**Grant of options*

During the year ended December 31, 2019, the Company granted 438,100 share options to employees, pursuant to the 2011 Share Incentive Scheme.

Vesting of options

There are three types of vesting schedule, which are: i) options will be vested in three equal installments over the following 36 months, ii) 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 iii) 50% of the options will be vested after 24 months of the grant date and the remaining 50% will be vested in one installments over the following 12 months.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price (US\$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US\$)
Outstanding, January 1, 2018	—	—	—	—
Granted	10,934,300	4.7025		
Outstanding, December 31, 2018	10,934,300	4.7025	5.29	—
Granted	438,100	3.5350		
Forfeited	(1,065,000)	4.5225		
Outstanding, December 31, 2019	10,307,400	3.8069	5.45	—
Expected to vest as of December 31, 2019	10,307,400	3.8069	5.45	—
Exercisable as of December 31, 2019	2,134,100	4.7025	6.50	—

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation (continued)****(a) JOYY's share-based awards (continued)****(iii) Share options (continued)**

The aggregate intrinsic value in the table above represents the difference between the Company's common shares as of December 31, 2018 and 2019 and the exercise price. The total intrinsic value was nil due to the higher exercise price compared to the Company's common shares as of December 31, 2018 and 2019 and the exercise price.

For the year ended December 31, 2019, the Company recorded share-based compensation of RMB88,330 using the graded vesting attribution method.

The Company 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:

	2018		2019	
Weighted average fair value per option granted	US\$	2.6425	US\$	1.7582
Weighted average exercise price	US\$	4.7025	US\$	3.5350
Weighted average Risk-free interest rate ⁽¹⁾		2.77 %		1.82 %
Expected term (in year) ⁽²⁾		5-6		6
Expected volatility ⁽³⁾		57 %		56 %
Dividend yield ⁽⁴⁾		—		—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on US Treasury Bonds of similar tenor 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 Company at the valuation dates.

(4) The Company has no history or expectation of paying dividend on its common shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

(b) Huya's share-based awards

On July 10, 2017, the Board of Directors of Huya approved the establishment of 2017 Share Incentive Plan ("Huya's 2017 Share Incentive Plan"), the purpose of which is to provide an incentive for employees contributing to Huya. Huya's 2017 Share Incentive Plan shall be valid and effective for 10 years from the establishment date. The maximum number of shares that may be issued pursuant to all awards under 2017 Share Incentive Plan shall be 17,647,058 shares. On March 31, 2018, the Board of Directors of Huya approved to increase the maximum number of shares that may be issued, from 17,647,058 shares to 28,394,117 shares, including incentive share options and restricted share units.

(i) Share options*Grant of options*

During the year ended December 31, 2017, Huya granted 11,737,705 share options to employees.

During the year ended December 31, 2018, Huya granted 5,918,353 and 220,000 share options to employees and non-employees, respectively.

During the year ended December 31, 2019, no share option was granted to employees or non-employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

25. Share-based compensation (continued)

(b) Huya's share-based awards (continued)

(i) Share options (continued)

Vesting of options

There are mainly three types of vesting schedule, 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, ii) options will be vested in four equal installments over the following 48 months, and iii) options will be vested in four equal installments over the following 24 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's 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 and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price (US\$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US\$)
As of December 31, 2016	—	—	—	—
Granted	11,737,705	2.5500		
Forfeited	(18,000)	2.5500		
As of December 31, 2017	11,719,705	2.5500	9.75	2,227
Granted	6,138,353	2.4672		
Forfeited	(75,000)	2.5500		
Cancelled	(262,503)	2.5500		
As of December 31, 2018	17,520,555	2.5210	8.82	227,049
Granted	—	—		
Forfeited	(257,750)	2.5500		
Exercised	(2,011,144)	2.3290		
As of December 31, 2019	15,251,661	2.5458	7.84	234,939
Expected to vest as of December 31, 2019	9,790,460	2.5500	7.88	150,773
Exercisable as of December 31, 2019	5,410,546	2.5383	7.77	83,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation (continued)****(b) Huya's share-based awards (continued)****(i) Share options (continued)***Vesting of options (continued)*

Prior to the completion of the IPO, 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:

	2017		2018	
Weighted average fair value per option granted	US\$	1.3798	US\$	5.2130
Weighted average exercise price	US\$	2.55	US\$	2.47
Risk-free interest rate ⁽¹⁾		2.25 %		2.83 %
Expected term (in year) ⁽²⁾		10		10
Expected volatility ⁽³⁾		55 %		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 years ended December 31, 2017, 2018 and 2019, the Group recorded share-based compensation in general and administrative expenses of nil, RMB20,980 and RMB6,746 for the share options granted to non-employees.

For the years ended December 31, 2017, 2018 and 2019, the Group recorded share-based compensation of RMB19,473, RMB151,242 and RMB102,970, using the graded-vesting attribution method, including accelerated compensation cost amounted to RMB1,869 due to that 262,503 share options were canceled during the year ended December 31, 2018 without concurrent grant of replacement awards, which is treated as a settlement for no consideration at the time of cancellation under ASC 718.

As of December 31, 2019, there was RMB74,614 unrecognized share-based compensation expense of options relating to Huya 2017 Share Incentive Plan. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.91 years using the graded vesting attribution method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****25. Share-based compensation (continued)****(b) Huya's share-based awards (continued)****(ii) Restricted share units***Grant of restricted share units*

During the years ended December 31, 2017, no restricted share unit was granted to employees or non-employees.

During the year ended December 31, 2018, Huya granted 4,183,685 and 10,000 restricted share units to employees and non-employees, respectively.

During the year ended December 31, 2019, Huya granted 2,908,370 and nil restricted share units to employees and non-employees, respectively.

Vesting of restricted share units

There are mainly three types of vesting schedule for employees, 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, ii) restricted share units will be vested in four equal installments over the following 48 months, and iii) 25% of the restricted share units will be vested after 6 months of the grant date and the remaining 75% will be vested in three equal installments over the following 36 months.

The following table summarizes the activity of restricted share units for the years ended December 31, 2017, 2018 and 2019:

	Number of restricted share units	Weighted average grant-date fair value (US\$)
Outstanding, January 1, 2017 and December 31, 2017	—	—
Granted	4,193,685	9.0242
Forfeited	(76,500)	7.1600
Vested	(10,000)	19.5900
Outstanding, December 31, 2018	4,107,185	9.0331
Granted	2,908,370	22.7642
Forfeited	(270,707)	14.8129
Vested	(465,000)	7.1600
Outstanding, December 31, 2019	6,279,848	15.4350
Expected to vest at December 31, 2019	6,040,024	15.0623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

25. Share-based compensation (continued)

(b) Huya's share-based awards (continued)

For the years ended December 31, 2017, 2018 and 2019, Huya recorded share-based compensation of nil, RMB69,620 and RMB176,778 using the graded vesting attribution method.

For the years ended December 31, 2017, 2018 and 2019, Huya recorded share-based compensation in general and administrative expenses of nil, RMB1,076 and nil for the restricted share units granted to non-employees.

As of December 31, 2019, total unrecognized compensation expense relating to the restricted share units was RMB412,186. The expense is expected to be recognized over a weighted average period of 1.16 year using the graded-vesting attribution method.

(iii) Ordinary shares 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.

In 2018, the Company transferred 367,870 ordinary shares of Huya to the management of the Group, for the service provided. The shares awards will be vested over 5 years. For the year ended December 31, 2018 and 2019, the Company recorded share-based compensation of RMB5,227 and RMB9,060, respectively.

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, 2017, 2018 and 2019, the Company recorded share-based compensation reversal of RMB1,227, share-based compensation expense of RMB7,916 and a reversal of RMB1,082 for restricted shares to the founders or management of the subsidiaries of a variable interest entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS 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, 2017, 2018 and 2019 are calculated as follows:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Numerator:			
Net income attributable to common shareholders of the Company	2,493,235	1,641,958	3,379,330
Interest expenses of convertible notes	20,820	149	—
Incremental dilution from Huya ⁽¹⁾	—	—	(14,004)
Numerator for diluted income per share	2,514,055	1,642,107	3,365,326
Denominator:			
Denominator for basic calculation—weighted average number of Class A and Class B common shares outstanding	1,186,460,144	1,280,847,795	1,544,396,920
Dilutive effect of share options	376,918	94,254	—
Dilutive effect of restricted shares	—	—	12,521,789
Dilutive effect of restricted share units	11,598,378	12,966,689	8,162,196
Dilutive effect of convertible bonds ⁽²⁾	18,202,301	180,668	—
Denominator for diluted calculation	1,216,637,741	1,294,089,406	1,565,080,905
Basic net income per Class A and Class B common share	2.10	1.28	2.19
Diluted net income per Class A and Class B common share	2.07	1.27	2.15
Basic net income per ADS*	42.03	25.64	43.76
Diluted net income per ADS*	41.33	25.38	43.01

* Each ADS represents 20 common shares.

(1) In calculation of diluted net income per share, assuming a dilutive effect, all of Huya's existing unvested restricted share units and unexercised share options are treated as vested and exercised by Huya under the treasury stock method, causing the decrease percentage of the weighted average number of shares held by the Company in Huya. As a result, Huya's net income (loss) attributable to the Company on a diluted basis decreased accordingly, which is presented as "incremental dilution from Huya" in the table.

(2) The 2025 Convertible Senior Notes and 2026 Convertible Senior Notes were excluded in the computation of diluted earnings per share in 2019 because the inclusion of such instruments would be anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****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 known as Guangzhou Shanghang Information Technology Co., Ltd.)	Significant influence exercised by a principal shareholder of the Company
Kingsoft Corporation Limited ("Kingsoft Group")	Significant influence exercised by a principal shareholder of the Company
Xiaomi Corporation ("Xiaomi Group")	Controlled by a principal shareholder of the Company
Bigo Inc ("Bigo") *	Investment with significant influence
Shanghai Chuangsi Enterprise Development Co., Ltd. ("Shanghai Chuangsi")	Investment with significant influence
Guangzhou Chenjun Equity Investment Limited Partnership ("Guangzhou Chenjun")	Investment with significant influence

* Bigo became a subsidiary of the Group on March 4, 2019. Therefore, Bigo ceased to be a related party of the Group since March 4, 2019.

During the years ended December 31, 2017, 2018 and 2019, significant related party transactions are as follows:

	For the year ended December 31,		
	2017	2018	2019
	RMB	RMB	RMB
Loan to related parties	24,962	188,000	170,000
Bandwidth service provided by Guangzhou Sunhongs	92,068	103,439	116,033
Bandwidth service provided by Kingsoft Group	711	11,314	47,929
Promotion expense charged from related parties	—	—	26,462
Purchase of fixed assets from Kingsoft Group	—	—	16,776
Payments on behalf of related parties, net of repayments	(23,116)	(2,543)	3,866
Online games revenue shared from related parties	87,414	31,366	3,588
Repayment of loans from related parties	35,462	20,000	—
Partial disposal of investments to Guangzhou Chenjun	35,160	—	—
Others	14,276	11,833	23,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****27. Related party transactions (continued)**

As of December 31, 2018 and 2019, the amounts due from/to related parties are as follows:

	December 31,	
	2018	2019
	RMB	RMB
Amounts due from related parties, current		
Due from Bigo	191,800	—
Others	1,759	17,262
Total	193,559	17,262
Amounts due to related parties		
Due to Shanghai Chuangsi*	—	176,893
Due to Kingsoft Group	5,239	14,349
Due to Xiaomi Group	—	11,513
Due to Guangzhou Sunhongs	11,062	11,383
Others	12,035	8,143
Total	28,336	222,281

* Please refer to section “disposal of online game business” in Note 4 of the consolidated financial statements.

Other receivables and payables from/to related parties are unsecured and payable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS 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, 2018 and December 31, 2019:

	As of December 31, 2018		
	Level 1	Level 2	Total
Assets			
Short-term investments (i)	78,605	900,448	979,053
Equity investment with readily determinable fair values (ii)	238,915	—	238,915
	<u>317,520</u>	<u>900,448</u>	<u>1,217,968</u>
As of December 31, 2019			
	Level 1	Level 2	Total
Assets			
Short-term investments (i)	481,243	5,140,946	5,622,189
Equity investment with readily determinable fair values (ii)	115,926	—	115,926
Derivative - forward exchange contracts	—	6,340	6,340
	<u>597,169</u>	<u>5,147,286</u>	<u>5,744,455</u>
Liabilities			
Derivatives - forward exchange contracts	—	(11,495)	(11,495)

- (i) Short-term investments represented the investments issued by commercial banks or other financial institutions 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.
- (ii) Equity investments with readily determinable fair values are valued using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level 1 of fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

28. Fair value measurements (continued)

The following table presents the changes in Level 3 liabilities for the year ended December 31, 2018.

	Conversion feature embedded in Series A Preferred Shares RMB	Conversion feature embedded in Series B-2 Preferred Shares RMB	Total RMB
Balance as of January 1, 2018	—	—	—
Initial recognition upon the extinguishment of Huya's Series A Preferred Shares and the issuance of Huya's Series B-2 Preferred Shares as of March 8, 2018	572,237	320,097	892,334
Fair value loss on derivative liabilities	628,298	1,656,925	2,285,223
Foreign exchange	4,573	6,697	11,270
Derecognition of derivative liabilities upon the completion of Huya's IPO	(1,205,108)	(1,983,719)	(3,188,827)
Balance as of December 31, 2018	—	—	—

In determining the fair value of these preferred shares, the Group has adopted the equity allocation model. For purposes of determining the conversion features of Huya's Pre-IPO Preferred Shares as of March 8, 2018 and May 10, 2018, the Company has re-performed the equity allocation model for Huya's Pre-IPO Preferred Shares in scenarios assuming the conversion feature is removed, the difference between the with embedded conversion features scenario and the without embedded conversion features scenario is considered to be value of the conversion features of Huya's Pre-IPO Preferred Shares. The Company assumed Huya's Pre-IPO Preferred Shares would not be converted to common shares in neither the IPO scenario, the liquidation scenario nor the redemption scenario. Such approach involves certain significant estimates which are as follows:

Valuation Date	March 8, 2018	May 10, 2018
Volatility	50 %	50 %
Risk-free rate (3 months)	1.66 %	1.58 %
Risk-free rate (4 years)	2.52 %	2.46 %
Dividend yield	0 %	0 %

Fair value measurement on a non-recurring basis

The Company measures investments without readily determinable fair value on a nonrecurring basis when impairment charges and fair value change due to observable price change are recognized. These nonrecurring fair value measurements use significant unobservable inputs (Level 3). The Company uses a combination of valuation methodologies, including market and income approaches based on the Company's best estimate to determine the fair value of these investments. An observable price change is usually resulting from new rounds of financing of the investees. The Company determines whether the securities offered in new rounds of financing are similar to the equity securities held by the Company by comparing the rights and obligations of the securities. When the securities offered in new rounds of financing are determined to be similar to the securities held by the Company, the Company adjusts the observable price of the similar security to determine the amount that should be recorded as an adjustment in the carrying value of the security to reflect the current fair value of the security held by the Company by using the back-solve method based on the equity allocation model with adoption of some key parameters such as risk-free rate and equity volatility. Inputs used in these methodologies primarily include discount rate, the selection of comparable companies operating in similar businesses and etc. For the years ended December 31, 2018 and 2019, gain on fair value changes of investment of RMB1,803,081 and RMB2,657,370 due to the observable price change of the investment without readily determinable fair value, which was mainly due to the fair value change of investment in Bigo before the acquisition of Bigo, was recognized in gain on fair value changes of investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****28. Fair value measurements (continued)****Fair value measurement on a non-recurring basis (continued)**

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 2017, 2018 and 2019, based on the Group's assessment, an impairment charge of RMB43,205, RMB35,348 and RMB62,334 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.

Apart from the short-term investments, equity investment measured at fair value through earnings and derivatives, the Company's other financial instruments principally consist of cash and cash equivalent, short-term deposits, long-term deposits, accounts receivable, financing receivables, other receivables, amounts due to/from related parties, accounts payable, certain accrued expenses and convertible bonds. These financial instruments are recorded at cost which approximates fair value. The fair value of convertible bonds is within Level 2 of the fair value hierarchy.

29. Commitments and contingencies**(a) Operating lease commitments**

The operating lease commitments as of December 31, 2019 as presented below mainly consist of the short-term lease commitments and leases that have not yet commenced but that create significant rights and obligations for the Company, which are not included in operating lease right-of-use assets and lease liabilities since January 1, 2019.

As of December 31, 2018, future minimum payments under non-cancellable operating leases commitments consist of the following:

	Office rental RMB
2019	84,689
2020	53,609
2021	35,871
2022 and after	47,726
	<u>221,895</u>

As of December 31, 2019, future minimum payments under non-cancellable operating leases commitments consist of the following:

	Office rental RMB
2020	36,924
2021	11,680
2022	6,723
2023 and after	4,523
	<u>59,850</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

29. Commitments and contingencies (continued)

(b) Capital commitments

As of December 31, 2019, the Group had outstanding capital commitments totaling to RMB915,780, which consisted of capital expenditures related to properties and additional investments in equity investments.

(c) Litigation

In 2018, the Group involved in a lawsuit alleging the Group infringed the counter party's game intellectual property. Total claim amount is RMB20 million.

In 2019, the Group involved in a few cases related to unfair competition in broadcasters recruitment. These cases are pending in various courts. Total claim amount is RMB120 million.

In April 2020, local court passed a first-instance judgement on one unfair competition case of the Company. The court held the Company's action did not constitute unfair competition and rejected all the plaintiff's claims. Such judgement is still subject to an appeal, if any.

As of the date of issuance of the financial statement, those remaining lawsuits are still pending and the Group is not able to make a reliable estimate of the potential loss, if any.

30. Subsequent events

(a) Starting from January 2020, it was reported that a novel strain of coronavirus, later named COVID-19, spread worldwide. The outbreak has affected the activity level of certain users and broadcasters on the Group's live streaming platforms. While the Group has not noted significant negative impact to the results of operations in the first quarter of 2020, the extent to which COVID-19 impacts the business and financial results of the Group in the longer term will depend on future developments, which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The Group will continue to evaluate the impact on the results of operation and financial position of the Group and react actively as the situation evolves.

(b) On April 3, 2020, the Group signed an agreement with Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited("Tencent") to sell its 16,523,819 Class B ordinary shares of Huya for a cash consideration of approximately US\$262.6 million, pursuant to Tencent's exercise of its option to purchase additional shares of Huya. Upon the closing of the share transfer, the Group holds 68,374,463 Class B ordinary shares of Huya, representing approximately 31.2% equity interest and 43.0% of the total voting power calculated based on the total issued and outstanding shares of Huya after this transaction. As a result, Huya ceased to be a subsidiary of the Group and the Group will account for the investment in Huya using the equity method. The Group expects to recognise a gain upon the deconsolidation of Huya based on the difference between the aggregate amount of the cash consideration and the fair value of the Group's remaining equity interest in Huya and the carrying amount of the Group's equity interest in Huya before the deconsolidation. Huya has certain share options which will be accelerated vested upon the deconsolidation due to the change of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

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 RMB5,057,086 and RMB6,111,088 as of December 31, 2018 and 2019, respectively. 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 did not exceed 25% of the consolidated net assets of the Company as of December 31, 2019 and the condensed financial information of the Company are not required to be presented.

32. Segment Reporting

There are two segments in the Group, including YY Live and Huya for the years ended December 31, 2017 and 2018. Starting from the first quarter of 2019, the segment of "YY Live" was renamed as "YY". The Company completed the acquisition of Bigo in March 2019, which is a separate segment of the Group. Therefore, there are three segments in the Group for the year ended December 31, 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

32. Segment Reporting (continued)

(a) The following table presents summary information by segment:

For the year ended December 31, 2019:

	YY RMB	Huya RMB	Bigo RMB	Elimination RMB	Total RMB
Net revenues					
Live streaming	11,490,325	7,976,214	4,561,760	—	24,028,299
Others	743,205	398,287	406,556	(143)	1,547,905
Total net revenues	12,233,530	8,374,501	4,968,316	(143)	25,576,204
Cost of revenues ⁽¹⁾	(6,747,434)	(6,892,579)	(3,508,480)	143	(17,148,350)
Gross profit	5,486,096	1,481,922	1,459,836	—	8,427,854
Operating expenses⁽¹⁾					
Research and development expenses	(1,047,615)	(508,714)	(979,153)	—	(2,535,482)
Sales and marketing expenses	(1,242,523)	(438,396)	(2,058,805)	—	(3,739,724)
General and administrative expenses	(805,210)	(352,824)	(331,461)	—	(1,489,495)
Total operating expenses	(3,095,348)	(1,299,934)	(3,369,419)	—	(7,764,701)
Gain on disposal of subsidiaries and business	82,699	—	—	—	82,699
Other income	233,132	79,390	9,581	—	322,103
Operating income	2,706,579	261,378	(1,900,002)	—	1,067,955
Interest expense	(265,513)	—	(31,956)	30,952	(266,517)
Interest income and investment income	457,353	304,491	2,684	(30,952)	733,576
Foreign currency exchange (losses) gains, net	(4,569)	1,157	13,208	—	9,796
Gain on fair value changes of investment	2,679,312	—	—	—	2,679,312
Fair value loss on derivative liabilities	(16,011)	—	—	—	(16,011)
Other non-operating expenses	—	—	—	—	—
Income (loss) before income tax expenses	5,557,151	567,026	(1,916,066)	—	4,208,111
Income tax (expenses) benefits	(587,481)	(96,078)	136,937	—	(546,622)
Income (loss) before share of income (loss) in equity method investments, net of income taxes	4,969,670	470,948	(1,779,129)	—	3,661,489
Share of income (loss) in equity method investments, net of income taxes	41,315	(2,775)	—	—	38,540
Net income (loss)	5,010,985	468,173	(1,779,129)	—	3,700,029

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

32. Segment Reporting (continued)

	YY RMB	Huwa RMB	Biao RMB	Total RMB
Cost of revenues	21,411	31,593	28,250	81,254
Research and development expenses	119,104	86,296	300,297	505,697
Sales and marketing expenses	2,543	5,919	4,256	12,718
General and administrative expense	158,081	157,936	32,462	348,479

The following table presents summary information by segment:

For the year ended December 31, 2018:

	YY RMB	Huwa RMB	Elimination RMB	Total RMB
Net revenues				
Live streaming	10,434,822	4,442,845	—	14,877,667
Others	667,350	220,595	(2,055)	885,890
Total net revenues	11,102,172	4,663,440	(2,055)	15,763,557
Cost of revenues ⁽¹⁾	(6,083,487)	(3,933,647)	—	(10,017,134)
Gross profit	5,018,685	729,793	(2,055)	5,746,423
Operating expenses⁽¹⁾				
Research and development expenses	(926,900)	(265,152)	—	(1,192,052)
Sales and marketing expenses	(962,164)	(189,207)	2,055	(1,149,316)
General and administrative expenses	(595,515)	(287,710)	—	(883,225)
Total operating expenses	(2,484,579)	(742,069)	2,055	(3,224,593)
Other income	78,922	38,938	—	117,860
Operating income	2,613,028	26,662	—	2,639,690
Interest expense	(8,616)	—	—	(8,616)
Interest income and investment income	329,003	156,549	—	485,552
Foreign currency exchange (losses) gains, net	(565)	51	—	(514)
Gain on deemed disposal and disposal of investments	16,178	—	—	16,178
Gain on fair value changes of investment	1,487,405	—	201,999	1,689,404
Fair value loss on derivative liabilities	—	(2,285,223)	—	(2,285,223)
Other non-operating expenses	(2,000)	—	—	(2,000)
Income (loss) before income tax expenses	4,434,433	(2,101,961)	201,999	2,534,471
Income tax (expenses) benefits	(501,683)	50,943	(26,967)	(477,707)
Income (loss) before share of income (loss) in equity method investments, net of income taxes	3,932,750	(2,051,018)	175,032	2,056,764
Share of income (loss) in equity method investments, net of income taxes	120,636	113,329	(175,032)	58,933
Net income (loss)	4,053,386	(1,937,689)	—	2,115,697

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)

32. Segment Reporting (continued)

	YY RMB	Huya RMB	Total RMB
Cost of revenues	63,867	10,472	74,339
Research and development expenses	194,530	30,643	225,173
Sales and marketing expenses	3,891	1,832	5,723
General and administrative expenses	159,042	183,748	342,790

The following table presents summary information by segment:

For the year ended December 31, 2017:

	YY RMB	Huya RMB	Total RMB
Net revenues			
Live streaming	8,601,418	2,069,536	10,670,954
Others	808,558	115,280	923,838
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 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 and investment income	166,335	14,049	180,384
Foreign currency exchange losses, net	(2,176)	—	(2,176)
Gain on deemed disposal and disposal of investments	45,861	—	45,861
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(All amount in thousands, except share, ADS, per share and per ADS data, unless otherwise stated)****32. Segment Reporting (continued)**

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

	<u>YY</u>	<u>Huya</u>	<u>Total</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
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

(b) The following tables set forth revenues and property and equipment for the Company's geographic operations:

	<u>For the twelve months ended December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:			
PRC	11,587,563	15,757,603	21,308,083
Non- PRC	7,229	5,954	4,268,121
		<u>As of December 31,</u>	<u>As of December 31,</u>
		<u>2018</u>	<u>2019</u>
Property and equipment, net:			
PRC		1,295,171	1,498,423
Non- PRC		1,148	757,937

**Description of rights of each class of securities
registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")**

American Depositary Shares ("ADSs") each representing twenty Class A common shares of JOYY Inc., (the "we," "our," "our company," or "us") are listed and traded on the Nasdaq Stock Market and, in connection with this listing (but not for trading), the Class A common shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A common shares and (ii) the holders of ADSs. Class A common shares underlying the ADSs are held by Citibank, N.A., as depositary, and holders of ADSs will not be treated as holders of the Class A common shares.

Description of Class A Common Shares

The following is a summary of material provisions of our currently effective second amended and restated memorandum and articles of association (the "Memorandum and Articles of Association"), as well as the Companies Law (2020 Revision) of the Cayman Islands (the "Companies Law") insofar as they relate to the material terms of our common shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our annual report on Form 20-F (File No. 001-35729) filed with the Securities and Exchange Commission on April 20, 2017.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A common share has US\$0.00001 par value. The number of Class A common shares that have been issued as of the last day of the fiscal year ended December 31, 2019 is provided on the cover of the annual report on Form 20-F filed on April 27, 2020 (the "2019 Form 20-F"). Our Class A common shares may be held in either certificated or uncertificated form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our common shares consist of Class A common shares and Class B common shares. Each Class A common share shall entitle the holder thereof to one vote on all matters subject to the vote at general meetings of our company, and each Class B common share shall entitle the holder thereof to ten votes on all matters subject to the vote at general meetings of our company. Due to the super voting power of the holders of Class B common shares, the voting power of the holders of Class A common shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Common Shares (Item 10.B.3 of Form 20-F)

Common Shares

Our common shares are divided into Class A common shares and Class B common shares. Holders of our Class A common shares and Class B common shares will have the same rights except for voting and conversion rights. Our common shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

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 sale, transfer, assignment or disposition 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.

Dividends

The holders of our common shares are entitled to such dividends in any currency (including interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment) as may be declared by our company in a general meeting or our directors subject to the Companies Law and our current Memorandum and Articles of association, 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 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.

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, and subject to the voting rights attached to our Class A common shares and Class B common shares as described in this paragraph, 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 depository 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 depository entity (or its nominee(s)) as if such person was the registered holder of our shares held by the clearing house or central depository 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.

An ordinary resolution to be passed at a meeting by the shareholders requires a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting of which not less than ten (10) clear days' notice has been duly given, while a special resolution requires a majority of not less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting of which not less than ten (10) clear days' notice has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than ten (10) clear days' notice has been given. A special resolution will be required for important matters such as changing our name or altering the provisions of our current Memorandum and Articles of Association.

Transfer of Shares

Subject to any applicable restrictions set forth in our Memorandum and 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.

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.

Calls on Common shares and Forfeiture of Common 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.

Repurchase Shares

We are empowered by the Companies Law and our Memorandum and Articles of Association to purchase our own shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Law, the repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be repurchased (a) unless it is fully paid up, (b) if such repurchase would result in there being no shares issued and outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration. 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.

Requirements to Change the Rights of Holders of Class A Common Shares (Item 10.B.4 of Form 20-F)

Variations 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
- the chairman of the meeting or 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.

Limitations on the Rights to Own Class A Common Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A common shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions. Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors 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 preference, and restrictions of such preferred shares without any further vote or action by our shareholders; and

limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under the laws of the Cayman Islands applicable to our company or under the Memorandum and Articles of Association that require our company to disclose shareholder ownership above any particular ownership threshold.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Law is modeled after that of England but does not follow recent English statutory enactments and differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The plan must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provide the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the

Grand Court of the Cayman Islands has a broad discretion to make, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company and 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, there are exceptions to the foregoing principle which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, cost and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our current Memorandum and Articles of Association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association, as amended and restated

from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company — a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. 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.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Our Memorandum and 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.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association do not allow our shareholders to requisition an

extraordinary general meeting of our shareholders and do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. 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 Memorandum and Articles of Association to allow cumulative voting for such elections. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, a director may be removed by a special resolution of our shareholders.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares.

Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under 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. 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.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law and our Memorandum and Articles of Association, our Memorandum and Articles of Association may only be amended with a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association which require our company to disclose shareholder ownership above any particular ownership threshold.

Exempted Company. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;

- an exempted company may obtain an undertaking against the imposition of taxation on profits, capital gains or inheritance (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Changes in Capital (Item 10.B.10 of Form 20-F)

We may from time to time by ordinary resolution in accordance with the Companies Law alter the conditions of our Memorandum and Articles 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 and Articles 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.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Citibank, N.A., as depository, issues the ADSs. Each ADS represents ownership of twenty Class A common shares, deposited with Citibank, N.A. – Hong Kong Branch, as custodian for the depository. Each ADS also represents ownership of any other securities, cash or other property which may be held by the depository. The depository's principal office is located at which the ADSs will be administered is located at 388 Greenwich Street, New York, New York 10013.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. The deposit agreement has been filed with the SEC as an exhibit to a Registration Statement on Form F-6 (File No. 333-224550) for our company.

Governing Law/Waiver of Jury Trial

We do not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, do not have shareholder rights. Cayman Islands law governs shareholder rights. The depository will be the holder of the common shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depository and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depository. The laws of the State of New York govern the deposit agreement and the ADSs and we have agreed with the depository that the federal or state courts in the City of New York shall have jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute between them that may arise out of or in connection with the deposit agreement and, for such purposes, each irrevocably submits to the non-exclusive jurisdiction of such courts.

By holding an ADS or an interest therein, you irrevocably agree that any legal suit, action or proceeding against or involving us or the Depository, arising out of or based upon the deposit agreement, ADSs or ADRs, may only be instituted in a state or federal court in the City of New York, and you irrevocably waive any objection to the laying of venue and irrevocably submit to the exclusive jurisdiction of such courts with respect to any such suit, action or proceeding.

Holding the ADSs

How will you hold your ADSs?

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. ADSs will be issued through DRS, unless you specifically request certificated ADRs. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The registration of the Class A common shares in the name of the depository bank or the custodian shall, to the maximum extent permitted by applicable law, vest in the depository bank or the custodian the record ownership in the applicable Class A common shares with the beneficial ownership rights and interests in such Class A common shares being at all times vested with the beneficial owners of the ADSs representing the Class A common shares. The depository bank or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares underlying the ADSs?

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

Distribution of Cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depository bank will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depository bank will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depository bank will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the

applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depository bank holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distribution of Class A Common Shares

Whenever we make a free distribution of Class A common shares for the securities on deposit with the custodian, we will deposit the applicable number of Class A common shares with the custodian. Upon receipt of confirmation of such deposit, the depository bank will either distribute to holders new ADSs representing the Class A common shares deposited or modify the ADS-to-Class A common share ratio, in which case each ADS you hold will represent rights and interests in the additional Class A common shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-Class A common share ratio upon a distribution of Class A common shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depository bank may sell all or a portion of the new Class A common shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (e.g., the U.S. securities laws) or if it is not operationally practicable. If the depository bank does not distribute new ADSs as described above, it may sell the Class A common shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distribution of Rights

Whenever we intend to distribute rights to subscribe for additional Class A common shares, we will give prior notice to the depository bank and we will assist the depository bank in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depository bank will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depository bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new Class A common shares other than in the form of ADSs.

The depository bank will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or

We fail to deliver satisfactory documents to the depositary bank; or

It is not reasonably practicable to distribute the rights.

The depositary bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions.

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary bank and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary bank in determining whether such distribution is lawful and reasonably practicable.

The depositary bank will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary bank will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

Other Distributions.

Whenever we intend to distribute property other than cash, Class A common shares or rights to subscribe for additional Class A common shares we will notify the depositary bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary bank all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will not distribute the property to you and will sell the property if:

We do not request that the property be distributed to you or if we request that the property not be distributed to you; or

We do not deliver satisfactory documents to the depositary bank; or

- The depositary bank determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary bank may create ADSs on your behalf if you or your broker deposit Class A common shares with the custodian. The depositary bank will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Class A common shares to the custodian. Your ability to deposit Class A common shares and receive ADSs may be limited by U.S. and Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the Class A common shares have been duly transferred to the custodian. The depositary bank will only issue ADSs in whole numbers.

When you make a deposit of Class A common shares, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The Class A common shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Class A common shares have been validly waived or exercised.
- You are duly authorized to deposit the Class A common shares.
- The Class A common shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "restricted securities" (as defined in the deposit agreement).
- The Class A common shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, Combination and Split Up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of Class A Common Shares Upon Cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying Class A common shares at the custodian's offices. Your ability to withdraw the Class A common shares held in respect of the ADSs may be limited by U.S. and Cayman Islands considerations applicable at the time of withdrawal. In order to withdraw the Class A common shares represented by your ADSs, you will be required to pay to the depositary bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the Class A common shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your ADSs. The withdrawal of the Class A common shares represented by your ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A common shares or ADSs are closed, or (ii) Class A common shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.

- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting Rights

How do you vote?

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the Class A common shares represented by your ADSs.

At our request, the depositary bank will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs in accordance with such voting instructions as follows:

- In the event of voting by show of hands, the depositary bank will vote (or cause the custodian to vote) all Class A common shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- In the event of voting by poll, the depositary bank will vote (or cause the Custodian to vote) the Class A common shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

In the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary bank to give a discretionary proxy to a person designated by us to vote the Class A common shares represented by such holders' ADSs; provided, that no such instructions shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary bank that we do not wish such proxy to be given; provided, further, that no such discretionary proxy shall be given (x) with respect to any matter as to which we inform the depositary that (i) there exists substantial opposition, or (ii) the rights of holders of ADSs or the shareholders of our company will be materially adversely affected, and (y) in the event that the vote is on a show of hands.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner.

Compliance with Regulations

Information Requests

Each ADS holder and beneficial owner shall provide such information as we may request pursuant to applicable law, the rules and requirements of any stock exchange on which the shares or ADSs are or will be registered, traded or listed or the Memorandum and Articles of Association, regarding the capacity in which such holder or beneficial owner owns ADSs (and shares as the case may be) and capacity in which such Holder or Beneficial Owner owns ADSs (and Shares as the case may be) and regarding the identity of any other person interested in such ADSs and the nature of such interest and various other matters, whether or not they are holders and/or beneficial owners at the time of such request.

Disclosure of Interests

Each ADS holder and beneficial owner shall comply with our requests pursuant to Cayman Islands law, the rules and requirements of the Nasdaq Stock Market and any other stock exchange on which the common shares are, or will be, registered, traded or listed or our Memorandum and Articles of Association, which requests are made to provide information, inter alia, as to the capacity in which such ADS holder or beneficial owner owns ADS and regarding the identity of any other person interested in such ADS and the nature of such interest and various other matters, whether or not they are ADS holders or beneficial owners at the time of such requests.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Class A common shares represented by your ADSs (except as permitted by law).

How may the deposit agreement be terminated?

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary bank will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary bank will hold the proceeds from such sale

and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depository bank will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

Limitations on Obligations and Liability to ADR Holders

Limits on our Obligations and the Obligations of the Depository and the Custodian; Limits on Liability to Holders of ADSs

The deposit agreement limits our obligations and the depository bank's obligations to you. Please note the following:

- We and the depository bank are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depository bank disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depository bank disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Class A common shares, for the validity or worth of the Class A common shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depository bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depository bank disclaim any liability if we or the depository bank are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depository bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depository bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Class A common shares for deposit, any holder of ADSs or

authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.

- We and the depositary bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Class A common shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary bank also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary bank and you as ADS holder.
- Nothing in the deposit agreement precludes the depositary bank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates the depositary bank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

Requirements for Depositary Actions

Before the execution and delivery, the registration of issuance, transfer, split-up, combination or surrender of any ADS, the delivery of any distribution thereon, or the withdrawal of any deposited property, the depositary may require:

- payment from the depositor of shares or presenter of ADSs or of this ADR of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto and payment of any applicable ADS fees and charges;
- satisfactory proof of the identity and genuineness of any signature or any other matters contemplated in the deposit agreement; and
- compliance with (A) any laws or governmental regulations relating to the execution and delivery of ADRs or ADSs or to the withdrawal or delivery of deposited securities and (B) such reasonable regulations and procedures as the depositary may establish,

from time to time, consistent with the deposit agreement and applicable laws, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we determine that it is necessary or advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

You have the right to cancel your ADSs and withdraw the underlying common shares at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A common shares or ADSs are closed, or (ii) Class A common shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The depositary shall not knowingly accept for deposit under the deposit agreement any common shares or other deposited securities required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such common shares.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the "**Pledgor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Beneficiary**"); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Pledgor holds 99% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit I (the "**Main Agreements**").

The Pledgor agrees to pledge all of the rights, titles and interest ("**Rights and Interests**") vested in its equity interests in the Domestic Company, which represents 99% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Definitions.** Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. RIGHTS AND INTERESTS OF PLEDGE

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “*Rights and Interests of Pledge*”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "*Notice of Default*") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "*Event of Default*" shall mean one or more of following situations:

(a) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;

(b) The Main Agreements are invalidated, repealed cancelled or terminated;

(c) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;

(d) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;

(e) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.

5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:

(a) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.

- (b) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (c) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (d) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (e) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (f) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (g) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (h) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (i) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (j) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(a) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(b) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(a) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(b) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (c) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
- (d) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
- (e) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
- (f) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
- (g) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
- (h) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
- (i) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.

8.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:

- (a) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (b) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (c) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (d) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (e) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (f) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (g) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (h) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (i) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
-

Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (c) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (d) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (e) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (f) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (g) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (h) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (a) Ensure the effectiveness of this Agreements;
- (b) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (c) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Pledgor:

Address: *****
Telephone: *****
Attention: *****

- (b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to the Domestic Company:
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13. TRANSFER OF AGREEMENT

- 13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.
- 13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.
- 13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the “*Dispute*”), through friendly consultations. If a Dispute is not resolved

through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality

and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

**Capital Contribution Certificate
of the Domestic Company**

It is hereby certified that Jianqiang Hu (ID Card number:*) holds 99% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.

Signatory:/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Yunbu Internet Technology Co., Ltd.)

EXHIBIT 3

**Share Register
of the Domestic Company**

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Yunbu Internet Technology Co., Ltd.)

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the “*Pledgor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Beneficiary*”); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Pledgor holds 1% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit I (the “*Main Agreements*”).

The Pledgor agrees to pledge all of the rights, titles and interest (“*Rights and Interests*”) vested in its equity interests in the Domestic Company, which represents 1% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (h) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (i) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (j) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (k) Singular form shall also include plural form and vice versa.
- (l) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (m) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (n) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. RIGHTS AND INTERESTS OF PLEDGE

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “*Rights and Interests of Pledge*”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "**Notice of Default**") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "**Event of Default**" shall mean one or more of following situations:

(f) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;

(g) The Main Agreements are invalidated, repealed cancelled or terminated;

(h) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;

(i) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;

(j) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.

5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:

(k) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.

- (l) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (m) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (n) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (o) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (p) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (q) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (r) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (s) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (t) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(c) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(d) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(j) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(k) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (l) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
- (m) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
- (n) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
- (o) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
- (p) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
- (q) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
- (r) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.

8.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:

- (j) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (k) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (l) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (m) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (n) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (o) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (p) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (q) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (r) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (i) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
-

Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (j) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (k) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (l) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (m) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (n) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (o) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (p) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (d) Ensure the effectiveness of this Agreements;
- (e) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (f) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Pledgor:

Address: *****
Telephone:
Attention: *****

- (b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to the Domestic Company:
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13. TRANSFER OF AGREEMENT

- 13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.
- 13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.
- 13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "**Dispute**"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written

notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

**Capital Contribution Certificate
of the Domestic Company**

It is hereby certified that Qunhua Ding (ID Card number:*) holds 1% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory:/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Yunbu Internet Technology Co., Ltd.)

EXHIBIT 3

**Share Register
of the Domestic Company**

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Yunbu Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Yunbu Internet Technology Co., Ltd.)

Exclusive Assets Purchase Agreement

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 99% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "*Designated Person*").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "*Equity Interest*") as provided under the Exclusive Option Agreement (the "*Exclusive Option Agreement*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "*Exercise Notice*") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "*Assets Transfer Date*"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

(a) The Domestic Company shall execute an Assets Transfer Agreement (the "*Assets Transfer Agreement*") on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.

- (b) The Domestic Company shall execute a Power of Attorney (the “ *Domestic Company’s PoA* ”) in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder’s resolution (the “ *Shareholder’s Resolution* ”) on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder’s Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder’s Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
-

(j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
 - (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
 - (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
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- (f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;
- (g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and
- (h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.

6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;
 - (d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;
 - (e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;
 - (f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;
-

- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, **Damages** includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the

Party alleged to be affected by such force majeure when entering this Agreement (each a "**Force Majeure Event**"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
 - (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:
- (a) If send to the Domestic Company:
 - Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
 - Telephone:
 - Attention: Qunhua Ding
 - (b) If send to WFOE:
 - Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,
 - Telephone:
 - Attention: Jianqiang Hu
 - (c) If send to Jianqiang Hu:
 - Address: *****
 - Telephone: *****
 - Attention: *****

12. TRANSFER AND ASSIGN

- 12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.
 - 12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.
 - 12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.
-

13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "Term").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory:

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Jianqiang Hu

/s/ Jianqiang Hu

EXHIBIT 1

CHENGDU YUNBU INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Yunbu Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ____, 20__.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Assets Transfer Agreement

This Assets Transfer Agreement (this "*Agreement*") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "*Seller*"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "*Purchaser*").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "*Business*").
 - (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "*Assets*"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20__. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

EXHIBIT 3

Power of Attorney

WHEREAS:

Chengdu Yunbu Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"), Jianqiang Hu, an individual with PRC nationality, ID Card number * (the "**Transferor**"), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**") have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the "**Exclusive Assets Purchase Agreement**").

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder's Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____, 20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Jianqiang Hu

(Signature)

Exclusive Assets Purchase Agreement

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 1% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) **Include** and **especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "**Designated Person**").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "**Equity Interest**") as provided under the Exclusive Option Agreement (the "**Exclusive Option Agreement**"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "**Exercise Notice**") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "**Assets Transfer Date**"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

(a) The Domestic Company shall execute an Assets Transfer Agreement (the "**Assets Transfer Agreement**") on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.

- (b) The Domestic Company shall execute a Power of Attorney (the “ *Domestic Company’s PoA* ”) in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder’s resolution (the “ *Shareholder’s Resolution* ”) on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder’s Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder’s Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
-

- (j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
 - (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
 - (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
-

(f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;

(g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and

(h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.

6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

(a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;

(b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;

(c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;

(d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;

(e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;

(f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;

- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, **Damages** includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "**Force Majeure Event**"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

(b) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to Qunhua Ding:

Address: *****
Telephone:
Attention: *****

12. TRANSFER AND ASSIGN

12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.

12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.

13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "Term").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory:

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Qunhua Ding

/s/ Qunhua Ding

EXHIBIT 1

CHENGDU YUNBU INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Yunbu Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ____, 20__.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Assets Transfer Agreement

This Assets Transfer Agreement (this "*Agreement*") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "*Seller*"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "*Purchaser*").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "*Business*").
 - (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "*Assets*"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20__. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

EXHIBIT 3

Power of Attorney

WHEREAS:

Chengdu Yunbu Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"), Qunhua Ding, an individual with PRC nationality, ID Card number * (the "**Transferor**"), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**") have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the "**Exclusive Assets Purchase Agreement**").

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder's Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____, 20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Yunbu Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Qunhua Ding

(Signature)

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "**Agreement**") is made and entered into by and between the following parties on July 31, 2019 in Guangzhou, the People's Republic of China ("**China**" or the "**PRC**").

(1) **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China ("**Domestic Company**"); and

(2) **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China ("**WFOE**").

Each of Domestic Company and WFOE shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

PREAMBLE

1. WFOE is a consultancy company engaged in electronic, communication and network technology research and development. WFOE is competent and has necessary resources to provide technology development, technology publicity, technology transfer, technology consultant, technology services and cultural artistic activities organizing.
 2. The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation, radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (the "**Business**").
 3. WFOE agrees to provide technology, consulting and other services related to the Business to the Domestic Company, the Domestic Company agrees to accept the services provided by WFOE or its assignee pursuant to the terms of this Agreement.
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4. The Domestic Company intends to enter into an exclusive agreement with WFOE

NOW, THEREFORE, the Parties have reached the following agreements:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

Dispute has the meaning assigned to it in Section 16.2.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Services has the meaning assigned to it in Section 2.1.

Service Fee has the meaning assigned to it in Section 3.1.

Term has the meaning assigned to it in Section 4.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
 - (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
 - (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
 - (d) Singular form shall also include plural form and vice versa.
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(e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.

(f) **Include and especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.

(g) This Agreement is drafted jointly by both Parties. No narrow interpretation rule shall be applied to any Party.

2. SCOPE OF SERVICE

2.1 **Service Description.** The Domestic Company hereby engages WFOE as its exclusive service provider. During the Term of this Agreement, WFOE shall provide consulting services related to the research and development of electronics, communication and network technologies to the Domestic Company. Such services include but not limited to technical support, business consulting, intellectual property licensing, lease of equipment or property, sales, system integration, product research and development, system maintenance and other services solely considered by WFOE as necessary for the operation of the Domestic Company (the "**Services**").

2.2 **Exclusiveness.** During the Term of this Agreement, without prior written consent of WFOE, the Domestic Company shall not, whether directly or indirectly, (i) solicit or accept any services identical or similar to the Services hereunder from any third party; or (ii) enter into cooperation agreement with any third party on issues related to the subject matter of this Agreement.

3. SERVICE FEE

3.1 The Domestic Company shall pay WFOE a service fee for the Services contemplated in this Agreement (the "**Service Fee**") on a quarterly basis. The amount of the Service Fee payable for each quarter shall be the net revenue (as recorded in the quarterly management report of the Domestic Company) of the Domestic Company in that particular quarter.

3.2 The Domestic Company shall pay the Service Fee to WFOE within ten (10) days upon the receipt of WFOE's invoice, which shall be enclosed with a document evidencing the basis for the calculation of such Service Fee. Without prejudice to the provision of Section 3.4 of this Agreement, no deduction, offset or set-off shall be made when paying the Service Fee.

3.3 The Domestic Company shall prudently, duly and timely make its monthly and quarterly management report in accordance to its applicable accounting standard and policies, and shall provide such reports to WFOE as soon as possible.

3.4 If WFOE transfers technology to the Domestic Company or is entrusted by the Domestic Company with software or other technology development or leases equipment or assets to the Domestic

Company, the technology transfer fee, development fee or rent should be determined by both parties based on the actual situation.

3.5 In addition to the Service Fee, the Domestic Company shall bear all reasonable costs, advance payments and actual expenses in any form paid or incurred by or related to the performance or provision of Services by WFOE, and compensate WFOE in this regard.

3.6 The parties shall bear the taxes and fees they shall pay in accordance with the law when they sign and perform this agreement. If required by WFOE, the Domestic Company shall make every effort to assist WFOE in obtaining exemption from VAT of all or part of its Service Fee income under this Agreement.

3.7 The Domestic Company hereby confirms and agrees that, unless it has obtained the prior written consent of the WFOE or a person designated by the WFOE, the Domestic Company will not conduct or procure to conduct any activities or transactions that may materially affect the assets, business, personnel, obligations, rights or operation of the Domestic Company, and will not conduct or procure to conduct any activities or transactions that may materially affect the ability of the Domestic Company to perform its obligations under this agreement.

3.8 Within ninety (90) days after the end of each fiscal year, the Domestic Company shall (a) deliver to WFOE the audited financial reports of the Domestic Company of that fiscal year, which shall be reviewed and attested by an auditor approved by WFOE; and (b) if, as recorded in abovementioned audited financial statements, the net revenue of the Domestic Company in that fiscal year (A) is greater than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, pay the difference to WFOE; or (B) is less than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, the Domestic Company is entitled to set-off the amount payable to WFOE in the next fiscal year using such difference.

4. TERM

4.1 This Agreement takes effect as of the date of execution. Unless terminated in accordance with the provisions of this Agreement or terminated by WFOE in writing, the term of this Agreement shall be perpetual (the "Term"). Notwithstanding the above stipulation, after the execution of this Agreement, the Parties shall review the provision in relation to the Services and the Service Fee from time to time to decide whether it is necessary to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5. TERMINATION

5.1 This Agreement takes effect upon execution, and remains effective throughout the Term, unless early terminated by WFOE at its own discretion through a written notice to the Domestic Company.

5.2 The parties represent that once the laws of China allow WFOE to directly hold and WFOE decides to hold the shares of the Domestic Company and WFOE and/or its subsidiaries and branches can

legally engage in the business of the Domestic Company, the parties will terminate this Agreement after all the shares of the Domestic Company are transferred to WFOE according to the Exclusive Option Agreement signed by the direct and indirect existing shareholders of the Domestic Company on the same day of the date hereof.

5.3 The rights and obligations of the Parties under Articles 6, 9, 14, 15 and the Section 5.3 shall survive the termination of this Agreement.

5.4 Before the expiration of the Term of this agreement, this Agreement shall not be terminated by the Domestic Company.

6. INTELLECTUAL PROPERTY RIGHTS

6.1 WFOE or its domestic subsidiary shall have exclusive and proprietary rights and interests in all rights, ownership, interests of the intellectual property rights arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, trademarks, software, technology secrets, trade secrets, technical know-how and other intellectual property rights created by the Domestic Company or WFOE.

6.2 If a research or development is based on intellectual property rights owned by the Domestic Company, the Domestic Company shall ensure that such intellectual property rights are free of defects, otherwise the Domestic Company shall be liable for all damages and losses caused by such defects and incurred by WFOE or its domestic subsidiary. If WFOE or its domestic subsidiary is liable to any third party due to such defects, WFOE or its domestic subsidiary shall be entitled to indemnity from the Domestic Company for all losses.

6.3 WFOE or its domestic subsidiary may license the intellectual property rights mentioned in Section 6.1 to the Domestic Company and its associated parties on a non-exclusive basis. Such license shall be subject to a separate agreement entered into by both Parties. Without prior written consent of WFOE or its domestic subsidiary, the intellectual property rights licensed by WFOE or its domestic subsidiary to the Domestic Company shall not be transferred or sublicensed to any third party by the Domestic Company.

7. UNDERTAKINGS

7.1 The Domestic Company undertakes as follows:

- (a) Without prior written consent of WFOE, it shall not conduct business outside its ordinary scope of business;
 - (b) Without prior written consent of WFOE, it shall not provide to or accept from third party any material loans, except for those happened in the ordinary course of business;
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- (c) Without prior written consent of WFOE, it shall not succeed or guarantee any debt, except for those happened in the ordinary course of business;
 - (d) Without prior written consent of WFOE, it shall not merge or enter into consortium with any third party, or acquire any third party, or be acquired or controlled, increase or decrease its registered capital, or in other way change its registered capital structure;
 - (e) In line with the requirement of WFOE, it shall comply with PRC laws, appoint any Person designated by WFOE as the legal representative, directors and senior officers of the Domestic Company, and not to change or dismiss any director or senior officer without prior written consent of WFOE;
 - (f) Without prior written consent of WFOE, it shall not sell to or acquire from third party, or in any other way dispose its material assets, whether tangible or intangible, except for those happened in the ordinary course of business;
 - (g) Without prior written consent of WFOE, it shall not provide guarantee or guarantee in other forms to third party using its assets, or create any encumbrances to its assets;
 - (h) It shall first consult with WFOE for any amendment to its articles of association;
 - (i) Without prior written consent of WFOE, it shall not in any way distribute dividends or share interests.
 - (j) Without prior written consent of WFOE, it shall not enter into liquidation and division of its remaining property;
 - (k) Without prior written consent of WFOE, the Domestic Company shall not solicit or accept any services related to the Business from any third party, or enter into cooperation agreement with any third party on issues related to the subject matter of this Agreement, whether through service, lease, business cooperation or any other form;
 - (l) Without prior written consent of WFOE, it shall not recruit or employ new employees;
 - (m) When making any decision that may create material effect on the business, operation, assets, right or obligation of the Domestic Company, it shall consult with WFOE. In addition, the Domestic Company shall implement legitimate business or technical orders or instructions sent by WFOE from time to time, unless there are obvious material negligence in such orders or instructions; and
 - (n) Procure any of its affiliates or subsidiaries to abide by above undertakings.
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8. REPRESENTATIONS AND WARRANTIES

8.1 The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary consent and approval from third parties and government agencies to conduct business in the territory of PRC;
- (b) The Domestic Company has obtained all necessary consent, approval, authorization and order for the execution, delivery and performance of this Agreement, and the Domestic Company has all rights, powers and abilities to execute, deliver and perform this Agreement. The execution and performance of this Agreement by the Domestic Company belong to its scope of business.
- (c) The execution, delivery and performance of this Agreement, and the consummation of the transaction contemplated herein will not (i) breach any law of PRC; (ii) conflict with any contract entered into by the Domestic Company, or result in any default or breach of such contract by the Domestic Company; or (iii) be in contrary to any condition of the permits or approvals required for the Domestic Company to conduct its business; and
- (d) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.

8.2 WFOE represents and warrants to the Domestic Company as follows:

- (a) WFOE is a company legally registered and validly existing in accordance with the PRC laws;
- (b) The execution and performance of this Agreement by WFOE are consistent with its corporate qualification and belong to its scope of business;
- (c) WFOE has taken all necessary corporate actions to obtain approval and authorization to enter into this Agreement; and
- (d) This Agreement, subject to its terms, constitutes WFOE's legal, valid and binding obligations, and shall be enforceable against it.

9. DEFAULT AND INDEMNIFICATION

9.1 Any of below circumstances shall constitute a default of the Domestic Company under this Agreement:

- (a) Non-payment: The Domestic Company fails to pay due and payable Service Fee to WFOE in accordance with the terms and conditions of this Agreement;
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- (b) Breach of Other Obligations: The Domestic Company fails to perform its obligations under this Agreement, including breaching any representations or warranties made by the Domestic Company;
- (c) Loss of Goodwill: The non-payment of any debt owed by the Domestic Company which is declared to be or becomes due and payable before maturity, or the non-payment at maturity of any debt owed by the Domestic Company of which the creditor is entitled to declare due and payable before maturity;
- (d) Enforcement: The creditors seize or possess the assets of the Domestic Company, or initiate proceedings to seize, enforce, confiscate or apply other proceedings on the assets of the Domestic Company; and
- (e) Regulatory Measures: Any government organ applies any measure, proceeding, fine or other adverse regulatory measures against the Domestic Company or its business, including without limitation, repeal or discontinue to issue any government approval.

9.2 The Domestic Company shall indemnify and hold harmless WFOE and its director, officers, employees, agents and associated parties from any losses, damages, injuries, obligations or expenses caused by any lawsuit, claims or other demands against WFOE arising from or caused by the default of the Domestic Company under this Agreement.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "Force Majeure Event"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NO JOINT VENTURE

11.1 Neither of the Parties hereto intends to establish any relationship of partnership, delegation, agency or joint venture, and nothing contained in this Agreement shall be construed as creating any such relationship between the Parties. Under no circumstances shall any Party or its agent or employee become the representative of the other Party, unless otherwise expressly provided in this Agreement; no

Party shall act as the agent, employee or in other name to provide, create or assume any obligation on behalf of the other Party.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (b) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Telephone:
Attention: Qunhua Ding

13. TRANSFER AND ASSIGN

13.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

13.2 The Domestic Company hereby agrees that WFOE may transfer its rights and obligations under this Agreement to a third party, and that WFOE only needs to send a written notice to the Domestic Company when such transfer occurs, and there is no need to obtain consent from the Domestic Company for such transfer.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This section 14 shall still be valid and binding within two years upon the termination of this Agreement.

15. GOVERNING LAW AND RESOLUTION OF DISPUTES

15.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided

by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Tax and Expenses. The tax and expenses applicable to the execution and performance of this Agreement shall be borne by the respective Party.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. WFOE is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd. (seal)

/seal/ Guangzhou Wangxing Information Technology Co., Ltd.

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Yunbu Internet Technology Co., Ltd. (seal)

/seal/ Chengdu Yunbu Internet Technology Co., Ltd.

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number (the "**Transferor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Transferee**"); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development, technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Transferor is the 99% legal and equity owner of the registered capital of the Domestic Company (the "**Equity Interest**").

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the "**Option**").

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Definitions** Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the "*Exclusive Assets Purchase Agreement*") to purchase the assets thereunder (the "*Assets*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee's option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the "*Basic Price*") of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the "*Equity Purchase Price*"). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the "*Exercise Notice*") to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien

or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "**Equity Transfer Agreement**") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "**Power of Attorney**") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.

5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:

- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations required for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
 - (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
 - (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
 - (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
 - (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
 - (h) The Domestic Company shall comply with all PRC laws regarding acquisition.
- 5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.
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6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall
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immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
 - (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
 - (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone: *****
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.

9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.

9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved

through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Jianqiang Hu

/s/ Jianqiang Hu

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Yunbu Internet Technology Co., Ltd.

/seal/ Chengdu Yunbu Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

CHENGDU YUNBU INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Yunbu Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "Company") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___, as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated _____, 20___ by and between the Company, Jianqiang Hu and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___day of ___, 20___.

Jianqiang Hu

Qunhua Ding

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number *(the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 99% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:

Name: Jianqiang Hu

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:

Name: Jianqiang Hu

Title: Director

Chengdu Yunbu Internet Technology Co., Ltd. (seal)

Signatory:

Name: Qunhua Ding

Title: Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number (the "**Transferor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Transferee**"); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Transferor is the 1% legal and equity owner of the registered capital of the Domestic Company (the "**Equity Interest**").

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the "**Option**").

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the "*Exclusive Assets Purchase Agreement*") to purchase the assets thereunder (the "*Assets*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee's option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the "*Basic Price*") of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the "*Equity Purchase Price*"). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the "*Exercise Notice*") to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien

or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "**Equity Transfer Agreement**") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "**Power of Attorney**") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.

5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:

- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations required for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
- (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
- (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
- (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
- (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
- (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
- (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
- (h) The Domestic Company shall comply with all PRC laws regarding acquisition.
- 5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.
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6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall
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immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
 - (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
 - (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone: *****
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.

9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.

9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written

notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting

the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Qunhua Ding

/s/ Qunhua Ding _____

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu _____

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Yunbu Internet Technology Co., Ltd.

/seal/ Chengdu Yunbu Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding _____

Name: Qunhua Ding

Title: Legal Representative

CHENGDU YUNBU INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Yunbu Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___, as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated _____, 20__ by and between the Company, Qunhua Ding and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___day of ___, 20___.

Jianqiang Hu

Qunhua Ding

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Yunbu Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 1% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:

Name: Qunhua Ding

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:

Name: Jianqiang Hu

Title: Director

Chengdu Yunbu Internet Technology Co., Ltd. (seal)

Signatory:

Name: Qunhua Ding

Title: Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this “**Agreement**”) dated July 31, 2019, is signed by and among:

Party A: **Jianqiang Hu** (the “**Shareholder**”)
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the “**WFOE**”)
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Luota Internet Technology Co., Ltd.** (the “**Company**”)
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a “**Party**”, collectively referred to as “**Parties**”.

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 99% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

- 1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the “**Entrusted Person**”) to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the “**Entrusted Rights**”):
 - (1) Proposing to convene and attending shareholders’ meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
 - (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders’ meetings of the Company, including but not limited to the appointment of the Company’s directors and other officers needing to be appointed and removed by shareholders;
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- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
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- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
- 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
- 5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.
- 5.2 Each of WFOE and the Company hereby represents and warrants that:
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5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.

5.3 The Company further represents and warrants that:

5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.

6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.

6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.

7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.

7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the "Confidential Information"). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.

8.2 The following information shall not be deemed part of the Confidential Information:

- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
-

(b) any information being part of public knowledge through no fault of the receiving Party; or

(c) any information rightfully received by the receiving Party from other sources after disclosure.

8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.

8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

9.1 The Parties agree and acknowledge that, if any of the Parties (the "**Defaulting Party**") materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a "**Default**"). In such event, any of the other Parties without default (the "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:

9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;

9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.

9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.

10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.

- 10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.
 - 10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.
 - 10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.
 - 10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the "**Party's Rights**") shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party's Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.
 - 10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.
 - 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
 - 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
 - 10.10 Without WFOE's prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
 - 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
-

10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:

- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
- (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
- (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: **Jianqiang Hu**

Signature: /s/ Jianqiang Hu

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.**

Signature: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Party C: **Chengdu Luota Internet Technology Co., Ltd.**

Signature: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this “**Agreement**”) dated July 31, 2019, is signed by and among:

Party A: **Qunhua Ding** (the “**Shareholder**”)
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the “**WFOE**”)
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Luota Internet Technology Co., Ltd.** (the “**Company**”)
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a “**Party**”, collectively referred to as “**Parties**”.

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 1% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

- 1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the “**Entrusted Person**”) to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the “**Entrusted Rights**”):
 - (1) Proposing to convene and attending shareholders’ meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
 - (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders’ meetings of the Company, including but not limited to the appointment of the Company’s directors and other officers needing to be appointed and removed by shareholders;
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- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
-

- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
- 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
- 5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.
- 5.2 Each of WFOE and the Company hereby represents and warrants that:
-

5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.

5.3 The Company further represents and warrants that:

5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.

6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.

6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.

7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.

7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the "Confidential Information"). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.

8.2 The following information shall not be deemed part of the Confidential Information:

- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
-

(b) any information being part of public knowledge through no fault of the receiving Party; or

(c) any information rightfully received by the receiving Party from other sources after disclosure.

8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.

8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

9.1 The Parties agree and acknowledge that, if any of the Parties (the "**Defaulting Party**") materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a "**Default**"). In such event, any of the other Parties without default (the "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:

9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;

9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.

9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.

10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.

- 10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.
 - 10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.
 - 10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.
 - 10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the “**Party’s Rights**”) shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party’s Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party’s Rights.
 - 10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.
 - 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
 - 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
 - 10.10 Without WFOE’s prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
 - 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
-

10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:

- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
- (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
- (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: Qunhua Ding

Signature: /s/ Qunhua Ding

Party B: Guangzhou Wangxing Information Technology Co., Ltd.

Signature: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Party C: Chengdu Luota Internet Technology Co., Ltd.

Signature: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the “*Pledgor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Beneficiary*”); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Pledgor holds 99% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit I (the “*Main Agreements*”).

The Pledgor agrees to pledge all of the rights, titles and interest (“*Rights and Interests*”) vested in its equity interests in the Domestic Company, which represents 99% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. **RIGHTS AND INTERESTS OF PLEDGE**

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “**Rights and Interests of Pledge**”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "**Notice of Default**") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "**Event of Default**" shall mean one or more of following situations:

(a) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;

(b) The Main Agreements are invalidated, repealed cancelled or terminated;

(c) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;

(d) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;

(e) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.

5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:

(a) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.

- (b) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (c) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (d) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (e) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (f) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (g) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (h) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (i) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (j) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(a) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(b) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(a) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(b) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (c) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
 - (d) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
 - (e) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
 - (f) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
 - (g) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
 - (h) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
 - (i) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.
- 8.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:

- (a) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (b) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (c) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (d) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (e) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (f) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (g) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (h) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (i) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
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Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (c) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (d) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (e) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (f) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (g) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (h) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (a) Ensure the effectiveness of this Agreements;
- (b) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (c) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Pledgor:

Address: *****
Telephone: *****
Attention: *****

- (b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to the Domestic Company:
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13. TRANSFER OF AGREEMENT

- 13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.
- 13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.
- 13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

- 15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.
- 15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the “*Dispute*”), through friendly consultations. If a Dispute is not resolved
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through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality

and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

Capital Contribution Certificate

of the Domestic Company

It is hereby certified that Jianqiang Hu (ID Card number:*) holds 99% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.

Signatory:/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Luota Internet Technology Co., Ltd.)

EXHIBIT 3

Share Register

of the Domestic Company

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Luota Internet Technology Co., Ltd.)

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the "**Pledgor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Beneficiary**"); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Pledgor holds 1% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit 1 (the "**Main Agreements**").

The Pledgor agrees to pledge all of the rights, titles and interest ("**Rights and Interests**") vested in its equity interests in the Domestic Company, which represents 1% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (h) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (i) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (j) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (k) Singular form shall also include plural form and vice versa.
- (l) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (m) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (n) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. RIGHTS AND INTERESTS OF PLEDGE

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “**Rights and Interests of Pledge**”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "**Notice of Default**") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "**Event of Default**" shall mean one or more of following situations:

- (f) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;
 - (g) The Main Agreements are invalidated, repealed cancelled or terminated;
 - (h) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;
 - (i) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;
 - (j) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.
- 5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:
- (k) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.
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- (l) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (m) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (n) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (o) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (p) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (q) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (r) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (s) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (t) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(c) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(d) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(j) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(k) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (l) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
 - (m) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
 - (n) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
 - (o) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
 - (p) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
 - (q) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
 - (r) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.
- 8.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

- 9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:
- (j) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (k) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (l) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (m) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (n) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (o) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (p) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (q) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (r) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (i) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
-

Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (j) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (k) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (l) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (m) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (n) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (o) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (p) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (d) Ensure the effectiveness of this Agreements;
- (e) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (f) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Pledgor:

Address: *****
Telephone:
Attention: *****

(b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

13. TRANSFER OF AGREEMENT

13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.

13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the " *Dispute* "), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written

notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

**Capital Contribution Certificate
of the Domestic Company**

It is hereby certified that Qunhua Ding (ID Card number:*) holds 1% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Luota Internet Technology Co., Ltd.)

EXHIBIT 3

Share Register

of the Domestic Company

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Luota Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Luota Internet Technology Co., Ltd.)

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Jianqiang Hu**, an individual with PRC nationality, ID Card number *(the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 99% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include and especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "*Designated Person*").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "*Equity Interest*") as provided under the Exclusive Option Agreement (the "*Exclusive Option Agreement*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "*Exercise Notice*") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "*Assets Transfer Date*"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

- (a) The Domestic Company shall execute an Assets Transfer Agreement (the “*Assets Transfer Agreement*”) on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.
 - (b) The Domestic Company shall execute a Power of Attorney (the “*Domestic Company's PoA*”) in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder’s resolution (the “*Shareholder's Resolution*”) on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder’s Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder’s Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
-

(j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
 - (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
 - (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
-

(f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;

(g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and

(h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.

6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

(a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;

(b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;

(c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;

(d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;

(e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;

(f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;

- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

- 8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:
- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, *Damages* includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "*Force Majeure Event*"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

(b) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to Jianqiang Hu:

Address: *****
Telephone: *****
Attention: *****

12. TRANSFER AND ASSIGN

12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.

12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.

13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "Term").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Jianqiang Hu

/s/ Jianqiang Hu

EXHIBIT 1

CHENGDU LUOTA INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Luota Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ____, 20__.

Jianqiang Hu

Qunhua Ding

Assets Transfer Agreement

This Assets Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Seller**"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20___. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "**Dispute**"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Luota Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

Power of Attorney

WHEREAS:

Chengdu Luota Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"), Jianqiang Hu, an individual with PRC nationality, ID Card number * (the "**Transferor**"), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**") have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the "**Exclusive Assets Purchase Agreement**").

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder's Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____.20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Luota Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Jianqiang Hu

(Signature)

Exclusive Assets Purchase Agreement

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Qunhua Ding**, an individual with PRC nationality, ID Card number __*(the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 1% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "*Designated Person*").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "*Equity Interest*") as provided under the Exclusive Option Agreement (the "*Exclusive Option Agreement*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "*Exercise Notice*") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "*Assets Transfer Date*"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

(a) The Domestic Company shall execute an Assets Transfer Agreement (the "*Assets Transfer Agreement*") on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.

- (b) The Domestic Company shall execute a Power of Attorney (the "**Domestic Company's PoA**") in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
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(j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
 - (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
 - (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
-

(f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;

(g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and

(h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.

6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

(a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;

(b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;

(c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;

(d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;

(e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;

(f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;

- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, *Damages* includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "*Force Majeure Event*"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu

Telephone:

Attention: Qunhua Ding

(b) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,

Telephone:

Attention: Jianqiang Hu

(c) If send to Qunhua Ding:

Address: *****

Telephone:

Attention: *****

12. TRANSFER AND ASSIGN

12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.

12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.

13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "Term").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Qunhua Ding

/s/ Qunhua Ding

CHENGDU LUOTA INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Luota Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the __ day of __, 20__.

Jianqiang Hu

Qunhua Ding

Assets Transfer Agreement

This Assets Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Seller**"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20__. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "**Dispute**"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Luota Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

Power of Attorney

WHEREAS:

Chengdu Luota Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"), Qunhua Ding, an individual with PRC nationality, ID Card number * (the "**Transferor**"), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**") have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the "**Exclusive Assets Purchase Agreement**").

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder's Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____.20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Luota Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Qunhua Ding

(Signature)

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "*Agreement*") is made and entered into by and between the following parties on July 31, 2019 in Guangzhou, the People's Republic of China ("*China*" or the "*PRC*").

- (1) **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China ("*Domestic Company*"); and
- (2) **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China ("*WFOE*").

Each of Domestic Company and WFOE shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

PREAMBLE

1. WFOE is a consultancy company engaged in electronic, communication and network technology research and development. WFOE is competent and has necessary resources to provide technology development, technology publicity, technology transfer, technology consultant, technology services and cultural artistic activities organizing.
 2. The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (the "*Business*").
 3. WFOE agrees to provide technology, consulting and other services related to the Business to the Domestic Company, the Domestic Company agrees to accept the services provided by WFOE or its assignee pursuant to the terms of this Agreement.
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4. The Domestic Company intends to enter into an exclusive agreement with WFOE

NOW, THEREFORE, the Parties have reached the following agreements:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

Dispute has the meaning assigned to it in Section 16.2.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Services has the meaning assigned to it in Section 2.1.

Service Fee has the meaning assigned to it in Section 3.1.

Term has the meaning assigned to it in Section 4.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
 - (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
 - (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
 - (d) Singular form shall also include plural form and vice versa.
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(e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.

(f) **Include and especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.

(g) This Agreement is drafted jointly by both Parties. No narrow interpretation rule shall be applied to any Party.

2. SCOPE OF SERVICE

2.1 **Service Description.** The Domestic Company hereby engages WFOE as its exclusive service provider. During the Term of this Agreement, WFOE shall provide consulting services related to the research and development of electronics, communication and network technologies to the Domestic Company. Such services include but not limited to technical support, business consulting, intellectual property licensing, lease of equipment or property, sales, system integration, product research and development, system maintenance and other services solely considered by WFOE as necessary for the operation of the Domestic Company (the "**Services**").

2.2 **Exclusiveness.** During the Term of this Agreement, without prior written consent of WFOE, the Domestic Company shall not, whether directly or indirectly, (i) solicit or accept any services identical or similar to the Services hereunder from any third party; or (ii) enter into cooperation agreement with any third party on issues related to the subject matter of this Agreement.

3. SERVICE FEE

3.1 The Domestic Company shall pay WFOE a service fee for the Services contemplated in this Agreement (the "**Service Fee**") on a quarterly basis. The amount of the Service Fee payable for each quarter shall be the net revenue (as recorded in the quarterly management report of the Domestic Company) of the Domestic Company in that particular quarter.

3.2 The Domestic Company shall pay the Service Fee to WFOE within ten (10) days upon the receipt of WFOE's invoice, which shall be enclosed with a document evidencing the basis for the calculation of such Service Fee. Without prejudice to the provision of Section 3.4 of this Agreement, no deduction, offset or set-off shall be made when paying the Service Fee.

3.3 The Domestic Company shall prudently, duly and timely make its monthly and quarterly management report in accordance to its applicable accounting standard and policies, and shall provide such reports to WFOE as soon as possible.

3.4 If WFOE transfers technology to the Domestic Company or is entrusted by the Domestic Company with software or other technology development or leases equipment or assets to the Domestic

Company, the technology transfer fee, development fee or rent should be determined by both parties based on the actual situation.

3.5 In addition to the Service Fee, the Domestic Company shall bear all reasonable costs, advance payments and actual expenses in any form paid or incurred by or related to the performance or provision of Services by WFOE, and compensate WFOE in this regard.

3.6 The parties shall bear the taxes and fees they shall pay in accordance with the law when they sign and perform this agreement. If required by WFOE, the Domestic Company shall make every effort to assist WFOE in obtaining exemption from VAT of all or part of its Service Fee income under this Agreement.

3.7 The Domestic Company hereby confirms and agrees that, unless it has obtained the prior written consent of the WFOE or a person designated by the WFOE, the Domestic Company will not conduct or procure to conduct any activities or transactions that may materially affect the assets, business, personnel, obligations, rights or operation of the Domestic Company, and will not conduct or procure to conduct any activities or transactions that may materially affect the ability of the Domestic Company to perform its obligations under this agreement.

3.8 Within ninety (90) days after the end of each fiscal year, the Domestic Company shall (a) deliver to WFOE the audited financial reports of the Domestic Company of that fiscal year, which shall be reviewed and attested by an auditor approved by WFOE; and (b) if, as recorded in abovementioned audited financial statements, the net revenue of the Domestic Company in that fiscal year (A) is greater than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, pay the difference to WFOE; or (B) is less than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, the Domestic Company is entitled to set-off the amount payable to WFOE in the next fiscal year using such difference.

4. TERM

4.1 This Agreement takes effect as of the date of execution. Unless terminated in accordance with the provisions of this Agreement or terminated by WFOE in writing, the term of this Agreement shall be perpetual (the "**Term**"). Notwithstanding the above stipulation, after the execution of this Agreement, the Parties shall review the provision in relation to the Services and the Service Fee from time to time to decide whether it is necessary to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5. TERMINATION

5.1 This Agreement takes effect upon execution, and remains effective throughout the Term, unless early terminated by WFOE at its own discretion through a written notice to the Domestic Company.

5.2 The parties represent that once the laws of China allow WFOE to directly hold and WFOE decides to hold the shares of the Domestic Company and WFOE and/or its subsidiaries and branches can

legally engage in the business of the Domestic Company, the parties will terminate this Agreement after all the shares of the Domestic Company are transferred to WFOE according to the Exclusive Option Agreement signed by the direct and indirect existing shareholders of the Domestic Company on the same day of the date hereof.

5.3 The rights and obligations of the Parties under Articles 6, 9, 14, 15 and the Section 5.3 shall survive the termination of this Agreement.

5.4 Before the expiration of the Term of this agreement, this Agreement shall not be terminated by the Domestic Company.

6. INTELLECTUAL PROPERTY RIGHTS

6.1 WFOE or its domestic subsidiary shall have exclusive and proprietary rights and interests in all rights, ownership, interests of the intellectual property rights arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, trademarks, software, technology secrets, trade secrets, technical know-how and other intellectual property rights created by the Domestic Company or WFOE.

6.2 If a research or development is based on intellectual property rights owned by the Domestic Company, the Domestic Company shall ensure that such intellectual property rights are free of defects, otherwise the Domestic Company shall be liable for all damages and losses caused by such defects and incurred by WFOE or its domestic subsidiary. If WFOE or its domestic subsidiary is liable to any third party due to such defects, WFOE or its domestic subsidiary shall be entitled to indemnity from the Domestic Company for all losses.

6.3 WFOE or its domestic subsidiary may license the intellectual property rights mentioned in Section 6.1 to the Domestic Company and its associated parties on a non-exclusive basis. Such license shall be subject to a separate agreement entered into by both Parties. Without prior written consent of WFOE or its domestic subsidiary, the intellectual property rights licensed by WFOE or its domestic subsidiary to the Domestic Company shall not be transferred or sublicensed to any third party by the Domestic Company.

7. UNDERTAKINGS

7.1 The Domestic Company undertakes as follows:

- (a) Without prior written consent of WFOE, it shall not conduct business outside its ordinary scope of business;
 - (b) Without prior written consent of WFOE, it shall not provide to or accept from third party any material loans, except for those happened in the ordinary course of business;
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- (c) Without prior written consent of WFOE, it shall not succeed or guarantee any debt, except for those happened in the ordinary course of business;
- (d) Without prior written consent of WFOE, it shall not merge or enter into consortium with any third party, or acquire any third party, or be acquired or controlled, increase or decrease its registered capital, or in other way change its registered capital structure;
- (e) In line with the requirement of WFOE, it shall comply with PRC laws, appoint any Person designated by WFOE as the legal representative, directors and senior officers of the Domestic Company, and not to change or dismiss any director or senior officer without prior written consent of WFOE;
- (f) Without prior written consent of WFOE, it shall not sell to or acquire from third party, or in any other way dispose its material assets, whether tangible or intangible, except for those happened in the ordinary course of business;
- (g) Without prior written consent of WFOE, it shall not provide guarantee or guarantee in other forms to third party using its assets, or create any encumbrances to its assets;
- (h) It shall first consult with WFOE for any amendment to its articles of association;
- (i) Without prior written consent of WFOE, it shall not in any way distribute dividends or share interests.
- (j) Without prior written consent of WFOE, it shall not enter into liquidation and division of its remaining property;
- (k) Without prior written consent of WFOE, the Domestic Company shall not solicit or accept any services related to the Business from any third party, or enter into cooperation agreement with any third party on issues related to the subject matter of this Agreement, whether through service, lease, business cooperation or any other form;
- (l) Without prior written consent of WFOE, it shall not recruit or employ new employees;
- (m) When making any decision that may create material effect on the business, operation, assets, right or obligation of the Domestic Company, it shall consult with WFOE. In addition, the Domestic Company shall implement legitimate business or technical orders or instructions sent by WFOE from time to time, unless there are obvious material negligence in such orders or instructions; and
- (n) Procure any of its affiliates or subsidiaries to abide by above undertakings.

8. REPRESENTATIONS AND WARRANTIES

8.1 The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary consent and approval from third parties and government agencies to conduct business in the territory of PRC;
- (b) The Domestic Company has obtained all necessary consent, approval, authorization and order for the execution, delivery and performance of this Agreement, and the Domestic Company has all rights, powers and abilities to execute, deliver and perform this Agreement. The execution and performance of this Agreement by the Domestic Company belong to its scope of business.
- (c) The execution, delivery and performance of this Agreement, and the consummation of the transaction contemplated herein will not (i) breach any law of PRC; (ii) conflict with any contract entered into by the Domestic Company, or result in any default or breach of such contract by the Domestic Company; or (iii) be in contrary to any condition of the permits or approvals required for the Domestic Company to conduct its business; and
- (d) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.

8.2 WFOE represents and warrants to the Domestic Company as follows:

- (a) WFOE is a company legally registered and validly existing in accordance with the PRC laws;
- (b) The execution and performance of this Agreement by WFOE are consistent with its corporate qualification and belong to its scope of business;
- (c) WFOE has taken all necessary corporate actions to obtain approval and authorization to enter into this Agreement; and
- (d) This Agreement, subject to its terms, constitutes WFOE's legal, valid and binding obligations, and shall be enforceable against it.

9. DEFAULT AND INDEMNIFICATION

9.1 Any of below circumstances shall constitute a default of the Domestic Company under this Agreement:

- (a) Non-payment: The Domestic Company fails to pay due and payable Service Fee to WFOE in accordance with the terms and conditions of this Agreement;
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- (b) Breach of Other Obligations: The Domestic Company fails to perform its obligations under this Agreement, including breaching any representations or warranties made by the Domestic Company;
 - (c) Loss of Goodwill : The non-payment of any debt owed by the Domestic Company which is declared to be or becomes due and payable before maturity, or the non-payment at maturity of any debt owed by the Domestic Company of which the creditor is entitled to declare due and payable before maturity;
 - (d) Enforcement: The creditors seize or possess the assets of the Domestic Company, or initiate proceedings to seize, enforce, confiscate or apply other proceedings on the assets of the Domestic Company; and
 - (e) Regulatory Measures: Any government organ applies any measure, proceeding, fine or other adverse regulatory measures against the Domestic Company or its business, including without limitation, repeal or discontinue to issue any government approval.
- 9.2 The Domestic Company shall indemnify and hold harmless WFOE and its director, officers, employees, agents and associated parties from any losses, damages, injuries, obligations or expenses caused by any lawsuit, claims or other demands against WFOE arising from or caused by the default of the Domestic Company under this Agreement.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "Force Majeure Event"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NO JOINT VENTURE

11.1 Neither of the Parties hereto intends to establish any relationship of partnership, delegation, agency or joint venture, and nothing contained in this Agreement shall be construed as creating any such relationship between the Parties. Under no circumstances shall any Party or its agent or employee become the representative of the other Party, unless otherwise expressly provided in this Agreement; no

Party shall act as the agent, employee or in other name to provide, create or assume any obligation on behalf of the other Party.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,

Telephone:

Attention: Jianqiang Hu

(b) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China

Telephone:

Attention: Qunhua Ding

13. TRANSFER AND ASSIGN

13.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

13.2 The Domestic Company hereby agrees that WFOE may transfer its rights and obligations under this Agreement to a third party, and that WFOE only needs to send a written notice to the Domestic Company when such transfer occurs, and there is no need to obtain consent from the Domestic Company for such transfer.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This section 14 shall still be valid and binding within two years upon the termination of this Agreement.

15. GOVERNING LAW AND RESOLUTION OF DISPUTES

15.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Tax and Expenses. The tax and expenses applicable to the execution and performance of this Agreement shall be borne by the respective Party.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. WFOE is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd. (seal)

/seal/ Guangzhou Wangxing Information Technology Co., Ltd.

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Luota Internet Technology Co., Ltd. (seal)

/seal/ Chengdu Luota Internet Technology Co., Ltd.

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number_*(the "**Transferor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Transferee**"); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales; recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Transferor is the 99% legal and equity owner of the registered capital of the Domestic Company (the "**Equity Interest**").

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the "**Option**").

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the “*Exclusive Assets Purchase Agreement*”) to purchase the assets thereunder (the “*Assets*”), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee’s option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the “*Basic Price*”) of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the “*Equity Purchase Price*”). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the “*Exercise Notice*”) to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien

or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "**Equity Transfer Agreement**") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "**Power of Attorney**") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.

5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:

- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
 - (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
 - (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
 - (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
 - (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
 - (h) The Domestic Company shall comply with all PRC laws regarding acquisition.
- 5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.
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6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall
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immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
- (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
- (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
- (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone: *****
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

- 9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.
- 9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.
- 9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be

conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Jianqiang Hu

/s/ Jianqiang Hu

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Luota Internet Technology Co., Ltd.

/seal/ Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

CHENGDU LUOTA INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Luota Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___ as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated _____, 20__ by and between the Company, Jianqiang Hu and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ___, 20__.

Jianqiang Hu

Qunhua Ding

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales; recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 99% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:

Name: Jianqiang Hu

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:

Name: Jianqiang Hu

Title: Director

Chengdu Luota Internet Technology Co., Ltd. (seal)

Signatory:

Name: Qunhua Ding

Title: Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number__* (the "**Transferor**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Transferee**"); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**").

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Transferor is the 1% legal and equity owner of the registered capital of the Domestic Company (the "**Equity Interest**").

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the "**Option**").

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the “*Exclusive Assets Purchase Agreement*”) to purchase the assets thereunder (the “*Assets*”), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee’s option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the “*Basic Price*”) of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the “*Equity Purchase Price*”). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the “*Exercise Notice*”) to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien

or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "**Equity Transfer Agreement**") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "**Power of Attorney**") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.

5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:

- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
 - (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
 - (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
 - (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
 - (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
 - (h) The Domestic Company shall comply with all PRC laws regarding acquisition.
- 5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.
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6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall
-

immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
 - (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
 - (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone:
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

- 9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.
- 9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.
- 9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written

notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "**Term**").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting

the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Qunhua Ding

/s/ Qunhua Ding

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Luota Internet Technology Co., Ltd.

/seal/ Chengdu Luota Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

CHENGDU LUOTA INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Luota Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "Company") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___ as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated _____, 20__ by and between the Company, Qunhua Ding and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ___, 20__.

Jianqiang Hu

Qunhua Ding

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Luota Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales; recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 1% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:

Name: Qunhua Ding

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:

Name: Jianqiang Hu

Title: Director

Chengdu Luota Internet Technology Co., Ltd. (seal)

Signatory:

Name: Qunhua Ding

Title: Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this "**Agreement**") dated July 31, 2019, is signed by and among:

Party A: **Jianqiang Hu** (the "**Shareholder**")
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the "**WFOE**")
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Luota Internet Technology Co., Ltd.** (the "**Company**")
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a "**Party**", collectively referred to as "**Parties**".

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 99% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

- 1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the "**Entrusted Person**") to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the "**Entrusted Rights**"):
 - (1) Proposing to convene and attending shareholders' meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
 - (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders' meetings of the Company, including but not limited to the appointment of the Company's directors and other officers needing to be appointed and removed by shareholders;
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- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
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- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
- 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
- 5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.
- 5.2 Each of WFOE and the Company hereby represents and warrants that:
-

- 5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.
- 5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.
- 5.3 The Company further represents and warrants that:
- 5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

- 6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.
- 6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.
- 6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

- 7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.
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7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.

7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the “**Confidential Information**”). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.

8.2 The following information shall not be deemed part of the Confidential Information:

- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
-

- (b) any information being part of public knowledge through no fault of the receiving Party; or
 - (c) any information rightfully received by the receiving Party from other sources after disclosure.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.
- 8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

9.1 The Parties agree and acknowledge that, if any of the Parties (the "**Defaulting Party**") materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a "**Default**"). In such event, any of the other Parties without default (the "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:

- 9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;
- 9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.
- 9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

- 10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.
- 10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.
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- 10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.
 - 10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.
 - 10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.
 - 10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the "**Party's Rights**") shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party's Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.
 - 10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.
 - 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
 - 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
 - 10.10 Without WFOE's prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
 - 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
-

- 10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:
- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
 - (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
 - (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: **Jianqiang Hu**

Signature: /s/ Jianqiang Hu

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.**

Signature: /s/ Jianqiang Hu
Name: Jianqiang Hu
Title: Legal Representative

Party C: **Chengdu Luota Internet Technology Co., Ltd.**

Signature: /s/ Qunhua Ding
Name: Qunhua Ding
Title: Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this “**Agreement**”) dated July 31, 2019, is signed by and among:

Party A: **Qunhua Ding** (the “**Shareholder**”)
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the “**WFOE**”)
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Luota Internet Technology Co., Ltd.** (the “**Company**”)
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a “**Party**”, collectively referred to as “**Parties**”.

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 1% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

- 1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the “**Entrusted Person**”) to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the “**Entrusted Rights**”):
 - (1) Proposing to convene and attending shareholders’ meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
 - (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders’ meetings of the Company, including but not limited to the appointment of the Company’s directors and other officers needing to be appointed and removed by shareholders;
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- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
-

- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
 - 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
 - 5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.
- 5.2 Each of WFOE and the Company hereby represents and warrants that:
-

- 5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.
- 5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.
- 5.3 The Company further represents and warrants that:
- 5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

- 6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.
- 6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.
- 6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

- 7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.
-

7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.

7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the “**Confidential Information**”). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.

8.2 The following information shall not be deemed part of the Confidential Information:

- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
-

- (b) any information being part of public knowledge through no fault of the receiving Party; or
 - (c) any information rightfully received by the receiving Party from other sources after disclosure.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.
- 8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

- 9.1 The Parties agree and acknowledge that, if any of the Parties (the "**Defaulting Party**") materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a "**Default**"). In such event, any of the other Parties without default (the "**Non-defaulting Party**") shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:
- 9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;
 - 9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.
- 9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

- 10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.
- 10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.
-

- 10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.
 - 10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.
 - 10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.
 - 10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the "**Party's Rights**") shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party's Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.
 - 10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.
 - 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
 - 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
 - 10.10 Without WFOE's prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
 - 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
-

- 10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:
- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
 - (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
 - (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: Qunhua Ding

Signature: /s/ Qunhua Ding

Party B: Guangzhou Wangxing Information Technology Co., Ltd.

Signature: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Party C: Chengdu Luota Internet Technology Co., Ltd.

Signature: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Power of Attorney

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the “*Pledgor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Beneficiary*”); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Pledgor holds 99% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit I (the “*Main Agreements*”).

The Pledgor agrees to pledge all of the rights, titles and interest (“*Rights and Interests*”) vested in its equity interests in the Domestic Company, which represents 99% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Definitions.** Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. RIGHTS AND INTERESTS OF PLEDGE

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “**Rights and Interests of Pledge**”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "*Notice of Default*") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "*Event of Default*" shall mean one or more of following situations:

(a) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;

(b) The Main Agreements are invalidated, repealed cancelled or terminated;

(c) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;

(d) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;

(e) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.

5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:

(a) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.

- (b) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (c) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (d) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (e) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (f) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (g) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (h) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (i) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (j) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(a) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(b) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(a) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(b) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (c) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
 - (d) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
 - (e) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
 - (f) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
 - (g) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
 - (h) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
 - (i) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.
- 8.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

- 9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:
- (a) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (b) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (c) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (d) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (e) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (f) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (g) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (h) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (i) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
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Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (c) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (d) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (e) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (f) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (g) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (h) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (a) Ensure the effectiveness of this Agreements;
- (b) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (c) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Pledgor:

Address: *****
Telephone: *****
Attention: *****

- (b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to the Domestic Company:
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13. TRANSFER OF AGREEMENT

- 13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.
- 13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.
- 13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

- 15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.
- 15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the “*Dispute*”), through friendly consultations. If a Dispute is not resolved
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through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality

and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

**Capital Contribution Certificate
of the Domestic Company**

It is hereby certified that Jianqiang Hu (ID Card number:*) holds 99% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Jiyue Internet Technology Co., Ltd.)

EXHIBIT 3

**Share Register
of the Domestic Company**

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Jiyue Internet Technology Co., Ltd.)

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the “*Pledgor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Beneficiary*”); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Pledgor, Beneficiary and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Pledgor holds 1% of the equity interest in the registered capital of the Domestic Company.

The Parties have entered into a series of other main agreements related to this Agreement, as attached hereto as Exhibit I (the “*Main Agreements*”).

The Pledgor agrees to pledge all of the rights, titles and interest (“*Rights and Interests*”) vested in its equity interests in the Domestic Company, which represents 1% of the registered capital of the Domestic Company, to the Beneficiary as security for the performance of the payment obligations under the Main

Agreements, and further agrees to enter into this Agreement, to secure all its obligation under the Main Agreements to the Beneficiary.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 **Definitions.** Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Dispute has the meaning assigned to it in Section 15.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Event of Default has the meaning assigned to it in Section 5.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Beneficiary, Domestic Company and Pledgor, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Beneficiary.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between the Pledgor, Domestic Company and Beneficiary, according to which the Pledgor agrees to grant an exclusive option of purchasing its pledged equity right to the Beneficiary.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Notice of Default has the meaning assigned to it in Section 5.1.

Debt has the meaning assigned to it in Section 2.2.

Main Agreements has the meaning assigned to it in the Preamble, including the Exclusive Assets Purchase Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement and the Power of Attorney, as attached hereto as Exhibit 1.

Pledge has the meaning assigned to it in Section 2.1.

Rights and Interests of Pledge has the meaning assigned to it in Section 2.1.

RMB means Renminbi, the official currency of PRC.

Term has the meaning assigned to it in Section 3.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (h) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (i) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (j) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (k) Singular form shall also include plural form and vice versa.
- (l) Person include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (m) Include and especially are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (n) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. RIGHTS AND INTERESTS OF PLEDGE

2.1 The Pledgor hereby pledges any and all equity interests and rights, titles and interests of pledgee, as well as any right attached thereto (collectively, the “*Rights and Interests of Pledge*”) of the Domestic Company owned by it now and acquired in the future to the Beneficiary and its successor as

security for the Pledgor's repayment and performance of the Pledgor's debt and obligations (the "**Pledge**").

2.2 This Agreement and the Pledge provided herein are to secure: (a) the obligations of the Pledgor and Domestic Company under the Main Agreement (collectively, the "**Debt**"); (b) all direct, indirect, consequential and foreseeable loss incurred by the Beneficiary and its successor due to any Event of Default on the part of the Pledgor and/or Domestic Company. The amount of such loss shall be calculated based on, among others, reasonable business plan and profit forecast of the Beneficiary and its successor, and the cooperation reward payable by Domestic Company under the Exclusive Business Cooperation Agreement; (c) disbursement by the Beneficiary and its successor on realizing their right of pledge obtained under this Agreement; and (d) other obligations that the Pledgor assumes under this Agreement.

2.3 The effectiveness of the security: (a) the effectiveness of the security provided under this Agreement shall not be affected by any modification or changes to any of the Main Agreements, and the security provided under this Agreement remains effective for all obligations of the Pledgor and Domestic Company under such modified Main Agreements; (b) the invalidation, repeal or cancellation of the Main Agreements shall not affect the effectiveness of this Agreement. If any of the Main Agreements becomes null or invalid, or is repealed or cancelled, or the Pledgor and/or Domestic Company fails to perform its obligation, the Beneficiary is entitled to realize the right of pledge in line with this Agreement forthwith.

3. PLEDGE TERM

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Domestic Company, and remains valid until the Pledgor and Domestic Company fully performed their obligations under this Agreement and the Main Agreements, or the Beneficiary realize all of its right of pledge provided under this Agreement (the "**Term**").

3.2 Within fifteen (15) working days upon the execution of this Agreement, the Pledgor and Domestic Company shall record the equity interests pledge on the share register of the Company, and register the Pledge with the State Administration for Industry and Commerce (or Guangzhou local industry and commerce administration authority).

4. PERFECTION OF THE PLEDGE

4.1 Upon request of the Beneficiary, the Pledgor hereby undertakes to sign all certificates, agreements, covenants, undertakings or notices, and procure other Parties or individuals to sign all certificates, agreements, covenants, undertakings or notices requested by the Beneficiary, to facilitate the perfection or exercise of the Beneficiary's rights provided in this Agreement.

4.2 Upon the execution of this Agreement, the Pledgor shall sign and deliver its capital contribution certificate (the "**Capital Contribution Certificate**") in the form provided in the Exhibit 2 of this Agreement, and the share register of the Domestic Company (the "**Share Register**") in the form provided in the Exhibit 3 of this Agreement. The Beneficiary shall remain the custodian of such documents throughout the whole Term of this Agreement.

4.3 Within three (3) working days upon the completion of the registration of the Pledge, the Pledgor and Beneficiary shall notarize the Pledge under this Agreement with competent notary public.

4.4 The Pledgor, Domestic Company and WFOE shall register the Pledge within fifteen working days upon the execution of this Agreement.

5. THE ENFORCEMENT OF THE PLEDGE

5.1 If the Pledgor finds any Event of Default, the Pledgor shall forthwith notify the Beneficiary in writing. Upon the occurrence of any Event of Default, or any time thereafter, the Beneficiary is entitled to deliver written notice of default (the "*Notice of Default*") to the Pledgor. The Notice of Default may require the Pledgor pay to the Beneficiary due and payable amounts and other due payment obligations immediately. For the purpose of this Agreement, "*Event of Default*" shall mean one or more of following situations:

(f) The Pledgor or Domestic Company breaches any provision of the Main Agreements or this Agreement, including but not limited to the Main Agreements, and representations, warranties and undertakings in this Agreement;

(g) The Main Agreements are invalidated, repealed cancelled or terminated;

(h) The pledgor abandons the pledged equity or transfers or otherwise disposes of Rights and Interests of Pledge without the written consent of the beneficiary;

(i) The Domestic Company suspends its operation, is liquidated or wind-up, or is ordered to suspend its operation, to be liquidated or wind-up;

(j) The Pledgor is involved in any disputes, litigations, arbitrations or administrative proceedings or any other legal proceedings related to the Rights and Interests of Pledge, which is considered by the Beneficiary or its successor to be possible to create adverse effect on the performance of the Pledgor's obligations under this Agreement; and other events provided by law.

5.2 After the delivery of Notice of Default in accordance with this Agreement, the Beneficiary or its authorized agent may decide, at its sole discretion, to exercise any of below rights, remedies and powers, without further notify the Pledgor:

(k) Subject to the terms and conditions of this Agreement, obtain all rights, titles and interests of the Rights and Interests of Pledge, and terminates all rights of the Pledgor related to such rights and interests or equity interest; or, when the law provides that the Beneficiary is not allowed to hold all or any of the Rights and Interests of Pledge, transfer the Rights and Interests of Pledge to a third party designated by the Beneficiary to remedy the non-performance of the main obligation of the Pledgor.

- (l) At its own discretion, exercise all power of voting, rights of the artificial person and other rights in the general meeting of the Domestic Company or other meetings which may affect the Rights and Interests of Pledge and equity interest, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (m) At its own discretion, exercise all rights of conversion, sales, transfer, subscription, and other rights, powers, privileges or options, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (n) Receive from the Pledgor all proceeds generated from the Rights and Interests of Pledge and equity interest, including dividends, interests or any other sums, where all such rights of the Pledgor related to the Rights and Interests of Pledge and equity interest shall be suspended;
- (o) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, without publishing advertisements or notifying the intention, time and venue of the sales, and without sending performance requests to the other Party;
- (p) Sell, grant the right of purchase, assign, deliver, transfer or dispose in any other way the entire or any portion of the Rights and Interests of Pledge and equity interest, through public or internal sales, in exchange of cash, sales on credit, other assets or other consideration or terms or conditions solely decided by the Beneficiary upon the delivery or future deliveries;
- (q) Exercise any power granted to the Pledgor by any law, agreement, contract or articles of associations of the Domestic Company, where the Pledgor shall suspend its exercise of such power;
- (r) To exercise the powers granted by this Agreement, conduct any action that is necessary, contingent or auxiliary to the exercise of such powers;
- (s) Exercise all powers of vote, consent and other powers of the ownership related to the Rights and Interests of Pledge and equity interest, including all powers required for replacing the directors of the Domestic Company; and
- (t) Subject to applicable laws, perform all actions required to exercise, perform and enforce the Pledge provided under this Agreement.

5.3 The rights and remedies provided above are rights and remedies in addition to all rights and remedies that the Beneficiary can obtain in accordance with applicable law. Under this Section 5, the rights and remedies provided above are only sample instances of the rights, remedies and powers enjoyed by the Beneficiary, and shall not be understood as limiting the rights, remedies and powers actually enjoyed by the Beneficiary in any way.

5.4 Upon the request of the Beneficiary, execute all necessary documents required to dispose the Rights and Interests of Pledge or equity interest in accordance with the terms and conditions of this Agreement, and take other measures required to dispose the Rights and Interests of Pledge or equity interest.

6. DISBURSEMENTS AND COSTS

6.1 All actual disbursements related to the grant and enforcement of the Pledge provided in this Agreement, including stamp tax, other tax and legal fees, shall be borne by the respective Party.

7. POWER OF VOTING

7.1 Power of Voting

(c) During the Term of this Agreement, no power of voting shall be vested in, or exercised by, the Pledgor.

(d) The Pledgor hereby authorizes the Beneficiary, during the Term of this Agreement, to exercise the right of voting in each general meeting of the Domestic Company, whether such general meeting is ordinary or special. The Pledgor hereby authorizes the Beneficiary to exercise all documents required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company, and take all such measures required for the Beneficiary to exercise the Pledgor's right of voting and other rights as the shareholder of the Domestic Company. The Pledgor shall immediately notify the Beneficiary in writing upon the Pledgor's receipt of any notice of general meeting in accordance with the articles of association of the Domestic Company.

8. REPRESENTATIONS AND WARRANTIES

8.1 Reliance Confirmation. The Pledgor hereby confirms that the Beneficiary entered in to this Agreement entirely relying on the representations and warranties made under this Section 8.

8.2 Representations and Warranties. The Pledgor represents and warrants to the Beneficiary as follows:

(j) The Pledgor is competent in executing and performing this Agreement. The Pledgor has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.

(k) This Agreement constitutes legal and binding and enforceable obligations of the Pledgor in line with its terms and provisions.

- (l) To the best knowledge of the Pledgor, unless otherwise disclosed in writing to the other Parties by the Pledgor, the Pledgor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings.
 - (m) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Beneficiary, the Domestic Company has no other outstanding debts;
 - (n) Except for the Rights and Interests of Pledge pledged to the Beneficiary and the exclusive option granted to the Beneficiary under the Exclusive Option Agreement, the Pledgor has not pledge, assign or by any other means transfer the Rights and Interests of Pledge to any third party;
 - (o) During the Term of this Agreement, except for the exclusive purchase right granted to the Beneficiary under the Exclusive Assets Purchase Agreement, the Pledgor has used and will use its best endeavor to ensure that the Domestic Company has not charged, pledged or in any other way disposed the assets of the Domestic Company, and will not charge, pledge or in any other way dispose such assets, unless within the ordinary course of business;
 - (p) The Pledgor is the sole legitimate and registered owner of the equity interest of the Rights and Interests of Pledge.
 - (q) The Pledgor has good and marketable title over the Rights and Interests of Pledge with no lien or other security interests, except for the Rights and Interests of Pledge pledged to the Beneficiary under this Agreement, and the exclusive purchase right granted to the Beneficiary under the Exclusive Option Agreement.
 - (r) The pledge, assign or delivery of the Rights and Interests of Pledge in accordance with this Agreement will create valid absolute priority lien and absolute priority perfect security interest to guarantee the repayment of the Debt.
- 8.3 **Repeated Application.** After the execution of this Agreement, the representations and warranties provided in Section 8.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

9. AFFIRMATIVE COVENANTS

- 9.1 During the Term of this Agreement, the Pledgor irrevocably undertakes as follows:
- (j) The Pledgor shall comply with the provisions of this Agreement and perform other obligations under the Main Agreements, and shall not make any action or omission that may affect the existence or enforceability of this Agreement or any other Main Agreements;
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- (k) With regard to all claims other than the enforcement of this Agreement and the Exclusive Option Agreement, the Pledgor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Beneficiary or its designated Persons upon the Beneficiary's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership in the Rights and Interests of Pledge of the Pledgor;
- (l) The Pledgor shall immediately notify the Beneficiary of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
- (m) The Pledgor shall immediately notify the Beneficiary of any event which may possibly affect any portion of the Rights and Interests of Pledge enjoyed by the Beneficiary, or may possibly affect the obligation or security provided under this Agreement or other Main Agreements;
- (n) The Pledgor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Pledgor's ordinary operation of the entire business of the Domestic Company;
- (o) The Pledgor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Beneficiary's request;
- (p) If required by the Beneficiary, the Pledgor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Beneficiary. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (q) The Pledgor shall not distribute dividends to shareholders in any way without prior written consent of the Beneficiary. However, upon the request of the Beneficiary, the Pledgor shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Beneficiary or companies designated by the Beneficiary unconditionally; and
- (r) In accordance with the request of the Beneficiary and subject to the laws of China, appoint any Person designated by the Beneficiary to be the legal representative, director or senior officers of the Domestic Company.

10. NEGATIVE COVENANTS

10.1 The Pledgor irrevocably undertakes not to:

- (i) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Rights and Interests of Pledge, or set security interest against the Rights and Interests of
-

Pledge, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;

- (j) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the Rights and Interests of Pledge, or set any security interest against the Rights and Interests of Pledge, without prior written consent of the Beneficiary, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Option Agreement;
- (k) Without prior written consent of the Beneficiary, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Beneficiary or its designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
- (l) Without prior written consent of the Beneficiary, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
- (m) Without prior written consent of the Beneficiary, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Beneficiary;
- (n) Without prior written consent of the Beneficiary, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
- (o) Without prior written consent of the Beneficiary, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;
- (p) Without prior written consent of the Beneficiary, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

10.2 The Pledgor agrees that the rights obtained by the Beneficiary under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors or its representatives.

11. CHANGE OF CIRCUMSTANCES

11.1 As a supplement to the terms of this Agreement and not to conflict with the terms of this Agreement, anytime when China promulgates a law or makes any changes to a law, or the interpretation or application of such laws, or changes the procedures of relevant registration, thereby makes the Beneficiary consider the continuous effectiveness of this Agreement and/or disposing Rights and Interests of Pledge in accordance with this Agreement illegal or conflict with such laws, upon and in

accordance with written instructions of the Beneficiary, the Pledgor shall immediately take measures and/or execute any agreements or other documents, to:

- (d) Ensure the effectiveness of this Agreements;
- (e) Assist in disposing the Rights and Interests of Pledge in accordance with this Agreement; and/or
- (f) Retain or realize the purpose of this Agreement, or retain or realize the security interest created under this Agreement.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Pledgor:

Address: *****
Telephone:
Attention: *****

- (b) If send to the Beneficiary:

Address: 29/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to the Domestic Company:
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13. TRANSFER OF AGREEMENT

- 13.1 Unless with the prior written consent of the Beneficiary, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.
- 13.2 This Agreement shall be binding upon the Pledgor and its successors and assigns permitted by the Beneficiary, and inure to the benefit of the Pledgee and its successors and assigns.
- 13.3 If the Beneficiary is restructured for whatever reason, upon the request of the Beneficiary, the Pledgor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Beneficiary.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This Section 14 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

15. APPLICABLE LAWS AND DISPUTE RESOLUTION

15.1 Applicable Laws. This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "**Dispute**"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written

notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of the Beneficiary, when necessary, the Beneficiary may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Beneficiary. Unless expressly waived in writing by the Beneficiary, the rights of the Beneficiary shall not be waived. Any delay in exercising its rights by the Beneficiary shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Liability of Default. If the Pledgor breaches any provision of this Agreement, the Pledgor constitutes a default. The Beneficiary is then entitled to require the Obligor to assume consequences in accordance with this Agreement, including realizing the Pledge under this Agreement. Any breaching Party shall indemnify the other Parties for all direct economic losses arising from its default.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. The Beneficiary is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

PLEDGOR:

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

BENEFICIARY: Guangzhou Wangxing Information Technology Co., Ltd.

Signatory: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

DOMESTIC COMPANY: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

EXHIBIT 1

Main Agreements

Name of Agreement	Parties
Exclusive Assets Purchase Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Option Agreement	Pledgor, Beneficiary and Domestic Company
Exclusive Business Cooperation Agreement	Domestic Company and Beneficiary
Power of Attorney	Pledgor
Voting Proxy Agreement	Pledgor, Beneficiary and Domestic Company

EXHIBIT 2

**Capital Contribution Certificate
of the Domestic Company**

It is hereby certified that Qunhua Ding (ID Card number:*) holds 1% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Jiyue Internet Technology Co., Ltd.)

EXHIBIT 3

**Share Register
of the Domestic Company**

1. Jianqiang Hu (ID Card number: *) holds 99% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 99% equity interest has been pledged to the Beneficiary.
2. Qunhua Ding (ID Card number: *) holds 1% equity interest of Chengdu Jiyue Internet Technology Co., Ltd., and such 1% equity interest has been pledged to the Beneficiary.

Signatory: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

(Seal of Chengdu Jiyue Internet Technology Co., Ltd.)

Exclusive Assets Purchase Agreement

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Jianqiang Hu**, an individual with PRC nationality, ID Card number_* (the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 99% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) **Include** and **especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "**Designated Person**").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "*Equity Interest*") as provided under the Exclusive Option Agreement (the "*Exclusive Option Agreement*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "*Exercise Notice*") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "*Assets Transfer Date*"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

(a) The Domestic Company shall execute an Assets Transfer Agreement (the "*Assets Transfer Agreement*") on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.

- (b) The Domestic Company shall execute a Power of Attorney (the “ *Domestic Company’s PoA* ”) in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder’s resolution (the “ *Shareholder’s Resolution* ”) on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder’s Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder’s Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
-

(j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
 - (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
 - (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
 - (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
 - (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
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(f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;

(g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and

(h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.

6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

(a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;

(b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;

(c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;

(d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;

(e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;

(f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;

- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, **Damages** includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "**Force Majeure Event**"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
 - (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).
- 11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:
- (a) If send to the Domestic Company:
 - Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
 - Telephone:
 - Attention: Qunhua Ding
 - (b) If send to WFOE:
 - Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,
 - Telephone:
 - Attention: Jianqiang Hu
 - (c) If send to Jianqiang Hu:
 - Address: *****
 - Telephone: *****
 - Attention: *****

12. TRANSFER AND ASSIGN

- 12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.
 - 12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.
 - 12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.
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13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory:

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Jianqiang Hu

/s/ Jianqiang Hu

EXHIBIT 1

CHENGDU JIYUE INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Jiyue Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___day of ____, 20__.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Assets Transfer Agreement

This Assets Transfer Agreement (this "*Agreement*") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Jiye Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "*Seller*"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "*Purchaser*").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "*Business*").
 - (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "*Assets*"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20__. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

EXHIBIT 3

Power of Attorney

WHEREAS:

Chengdu Jiyue Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “**Domestic Company**”), Jianqiang Hu, an individual with PRC nationality, ID Card number * (the “**Transferor**”), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “**WFOE**”) have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the “**Exclusive Assets Purchase Agreement**”).

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder’s Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____, 20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Jianqiang Hu

(Signature)

Exclusive Assets Purchase Agreement

This Exclusive Assets Purchase Agreement (this "**Agreement**"), dated July 31, 2019, is made in Guangzhou, the People's Republic of China (the "**PRC**"), by and between:

- A. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**WFOE**");
- B. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Domestic Company**"); and
- C. **Qunhua Ding**, an individual with PRC nationality, ID Card number_* (the "**Shareholder**");

Domestic Company, WFOE and Shareholder shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**"). The Shareholder holds 1% of the equity interest in the registered capital of the Domestic Company.

The Domestic Company has agreed to grant WFOE an exclusive purchase right (the "**Purchase Right**") to purchase the assets of the Domestic Company being used or to be used in the operation of its Business (the "**Assets**"), regardless of whether such Assets are the assets currently owned by the Domestic Company, or owned by the Domestic Company by the time WFOE exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Assets has the meaning assigned to it in the Preamble.

Assets Transfer Date has the meaning assigned to it in Section 5.2.

Business has the meaning assigned to it in the Preamble.

Domestic Company's PoA has the meaning assigned to it in Section 5.2.

China means the People's Republic of China.

Damages has the meaning assigned to it in Section 9.2.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 14.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Exclusive Option Agreement means the Exclusive Option Agreement entered into on the same day of this Agreement by and between WFOE, Domestic Company and Shareholder, according to which the Domestic Company agrees to grant an exclusive option of purchasing its equity interest to WFOE.

Exercise Notice has the meaning assigned to it in Section 5.1.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Purchase Right has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's PoA has the meaning assigned to it in Section 5.1.

Shareholder's Resolution has the meaning assigned to it in Section 5.2.

Term has the meaning assigned to it in Section 16.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) **Include and especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE PURCHASE RIGHT

2.1 During the Term of this Agreement, upon written request of WFOE, the Domestic Company hereby irrevocably agrees to sell the Assets to WFOE, or any Person designated by WFOE (the "**Designated Person**").

2.2 Pursuant to the above Section 2.1, any Person or entity other than WFOE has no right or option to purchase the Assets, and has no current or future right or option to hold such Assets.

2.3 The Shareholder hereby undertakes, accepts and approves to grant such Purchase Right to WFOE.

3. CONSIDERATION

3.1 If WFOE exercises the Purchase Right and option to purchase the Assets and the equity interest (the "*Equity Interest*") as provided under the Exclusive Option Agreement (the "*Exclusive Option Agreement*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

4. NO ASSUMPTION OF LIABILITY

4.1 WFOE shall not assume, perform or be responsible for any obligations or debts, including (i) the obligations or debts owed by the Domestic Company to its creditors or shareholders; (ii) any obligation or debt of the Domestic Company related to any transaction; (iii) tax or other obligations or debts of the Domestic Company arising from the grant of the Purchase Right and the sales of Assets pursuant to this Agreement and the Assets Transfer Agreement annexed hereto as Exhibit 2; or (iv) contingent obligations or debts of the Domestic Company.

5. EXERCISE OF PURCHASE RIGHT

5.1 Notice of Exercising the Purchase Right. After the execution of this Agreement, WFOE may at any time notify the Domestic Company by written notice (the "*Exercise Notice*") to exercise the Purchase Right. The Exercise Notice shall state clearly (a) the decision of WFOE to exercise the Purchase Right; (b) the list of assets that WFOE decided to purchase from the Domestic Company; (c) the date of the purchase of the Assets.

5.2 Transfer of Assets. The Domestic Company shall, within five (5) business days after WFOE sends the Exercise Notice (the "*Assets Transfer Date*"), and pursuant to the instructions in such Exercise Notice, transfer the Assets to WFOE or Designated Person. The Domestic Company shall procure WFOE or Designated Person to be the only legal owner of the Assets, without any lien or encumbrances in any form, and shall assist in transferring the title of the Assets to WFOE or Designated Person through below procedures:

(a) The Domestic Company shall execute an Assets Transfer Agreement (the "*Assets Transfer Agreement*") on the same day of the execution of this Agreement. The Assets Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE all necessary documents and perform other actions reasonably requested by WFOE to ensure the transfer to such Designated Person.

- (b) The Domestic Company shall execute a Power of Attorney (the "**Domestic Company's PoA**") in the form of Exhibit 3 on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Assets Transfer Agreement, and to authorize WFOE to keep such document.
 - (c) The Domestic Company shall deliver to WFOE (i) bill of sale, endorsement, assign, and other due and adequate documents of assign and transfer which contain complete assurance of title, to grant WFOE or the Designated Person a due, absolute and marketable title of assets, without any lien or Encumbrances; and (ii) all other data in relation to the Assets and its operation.
 - (d) When delivering the documents provided in above paragraph (c), the Domestic Company shall also take all measures to ensure the actual possession, operation and control of WFOE or the Designated Person over the Assets, including executing all other necessary agreements or documents, and obtaining all necessary government permits and approvals.
 - (e) The Domestic Company shall pay all tax and expenses in relation to the transfer, assign, transmission and delivery of the Assets, including due and payable sales tax, transfer tax, filing fee, usage tax, registration fee, etc.
 - (f) After the Assets Transfer Date, upon the request of WFOE or the Designated Person, the Domestic Company shall execute and deliver to WFOE or the Designated Person other documents of assign and transfer, and take other measures as reasonably requested by WFOE or the Designated Person, to facilitate the assign and transfer of the Assets to WFOE or the Designated Person, and ensure the possession by WFOE or the Designated Person of such Assets.
 - (g) The Shareholder shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Assets to WFOE. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If WFOE nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to WFOE or Designated Person all necessary documents and perform other actions reasonably requested by WFOE or Designated Person to ensure the transfer to such Designated Person.
 - (h) The Shareholder shall execute a Power of Attorney on the same day of the execution of this Agreement, to authorize WFOE (including WFOE and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution, and to authorize WFOE to keep such document.
 - (i) The Parties hereto shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the Assets to WFOE or Designated Person.
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- (j) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

6. REPRESENTATIONS AND WARRANTIES

6.1 Reliance Confirmation. The Domestic Company hereby confirms that WFOE entered in to this Agreement entirely relying on the representations and warranties made under this Section 6.

6.2 Representations and Warranties. The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing its assets and properties and engaging in its current business. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
- (b) The Domestic Company is competent in executing and performing this Agreement. The Domestic Company has obtained all necessary and appropriate approvals and authorizations require for the execution and performance of this Agreement.
- (c) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.
- (d) To the best knowledge of the Domestic Company, and unless the Domestic Company discloses to the other Parties in writing, the Domestic Company is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Domestic Company is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
- (e) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, WFOE, the Domestic Company has no other outstanding debts;
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- (f) Except for the exclusive purchase right granted to WFOE under this Agreement, the Domestic Company has not pledge, assign or by any other means dispose its Assets to any third party, unless within its ordinary course of business;
 - (g) The Domestic Company is the sole legitimate and registered beneficial owner of the Assets; and
 - (h) The Domestic Company has good and marketable title over the Assets with no lien or other security interests, except for the exclusive purchase right granted to WFOE under this Agreement.
- 6.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 6.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

7. AFFIRMATIVE COVENANTS

7.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Domestic Company shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Domestic Company shall immediately notify WFOE in writing of any litigation, arbitration or administrative proceedings related to the Assets upon such litigation, arbitration or administrative proceedings is initiated or is threatened to be initiated;
 - (d) With regard to all claims other than the enforcement of this Agreement, the Domestic Company shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize WFOE or its Designated Persons upon WFOE's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Domestic Company in the Assets;
 - (e) The Domestic Company shall immediately notify WFOE of any event which may possibly affect the entirety or enforceability of the Purchase Right of WFOE, or may possibly affect the obligation or security provided by the Domestic Company under this Agreement;
 - (f) The Domestic Company shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Domestic Company's ordinary operation of the entire business of the Domestic Company;
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- (g) The Domestic Company shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon WFOE's request;
- (h) If required by WFOE, the Domestic Company shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by WFOE. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
- (i) The Domestic Company shall not distribute dividends to shareholders in any way without prior written consent of WFOE. However, upon the request of WFOE, the Domestic Company shall immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to WFOE or companies designated by WFOE unconditionally; and
- (j) In accordance with the request of WFOE and subject to the laws of China, appoint any Person designated by WFOE to be the legal representative, director or senior officers of the Domestic Company.

8. NEGATIVE COVENANTS

8.1 During the Term of this Agreement, the Domestic Company irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the Assets, or set security interest against such Assets, except for selling or transferring to WFOE or its Designated Person in line with this Agreement;
 - (b) Without prior written consent of WFOE, supplement, change or revise of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company in any way;
 - (c) Without prior written consent of WFOE, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (d) Without prior written consent of WFOE, execute any material contract, except for those executed in the ordinary course of business;
 - (e) Without prior written consent of WFOE, extend any loan or facility to any Person, except for those extended in the ordinary course of business;
 - (f) Without prior written consent of WFOE, merge with or be acquired by any Person, or acquire or invest in any Person.
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8.2 The Domestic Company agrees that the rights obtained by WFOE under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Domestic Company, its successors or its representatives.

9. INDEMNIFICATION

9.1 The Domestic Company hereby agrees to indemnify and hold harmless WFOE from any damage if WFOE incurs any damage due to below matters:

- (a) The Domestic Company makes false representations and warranties under this Agreement;
- (b) The Domestic Company breaches its undertakings under this Agreement; and
- (c) Any obligation or debt of the Domestic Company that becomes or is about to become mature and may affect the Assets, regardless of whether such obligation or debt is aggregated, absolute, contingent or in other form.

9.2 In this Agreement, *Damages* includes any claim, litigation, order, loss, cost, expense, (joint) liability, fine and damages, including legal fees arising from investigations or avoidance of investigation.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "*Force Majeure Event*"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NOTICE

11.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

11.2 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

- (a) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

- (b) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

- (c) If send to Qunhua Ding:

Address: *****
Telephone:
Attention: *****

12. TRANSFER AND ASSIGN

- 12.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.
- 12.2 This Agreement shall be binding upon the Domestic Company and its successors and assigns permitted by WFOE, and is enforceable by WFOE and its successors and assigns.
- 12.3 If WFOE is restructured for whatever reason, upon the request of WFOE, the Domestic Company shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured WFOE.

13. CONFIDENTIALITY

13.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

13.2 This Section 13 shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

14. GOVERNING LAW AND RESOLUTION OF DISPUTES

14.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

14.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

15. AMENDMENT AND WAIVER

15.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

15.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right

provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

16. MISCELLANEOUS PROVISIONS

16.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

16.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

16.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by WFOE at its own discretion by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

16.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

16.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd.

Signatory:

/s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

/s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Qunhua Ding

/s/ Qunhua Ding

EXHIBIT 1

CHENGDU JIYUE INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Jiyue Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Company is hereby authorized to enter into the Assets Transfer Agreement dated ____ ____, 20__ by and between the Company and WFOE and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute all documents needed for applying for the government approval on the execution and performance of the Assets Transfer Agreement. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___day of ____, 20__.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Assets Transfer Agreement

This Assets Transfer Agreement (this "*Agreement*") is made on the ___ day of ___, 20___, by and between:

- A. **Chengdu Jiye Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "*Seller*"); and
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "*Purchaser*").

Seller and Purchaser shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Seller is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "*Business*").
 - (B) The Seller has agreed to sell the assets of the Seller being used or to be used in the operation of its Business (the "*Assets*"), regardless of whether such Assets are the assets currently owned by the Seller, or owned by the Seller by the time the Purchaser exercise its exclusive Purchase Right. Such assets include all tangible or intangible assets, machines, devices, instrument and components, real estates, intellectual property, technical know-how, client list, seller list, and other articles which is capable to allow WFOE operate the Business in the same way as the Domestic Company, which are particularly suitable and mainly used for the operation of the Business; the Purchaser agrees to purchase the same.
-

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF ASSETS

The Seller hereby agrees to sell all Assets and all related rights, title and interests in such Assets (as listed in Exhibit 1) without any encumbrances pursuant to the terms and conditions of this Agreement and the Exclusive Assets Purchase Agreement entered into by and between the Seller and Purchaser date ____, 20__. The Purchaser hereby agrees to accept such transfer.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. EXCLUSION OF LIABILITY

For the avoidance of doubt, the Purchaser shall not bear any liability in relation to below circumstances:

- (a) Assets existing at or before the closing of the transfer, including any undue or payable amount of the Seller in acquiring any of the Assets;
- (b) Any liability of default, negligence, breach of duty or other liability owed to third party due to the action, omission, negligence or default of the Seller and its employee, agent or representative; or
- (c) Any fee and expenses in relation to the Assets payable by the Seller.

4. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

5. TRANSFER OF THE AGREEMENT

- (a) Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.
 - (b) This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.
-

(c) If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution.

7. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

8. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitration shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

9. LANGUAGE

This Agreement is executed in the Chinese language.

10. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

PURCHASER: Guangzhou Baiguoyuan Information Technology Co., Ltd.

Signatory:

Name: Jianqiang Hu

Title: Legal Representative

EXHIBIT 3

Power of Attorney

WHEREAS:

Chengdu Jiyue Internet Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “**Domestic Company**”), Qunhua Ding, an individual with PRC nationality, ID Card number * (the “**Transferor**”), and Guangzhou Wangxing Information Technology Co., Ltd., a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “**WFOE**”) have entered into an Exclusive Assets Purchase Agreement on [], 2019 (the “**Exclusive Assets Purchase Agreement**”).

THEREFORE:

The Domestic Company hereby irrevocably authorizes WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Assets Transfer Agreement under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

The Shareholder hereby irrevocably authorized WFOE (including WFOE and its Designated Person) to fill in the date and relevant information in the Shareholder’s Resolution under the Exclusive Assets Purchase Agreement, and authorizes WFOE to retain such document.

This Power of Attorney shall become continuously effective from _____, 20__ and shall not be revoked.

(The remainder of this page left blank intentionally)

This page being the execution page of the Power of Attorney.

DOMESTIC COMPANY: Chengdu Jiyue Internet Technology Co., Ltd.

Signatory:

Name: Qunhua Ding

Title: Legal Representative

SHAREHOLDER: Qunhua Ding

(Signature)

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "*Agreement*") is made and entered into by and between the following parties on July 31, 2019 in Guangzhou, the People's Republic of China ("*China*" or the "*PRC*").

- (1) **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China ("*Domestic Company*"); and
- (2) **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China ("*WFOE*").

Each of Domestic Company and WFOE shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

PREAMBLE

1. WFOE is a consultancy company engaged in electronic, communication and network technology research and development. WFOE is competent and has necessary resources to provide technology development, technology publicity, technology transfer, technology consultant, technology services and cultural artistic activities organizing.
 2. The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (the "*Business*").
 3. WFOE agrees to provide technology, consulting and other services related to the Business to the Domestic Company, the Domestic Company agrees to accept the services provided by WFOE or its assignee pursuant to the terms of this Agreement.
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4. The Domestic Company intends to enter into an exclusive agreement with WFOE

NOW, THEREFORE, the Parties have reached the following agreements:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

Dispute has the meaning assigned to it in Section 16.2.

Force Majeure Event has the meaning assigned to it in Section 10.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Services has the meaning assigned to it in Section 2.1.

Service Fee has the meaning assigned to it in Section 3.1.

Term has the meaning assigned to it in Section 4.1.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
 - (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
 - (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or re
 - (d) Singular form shall also include plural form and vice versa.
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- (e) **Person** include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) **Include and especially** are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by both Parties. No narrow interpretation rule shall be applied to any Party.

2. SCOPE OF SERVICE

2.1 **Service Description.** The Domestic Company hereby engages WFOE as its exclusive service provider. During the Term of this Agreement, WFOE shall provide consulting services related to the research and development of electronics, communication and network technologies to the Domestic Company. Such services include but not limited to technical support, business consulting, intellectual property licensing, lease of equipment or property, sales, system integration, product research and development, system maintenance and other services solely considered by WFOE as necessary for the operation of the Domestic Company (the "**Services**").

2.2 **Exclusiveness.** During the Term of this Agreement, without prior written consent of WFOE, the Domestic Company shall not, whether directly or indirectly, (i) solicit or accept any services identical or similar to the Services hereunder from any third party; or (ii) enter into cooperation agreement with any third party on issues related to the subject matter of this Agreement.

3. SERVICE FEE

3.1 The Domestic Company shall pay WFOE a service fee for the Services contemplated in this Agreement (the "**Service Fee**") on a quarterly basis. The amount of the Service Fee payable for each quarter shall be the net revenue (as recorded in the quarterly management report of the Domestic Company) of the Domestic Company in that particular quarter.

3.2 The Domestic Company shall pay the Service Fee to WFOE within ten (10) days upon the receipt of WFOE's invoice, which shall be enclosed with a document evidencing the basis for the calculation of such Service Fee. Without prejudice to the provision of Section 3.4 of this Agreement, no deduction, offset or set-off shall be made when paying the Service Fee.

3.3 The Domestic Company shall prudently, duly and timely make its monthly and quarterly management report in accordance to its applicable accounting standard and policies, and shall provide such reports to WFOE as soon as possible.

3.4 If WFOE transfers technology to the Domestic Company or is entrusted by the Domestic Company with software or other technology development or leases equipment or assets to the Domestic

Company, the technology transfer fee, development fee or rent should be determined by both parties based on the actual situation.

3.5 In addition to the Service Fee, the Domestic Company shall bear all reasonable costs, advance payments and actual expenses in any form paid or incurred by or related to the performance or provision of Services by WFOE, and compensate WFOE in this regard.

3.6 The parties shall bear the taxes and fees they shall pay in accordance with the law when they sign and perform this agreement. If required by WFOE, the Domestic Company shall make every effort to assist WFOE in obtaining exemption from VAT of all or part of its Service Fee income under this Agreement.

3.7 The Domestic Company hereby confirms and agrees that, unless it has obtained the prior written consent of the WFOE or a person designated by the WFOE, the Domestic Company will not conduct or procure to conduct any activities or transactions that may materially affect the assets, business, personnel, obligations, rights or operation of the Domestic Company, and will not conduct or procure to conduct any activities or transactions that may materially affect the ability of the Domestic Company to perform its obligations under this agreement.

3.8 Within ninety (90) days after the end of each fiscal year, the Domestic Company shall (a) deliver to WFOE the audited financial reports of the Domestic Company of that fiscal year, which shall be reviewed and attested by an auditor approved by WFOE; and (b) if, as recorded in abovementioned audited financial statements, the net revenue of the Domestic Company in that fiscal year (A) is greater than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, pay the difference to WFOE; or (B) is less than the aggregate amount paid to WFOE by the Domestic Company quarterly in that fiscal year, the Domestic Company is entitled to set-off the amount payable to WFOE in the next fiscal year using such difference.

4. TERM

4.1 This Agreement takes effect as of the date of execution. Unless terminated in accordance with the provisions of this Agreement or terminated by WFOE in writing, the term of this Agreement shall be perpetual (the "**Term**"). Notwithstanding the above stipulation, after the execution of this Agreement, the Parties shall review the provision in relation to the Services and the Service Fee from time to time to decide whether it is necessary to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5. TERMINATION

5.1 This Agreement takes effect upon execution, and remains effective throughout the Term, unless early terminated by WFOE at its own discretion through a written notice to the Domestic Company.

5.2 The parties represent that once the laws of China allow WFOE to directly hold and WFOE decides to hold the shares of the Domestic Company and WFOE and/or its subsidiaries and branches can

legally engage in the business of the Domestic Company, the parties will terminate this Agreement after all the shares of the Domestic Company are transferred to WFOE according to the Exclusive Option Agreement signed by the direct and indirect existing shareholders of the Domestic Company on the same day of the date hereof.

5.3 The rights and obligations of the Parties under Articles 6, 9, 14, 15 and the Section 5.3 shall survive the termination of this Agreement.

5.4 Before the expiration of the Term of this agreement, this Agreement shall not be terminated by the Domestic Company.

6. INTELLECTUAL PROPERTY RIGHTS

6.1 WFOE or its domestic subsidiary shall have exclusive and proprietary rights and interests in all rights, ownership, interests of the intellectual property rights arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, trademarks, software, technology secrets, trade secrets, technical know-how and other intellectual property rights created by the Domestic Company or WFOE.

6.2 If a research or development is based on intellectual property rights owned by the Domestic Company, the Domestic Company shall ensure that such intellectual property rights are free of defects, otherwise the Domestic Company shall be liable for all damages and losses caused by such defects and incurred by WFOE or its domestic subsidiary. If WFOE or its domestic subsidiary is liable to any third party due to such defects, WFOE or its domestic subsidiary shall be entitled to indemnity from the Domestic Company for all losses.

6.3 WFOE or its domestic subsidiary may license the intellectual property rights mentioned in Section 6.1 to the Domestic Company and its associated parties on a non-exclusive basis. Such license shall be subject to a separate agreement entered into by both Parties. Without prior written consent of WFOE or its domestic subsidiary, the intellectual property rights licensed by WFOE or its domestic subsidiary to the Domestic Company shall not be transferred or sublicensed to any third party by the Domestic Company.

7. UNDERTAKINGS

7.1 The Domestic Company undertakes as follows:

- (a) Without prior written consent of WFOE, it shall not conduct business outside its ordinary scope of business;
 - (b) Without prior written consent of WFOE, it shall not provide to or accept from third party any material loans, except for those happened in the ordinary course of business;
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- (c) Without prior written consent of WFOE, it shall not succeed or guarantee any debt, except for those happened in the ordinary course of business;
- (d) Without prior written consent of WFOE, it shall not merge or enter into consortium with any third party, or acquire any third party, or be acquired or controlled, increase or decrease its registered capital, or in other v
- (e) In line with the requirement of WFOE, it shall comply with PRC laws, appoint any Person designated by WFOE as the legal representative, directors and senior officers of the Domestic Company, and not to change
- (f) Without prior written consent of WFOE, it shall not sell to or acquire from third party, or in any other way dispose its material assets, whether tangible or intangible, except for those happened in the ordinary course
- (g) Without prior written consent of WFOE, it shall not provide guarantee or guarantee in other forms to third party using its assets, or create any encumbrances to its assets;
- (h) It shall first consult with WFOE for any amendment to its articles of association;
- (i) Without prior written consent of WFOE, it shall not in any way distribute dividends or share interests.
- (j) Without prior written consent of WFOE, it shall not enter into liquidation and division of its remaining property;
- (k) Without prior written consent of WFOE, the Domestic Company shall not solicit or accept any services related to the Business from any third party, or enter into cooperation agreement with any third party on issues
- (l) Without prior written consent of WFOE, it shall not recruit or employ new employees;
- (m) When making any decision that may create material effect on the business, operation, assets, right or obligation of the Domestic Company, it shall consult with WFOE. In addition, the Domestic Company shall impl
- (n) Procure any of its affiliates or subsidiaries to abide by above undertakings.

8. REPRESENTATIONS AND WARRANTIES

8.1 The Domestic Company represents and warrants to WFOE as follows:

- (a) The Domestic Company is a company legally registered and validly existing in accordance with the PRC laws and is competent and has obtained the relevant powers and authorizations for owning, operating and leasing;
- (b) The Domestic Company has obtained all necessary consent, approval, authorization and order for the execution, delivery and performance of this Agreement, and the Domestic Company has all rights, powers and authority;
- (c) The execution, delivery and performance of this Agreement, and the consummation of the transaction contemplated herein will not (i) breach any law of PRC; (ii) conflict with any contract entered into by the Domestic Company;
- (d) This Agreement, subject to its terms, constitutes the Domestic Company's legal, valid and binding obligations, and shall be enforceable against it.

8.2 WFOE represents and warrants to the Domestic Company as follows:

- (a) WFOE is a company legally registered and validly existing in accordance with the PRC laws;
- (b) The execution and performance of this Agreement by WFOE are consistent with its corporate qualification and belong to its scope of business;
- (c) WFOE has taken all necessary corporate actions to obtain approval and authorization to enter into this Agreement; and
- (d) This Agreement, subject to its terms, constitutes WFOE's legal, valid and binding obligations, and shall be enforceable against it.

9. DEFAULT AND INDEMNIFICATION

9.1 Any of the following circumstances shall constitute a default of the Domestic Company under this Agreement:

- (a) Non-payment: The Domestic Company fails to pay due and payable Service Fee to WFOE in accordance with the terms and conditions of this Agreement;
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- (b) **Breach of Other Obligations:** The Domestic Company fails to perform its obligations under this Agreement, including breaching any representations or warranties made by the Domestic Company;
- (c) **Loss of Goodwill:** The non-payment of any debt owed by the Domestic Company which is declared to be or becomes due and payable before maturity, or the non-payment at maturity of any debt owed by the Domestic Company of which the creditor is entitled to declare due and payable before maturity;
- (d) **Enforcement:** The creditors seize or possess the assets of the Domestic Company, or initiate proceedings to seize, enforce, confiscate or apply other proceedings on the assets of the Domestic Company; and
- (e) **Regulatory Measures:** Any government organ applies any measure, proceeding, fine or other adverse regulatory measures against the Domestic Company or its business, including without limitation, repeal or discor

9.2 The Domestic Company shall indemnify and hold harmless WFOE and its director, officers, employees, agents and associated parties from any losses, damages, injuries, obligations or expenses caused by any lawsuit, claims or other demands against WFOE arising from or caused by the default of the Domestic Company under this Agreement.

10. FORCE MAJEURE

10.1 If any Party delays or fails to perform its obligation hereunder due to fire, strike, embargo, government requirement, military action, terrorist assault or terrorist threats, action of God or other exceptional situation that cannot be overcome or avoided by the Parties and cannot be foreseen by the Party alleged to be affected by such force majeure when entering this Agreement (each a "Force Majeure Event"), such Party shall not be liable. If a Force Majeure Event takes place, the Party being affected shall immediately notify the other Party; during the existence of the Force Majeure Event, the Party being affected shall suspend its performance of this Agreement, and the time for performance after the Force Majeure Event is ended for the Party being affected shall be extended accordingly, the period extended shall be equal to the period of the existence of the Force Majeure Event. The Party being affected shall notify the other Party in writing within fifteen (15) days after it becomes aware of such Force Majeure Event, to describe the nature of the Force Majeure Event and the estimated period it may last. Furthermore, the affected Party shall make commercially reasonable endeavor to reduce the impact of such Force Majeure Event.

11. NO JOINT VENTURE

11.1 Neither of the Parties hereto intends to establish any relationship of partnership, delegation, agency or joint venture, and nothing contained in this Agreement shall be construed as creating any such relationship between the Parties. Under no circumstances shall any Party or its agent or employee becomes the representative of the other Party, unless otherwise expressly provided in this Agreement; no

Party shall act as the agent, employee or in other name to provide, create or assume any obligation on behalf of the other Party.

12. NOTICE

12.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

- (a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for not
- (b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

12.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District,
Guangzhou,
Telephone:
Attention: Jianqiang Hu

(b) If send to the Domestic Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Telephone:
Attention: Qunhua Ding

13. TRANSFER AND ASSIGN

13.1 Unless with the prior written consent of WFOE, the Domestic Company has no right to transfer or assign any of its rights and obligations hereunder.

13.2 The Domestic Company hereby agrees that WFOE may transfer its rights and obligations under this Agreement to a third party, and that WFOE only needs to send a written notice to the Domestic Company when such transfer occurs, and there is no need to obtain consent from the Domestic Company for such transfer.

14. CONFIDENTIALITY

14.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

14.2 This section 14 shall still be valid and binding within two years upon the termination of this Agreement.

15. GOVERNING LAW AND RESOLUTION OF DISPUTES

15.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.

15.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Guangzhou in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

16. AMENDMENT AND WAIVER

16.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

16.2 No Implied Waivers. To protect the rights and interests of WFOE, when necessary, WFOE may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to WFOE. Unless expressly waived in writing by WFOE, the rights of WFOE shall not be waived. Any delay in exercising its rights by WFOE shall not constitute the waiver of such right.

17. MISCELLANEOUS PROVISIONS

17.1 Tax and Expenses. The tax and expenses applicable to the execution and performance of this Agreement shall be borne by the respective Party.

17.2 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

17.3 Entire Agreement. This Agreement and other Main Agreements constitute the entire agreement reached among the Parties relating to the Pledge hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

17.4 Termination. This Agreement shall enter into its effectiveness upon execution. WFOE is entitled to terminate this Agreement at its own discretion.

17.5 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

17.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

17.7 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Guangzhou Wangxing Information Technology Co., Ltd. (seal)
/seal/ Guangzhou Wangxing Information Technology Co., Ltd.
/s/ Jianqiang Hu
Name: Jianqiang Hu
Title: Legal Representative

Chengdu Jiyue Internet Technology Co., Ltd. (seal)
/seal/ Chengdu Jiyue Internet Technology Co., Ltd.
/s/ Qunhua Ding
Name: Qunhua Ding
Title: Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the “*Transferor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Transferee*”); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Transferor is the 99% legal and equity owner of the registered capital of the Domestic Company (the “*Equity Interest*”).

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the “*Option*”).

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 **Headings.** All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 **Interpretations.** Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the "*Exclusive Assets Purchase Agreement*") to purchase the assets thereunder (the "*Assets*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee's option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the "*Basic Price*") of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the "*Equity Purchase Price*"). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the "*Exercise Notice*") to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "**Shareholder's Resolution**") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "**Equity Transfer Agreement**") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "**Power of Attorney**") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.

5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:

- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations require for the execution
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and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.

- (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
- (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
- (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
- (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
- (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
- (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
- (h) The Domestic Company shall comply with all PRC laws regarding acquisition.

5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall immediately distribute all distributable profit to the shareholders, after which such shareholders
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shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
 - (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
 - (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone: *****
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

- 9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.
- 9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.
- 9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

- 11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.
- 11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved
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through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The

Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 **Language.** This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Jianqiang Hu

/s/ Jianqiang Hu

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.	
Signatory:	<u>/s/ Jianqiang Hu</u>
Name:	Jianqiang Hu
Title:	Legal Representative

Chengdu Jiyue Internet Technology Co., Ltd.

/seal/ Chengdu Jiyue Internet Technology Co., Ltd.	
Signatory:	<u>/s/ Qunhua Ding</u>
Name:	Qunhua Ding
Title:	Legal Representative

EXHIBIT 1

CHENGDU JIYUE INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Jiyue Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___, as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated _____, 20___ by and between the Company, Jianqiang Hu and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ___, 20___.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Jianqiang Hu**, an individual with PRC nationality, ID Card number * (the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 99% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:	
Name:	Jianqiang Hu

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:	
Name:	Jianqiang Hu
Title:	Director

Chengdu Jiyue Internet Technology Co., Ltd. (seal)

Signatory:	
Name:	Qunhua Ding
Title:	Legal Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “*Agreement*”), dated July 31, 2019, is made in Guangzhou, the People’s Republic of China (the “*PRC*”), by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number (the “*Transferor*”);
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the “*Transferee*”); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the “*Domestic Company*”).

Transferor, Transferee and Domestic Company shall be hereinafter individually referred to as a “Party”; collectively, the “Parties”.

PREAMBLE

The Domestic Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the “*Business*”). The Transferor is the 1% legal and equity owner of the registered capital of the Domestic Company (the “*Equity Interest*”).

The Transferor has entered into an Equity Interest Pledge Agreement, according to which the Transferor shall pledge the rights, ownership and interests of its equity interest to the Transferee.

The Transferor further agrees to grant the Transferee an exclusive option to purchase such equity interest pursuant to the terms and conditions of this Agreement (the “*Option*”).

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions. Unless otherwise provided, in this Agreement:

Business has the meaning assigned to it in the Preamble.

China means the People's Republic of China.

Designated Person has the meaning assigned to it in Section 2.1.

Dispute has the meaning assigned to it in Section 11.2.

Encumbrance means any mortgage, charge, pledge, lien, assign, hypothecation, security interest, retention of title, option, preemptive right, right of first refusal, constraint, third party right or interest, any type of favorable arrangement (including transfer or retention of title that has similar effect), any type of other security agreement, arrangement, burden of right or dissent, or any agreement that sets forth above burden of right.

Equity Interest Pledge Agreement means the Equity Interest Pledge Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Transferor agrees to pledge its equity interest in the Domestic Company to the Transferee as a collateral for the repayment of specific loans and amounts payable to the Transferee.

Exclusive Assets Purchase Agreement means the Exclusive Assets Purchase Agreement entered into on the same day of this Agreement by and between the Transferor, Transferee and Domestic Company, according to which the Domestic Company agrees to grant an exclusive purchase right of purchasing its assets to the Transferee.

Equity Transfer Agreement has the meaning assigned to it in Section 4.2.

Exercise Notice has the meaning assigned to it in Section 4.1.

Governmental Approval means all license, permit, approval, ratification, consent, waiver or registration required or issued by PRC government authorities.

Equity Interest has the meaning assigned to it in the Preamble.

Power of Attorney has the meaning assigned to it in Section 4.2.

Option has the meaning assigned to it in the Preamble.

RMB means Renminbi, the official currency of PRC.

Shareholder's Resolution has the meaning assigned to it in Section 4.2.

Term has the meaning assigned to it in Section 13.3.

1.2 Headings. All headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

1.3 Interpretations. Unless otherwise provided, below words, expressions and references shall have the following meanings:

- (a) When referring to the terms and exhibits of this Agreement, it shall also include such terms and exhibits as amended from time to time.
- (b) When referring to this Agreement or other agreement or document, it shall also include the modifications, remarks or supplements to this Agreement or other agreement or document from time to time.
- (c) When referring to any law or statutory provision, it shall also include any revision, extension, combination or replacement related to such law or provision, and any law or provision that revise, extend, combine or replace the first law or provision, and also include orders, ordinances, instructions or other subordinate legislation promulgated in accordance with relevant law or provisions.
- (d) Singular form shall also include plural form and vice versa.
- (e) *Person* include individual, proprietorship, partnership, joint venture, company, joint-stock company, unincorporated organization, state and government organs, and its assignee, transferee or successor.
- (f) *Include* and *especially* are special terms for description or emphasis purposes only, and shall not limit any provision in any way.
- (g) This Agreement is drafted jointly by the Parties. No narrow interpretation rule shall be applied to any Party.

2. THE OPTION

2.1 During the Term of this Agreement, upon written request of the Transferee, the Transferor hereby irrevocably agrees to sell the equity interest to the Transferee, any Person designated by the Transferee, or assigns of the Transferee hereunder (the "*Designated Person*") pursuant to Section 3 and Section 4 of this Agreement. The Transferee or the Designated Person is entitled to choose to exercise its option to, for once or multiple times, purchase the entire equity interest or any portion thereof.

2.2 Pursuant to the above Section 2.1, any Person or entity other than the Transferee has no right or option to purchase the equity interest, and has no current or future right or option to hold such equity interest.

2.3 The Domestic Company hereby undertakes, accepts and approves to grant such option to the Transferee.

3. CONSIDERATION

3.1 If the Transferee exercises the Option and the purchase right under the Exclusive Assets Purchase Agreement (the "*Exclusive Assets Purchase Agreement*") to purchase the assets thereunder (the "*Assets*"), the aggregate amount of the purchase price of both the equity interest and the assets shall be RMB100.

3.2 All tax, expenses and sundry fees arising from the exercise of the Transferee's option to purchase the equity interest shall be borne by the respective Party in accordance with the laws of PRC.

3.3 The purchase price (the "*Basic Price*") of the equity interest shall be RMB1.00. When the Transferee exercises the Option to purchase a portion of shares held by the Transferor in the Domestic Company, the purchase price shall be calculated on a pro-rata basis. If at the time the Transferee exercises the Option, the lowest price allowed by the laws of China is higher than the Basic Price, then the transfer price shall be subject to the minimum price allowed by the laws of China. If at the time the Transferee exercises the Option, the shares shall be evaluated as required by the laws of China, the parties shall negotiate through the principle of good faith, and made necessary adjustments to the purchase price of the equity based on the evaluation, to meet the requirements by any laws of China applicable at the time (the "*Equity Purchase Price*"). The Transferor shall give away the balance of the Equity Purchase Price it received after paying or withholding and remitting all the relevant taxes (if any) in accordance with the law to the Transferee or person designated by the Transferee within 10 days after receiving and paying or withholding and remitting all the relevant taxes (if any).

4. EXERCISE OF OPTION

4.1 Notice of Exercising the Option. After the execution of this Agreement, the Transferee may at any time notify the Transferor by written notice (the "*Exercise Notice*") to exercise the option. The Exercise Notice shall state clearly (a) the decision of the Transferee to exercise the option; (b) the portion of equity interest that the Transferee decided to purchase from the Transferor; (c) the date of the purchase/transfer of the equity interest.

4.2 Transfer of Equity Interest. The Transferor shall, within five (5) business days after the Transferee sends the Exercise Notice, and pursuant to the instructions in such Exercise Notice, transfer the title of the equity interest to the Transferee or Designated Person. The Transferor shall procure the Transferee or Designated Person to be the only registered owner of such equity interest, without any lien

or encumbrances in any form, and shall assist in transferring the title of the transferred rights and interests to the Transferee or Designated Person through below procedures:

- (a) As the shareholder of the Domestic Company, the Transferor shall execute a shareholder's resolution (the "*Shareholder's Resolution* ") on the same day of the execution of this Agreement, to approve the transfer of the Transferor's equity interest to the Transferee or Designated Person. The Shareholder's Resolution shall (i) be executed in the form and format given in the Exhibit 1 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (b) As the shareholder of the Domestic Company, the Transferor shall execute an Equity Transfer Agreement (the "*Equity Transfer Agreement* ") on the same day of the execution of this Agreement. The Equity Transfer Agreement shall (i) be executed in the form and format given in the Exhibit 2 of this Agreement; and (ii) be made in two (2) duplicates. If the Transferee nominates a Designated Person as the purchaser, the Parties agree to execute and deliver to the Transferee all necessary documents and perform other actions reasonably requested by the Transferee to ensure the transfer to such Designated Person.
- (c) As the shareholder of the Domestic Company, the Transferor shall execute a Power of Attorney (the "*Power of Attorney* ") on the same day of the execution of this Agreement, to authorize the Transferee (including the Transferee and the Designated Person) to fill in the date and relevant information on the aforementioned Shareholder's Resolution and Equity Transfer Agreement, and let the Transferee keep such document.
- (d) The Parties shall execute all other necessary agreements or documents, obtain all necessary government permits and approvals; take all other necessary measures to ensure the effective transfer of the ownership of the equity interest to the Transferee or Designated Person, and procure the Transferee or Designated Person to be registered as the registered owner of such equity interest.
- (e) If all or part of the provisions of this Agreement or its exhibits are judged invalid in accordance with PRC laws or regulations, the Parties shall enter into other valid and effective agreement, resolution or document to achieve the same legal and economic effects as this Agreement.

5. REPRESENTATIONS AND WARRANTIES

- 5.1 Reliance Confirmation. The Transferor hereby confirms that the Transferee entered in to this Agreement entirely relying on the representations and warranties made under this Section 5.
 - 5.2 Representations and Warranties. The Transferor represents and warrants to the Transferee as follows:
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- (a) The Transferor is competent in executing and performing this Agreement. The Transferor has obtained all necessary and appropriate approvals and authorizations required for the execution and performance of this Agreement. The execution, delivery and performance of this Agreement will not (i) conflict with the articles of association, bylaws and other constitutional documents of the Domestic Company; (ii) conflict with any contract or document entered into by, and binding upon, the Transferor and the Domestic Company, or result in any default under such contract or document; (iii) be in contrary to any issuing and/or retaining condition of the licenses or permits issued to the Domestic Company; (iv) result in the revocation, seizure or appendance of additional conditions to any license or permit issued to the Domestic Company; and (v) breach any law of PRC.
- (b) This Agreement, subject to its terms, constitutes legal and binding and enforceable obligations of the Transferor;
- (c) To the best knowledge of the Transferor, and unless the Transferor discloses to the other Parties in writing, the Transferor is currently not involved in any disputes, litigations, arbitrations, administrative litigations or any other legal proceedings, and the Transferor is not constrained by any potential disputes, litigations, arbitrations, administrative litigations or any other legal proceedings;
- (d) Except for the rights and interests pledged to the Transferee pursuant to the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement, the Transferor has not pledge, assign or by any other means transfer the rights and interests to any third party;
- (e) The Transferor is the sole legitimate and registered owner of the equity interest of the rights and interests of the pledge;
- (f) The Transferor has good and marketable title over the rights and interests of the pledge with no lien or other security interests, except for the rights and interests pledged to the Transferee under the Equity Interest Pledge Agreement, and the exclusive option granted to the Transferee under this Agreement; and
- (g) Except for debts arising from the ordinary business of the Domestic Company and the debts already disclosed to, and approved in writing by, the Transferee, the Domestic Company has no other outstanding debts;
- (h) The Domestic Company shall comply with all PRC laws regarding acquisition.

5.3 Repeated Application. After the execution of this Agreement, the representations and warranties provided in Section 5.2 of this Agreement shall be continuously valid. Such representations and warranties shall be deemed as true and valid representations and warranties throughout the Term of this Agreement.

6. AFFIRMATIVE COVENANTS

6.1 During the Term of this Agreement, the Transferor irrevocably undertakes as follows:

- (a) It shall prudently and effectively operate the business of the Domestic Company and handle the company's matters, maintain the existence of the Domestic Company in line with good financial and commercial standard and practice;
 - (b) The Transferor shall comply with the provisions of this Agreement, and shall not make any action or omission that may affect the existence or enforceability of this Agreement;
 - (c) The Transferor shall immediately notify the Transferee of any litigation, arbitration, administrative proceedings related to the Domestic Company or its equity interest;
 - (d) With regard to all claims other than the enforcement of this Agreement and the Equity Interest Pledge Agreement, the Transferor shall execute all necessary or appropriate documents, file all necessary or appropriate proceedings, make, or authorize the Transferee or its designated Persons upon the Transferee's request to make, all necessary or appropriate defense, and take any and all other necessary appropriate measures, to ensure the ownership of the Transferor in the Domestic Company;
 - (e) The Transferor shall immediately notify the Transferee of any event which may possibly affect any rights of the Transferee on any portion of the equity interest, or may possibly affect the obligation or security provided by the Transferor under this Agreement;
 - (f) The Transferor shall not make any action or omission that may affect the operation and assets value of the Domestic Company during the Transferor's ordinary operation of the entire business of the Domestic Company;
 - (g) The Transferor shall provide relevant documents regarding the operation and financial conditions of the Domestic Company upon the Transferee's request;
 - (h) If required by the Transferee, the Transferor shall purchase and retain insurances for the assets and business of the Domestic Company with the insurance companies qualified by the Transferee. The amount and type of insurances shall be consistent with those purchased by the companies of the same class;
 - (i) The Transferor shall not distribute dividends to shareholders in any way without prior written consent of the Transferee. However, upon the request of the Transferee, the Transferor shall
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immediately distribute all distributable profit to the shareholders, after which such shareholders shall pay or transfer such distribution to the Transferee or companies designated by the Transferee unconditionally; and

- (j) In accordance with the request of the Transferee and subject to the laws of China, appoint any Person designated by the Transferee to be the legal representative, director or senior officers of the Domestic Company.

7. NEGATIVE COVENANTS

7.1 The Transferor irrevocably undertakes not to:

- (a) In any way, whether directly or indirectly, sell, contract to sell, transfer, charge or dispose the equity interest, or set security interest against the equity interest, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (b) Procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the equity interest, or set any security interest against the equity interest, without prior written consent of the Transferee, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Equity Interest Pledge Agreement;
 - (c) Without prior written consent of the Transferee, or outside the ordinary course of business, procure the general meeting or board of directors to approve any sales, contract to sale, transfer, charge or disposal of the assets of the Domestic Company, except for selling or transferring to the Transferee or its Designated Person in line with this Agreement or the Exclusive Assets Purchase Agreement;
 - (d) Without prior written consent of the Transferee, procure the supplement, change or revision of the articles of association and bylaws, increment or decrement of registered capital, or change the share structure, of the Domestic Company;
 - (e) Without prior written consent of the Transferee, assume, succeed, guarantee or accept any debt, except for (i) debts arising from ordinary or daily operation, which are not in the form of a loan; (ii) debts disclosed to and approved in writing by the Transferee;
 - (f) Without prior written consent of the Transferee, procure the Domestic Company to execute any material contract, except for those executed in the ordinary course of business;
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(g) Without prior written consent of the Transferee, procure the Domestic Company to extend any loan or facility to any Person, except for those extended in the ordinary course of business;

(h) Without prior written consent of the Transferee, procure the Domestic Company to be merged with or acquired by any Person, or acquire or invest in any Person.

7.2 The Transferor agrees that the rights obtained by the Transferee under this Agreement shall not be interrupted or impaired by any legal proceedings initiated by the Transferor, its successors or its representatives.

8. NOTICE

8.1 All the notices and other communications pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

(a) Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt, refusal or returned for any reason at the address specified for notices.

(b) Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

8.2 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party by telegraph, facsimile or post:

(a) If send to the Transferor:

Address: *****
Telephone:
Attention: *****

(b) If send to the Transferee:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

(c) If send to the Domestic Company:

9. TRANSFER AND ASSIGN

- 9.1 Unless with the prior written consent of the Transferee, the Transferor has no right to transfer or assign any of its rights and obligations hereunder.
- 9.2 This Agreement shall be binding upon the Transferor and its successors and assigns permitted by Transferee, and is enforceable by Transferee and its successors and assigns.
- 9.3 If the Transferee is restructured for whatever reason, upon the request of the Transferee, the Transferor shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Transferee.

10. CONFIDENTIALITY

10.1 Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach.

10.2 This section shall survive the termination of this Agreement and remain in effect for two (2) years of such termination.

11. GOVERNING LAW AND RESOLUTION OF DISPUTES

- 11.1 Governing Law. This Agreement, including the validity, rights and obligations of both Parties under this Agreement, shall be governed by and construed in accordance with the laws of China.
- 11.2 Dispute Resolution. The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written
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notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

12. AMENDMENT AND WAIVER

12.1 Amendment. Any amendment to this Agreement shall be made in writing, and only takes effect after the execution by all Parties hereunder. The amendments and supplements duly executed by all the Parties constitute an integral part of this Agreement, and have the same legal effectiveness as this Agreement.

12.2 No Implied Waivers. To protect the rights and interests of the Transferee, when necessary, the Transferee may exercise the rights under this Agreement at any time, as such rights are in addition to any right provided by law to the Transferee. Unless expressly waived in writing by the Transferee, the rights of the Transferee shall not be waived. Any delay in exercising its rights by the Transferee shall not constitute the waiver of such right.

13. MISCELLANEOUS PROVISIONS

13.1 Further Assurances. On a legitimate and feasible basis, the Parties hereto agree to use all usable rights or powers and through reasonable endeavor to execute all necessary documents and do all such other things to ensure the completely, timely compliance and performance of the provisions and principles of this Agreement.

13.2 Entire Agreement. This Agreement constitutes the entire agreement reached among the Parties relating to the Option hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof. The exhibits are incorporated into this Agreement through reference and constitute an integral part of this Agreement.

13.3 Termination. This Agreement shall enter into its effectiveness upon execution, and remain effective, unless terminated by the Transferee, at its own discretion, by sending a thirty (30) days prior written notice to other Parties (the "*Term*").

13.4 Severability and Replacement. If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting

the intentions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

13.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

13.6 Language. This Agreement is executed in the Chinese language.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Qunhua Ding

/s/ Qunhua Ding

Guangzhou Wangxing Information Technology Co., Ltd.

/seal/ Guangzhou Baiguoyuan Information Technology Co., Ltd.	
Signatory:	<u>/s/ Jianqiang Hu</u>
Name:	Jianqiang Hu
Title:	Legal Representative

Chengdu Jiyue Internet Technology Co., Ltd.

/seal/ Chengdu Jiyue Internet Technology Co., Ltd.	
Signatory:	<u>/s/ Qunhua Ding</u>
Name:	Qunhua Ding
Title:	Legal Representative

EXHIBIT 1

CHENGDU JIYUE INTERNET TECHNOLOGY CO., LTD.

SHAREHOLDER'S RESOLUTION

The undersigned, being all shareholder of Chengdu Jiyue Internet Technology Co., Ltd. (a limited liability company duly incorporated under PRC laws, hereinafter referred to as the "*Company*") and in accordance with the authorization of the Articles of Association of the Company, hereby unanimously approves below resolutions:

IT IS RESOLVED that the Articles of Association of the Company shall be replaced with the one amended on the ___ day of ___, 20___, as the Amended Articles of Association of the Company;

IT IS FURTHER RESOLVED that the Company is authorized to approve the transfer of equity interest contemplated in the Equity Transfer Agreement dated ____, ____, 20__ by and between the Company, Qunhua Ding and Guangzhou Wangxing Information Technology Co., Ltd., and to perform all obligations thereunder; and

IT IS FURTHER RESOLVED that _____ is hereby authorized to execute the Equity Transfer Agreement and execute on behalf of the Company all documents needed for the government approval on the Articles of Association approved by this resolution. In addition, such authorized person is authorized to do anything he considers appropriate and necessary, at his own discretion, for the intent and purpose of implementing this resolution.

IN WITNESS WHEREOF, the signatory signed above resolutions on the ___ day of ___, 20__.

Jianqiang Hu

Qunhua Ding

EXHIBIT 2

Equity Transfer Agreement

This Equity Transfer Agreement (this "**Agreement**") is made on the ___ day of ___, 20___, by and between:

- A. **Qunhua Ding**, an individual with PRC nationality, ID Card number * (the "**Seller**");
- B. **Guangzhou Wangxing Information Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China (the "**Purchaser**"); and
- C. **Chengdu Jiyue Internet Technology Co., Ltd.**, a validly existing limited liability company duly incorporated under the PRC laws, with its registered address at 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China (the "**Company**").

Seller, Purchaser and Company shall be hereinafter individually referred to as a "Party"; collectively, the "Parties".

PREAMBLE

- (A) The Company is a company specified in providing network technology, computer technology development, technical services; software development; electronic products, communication equipment, industrial automation control equipment technology development; technology intermediary services; electronic information technology services; animation design; power technology services; information system integration services; information technology consulting Services; data processing and storage services; sales: recreational equipment and entertainment supplies, cultural supplies (excluding books, newspapers, audiovisual products and electronic publications), electronic products, luggage, trinkets, small gifts (excluding licensed items), electrical equipment, arts and crafts (except ivory and its products), software, textiles and knitwear, clothing, stationery; ticketing agents; human resources agencies services (without relevant administrative permits, no business activities are allowed); organizing artistic exchange activities; literary and artistic creation; radio and television program production (without relevant administrative licenses, no business activities are allowed); value-added telecommunications business operations (without relevant administrative licenses, no business activities are allowed) (collectively, the "**Business**").
- (B) The Seller is the 1% legal and equity owner of the registered capital of the Company (the "**Equity Interest**"). The Seller agrees to sell the Equity Interest to the Purchaser pursuant to the terms and conditions set forth in this Agreement, and the Purchaser agrees to purchase from the Seller the Equity Interest pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the Parties agree as follows through negotiations:

1. TRANSFER OF EQUITY INTEREST

The Seller hereby agrees to sell all the rights, title and interests in the Equity Interest held by the Seller without any encumbrances.

2. TRANSFER PRICE

The Purchaser shall pay to the Seller or its representative the transfer price in an amount of RMB _____ (the "*Transfer Price*").

3. NOTICE AND CONSENT

The Seller hereby confirms that the Seller has notify and obtain consents from the shareholders of the Company in accordance with the laws of PRC, the Articles of Association and any agreements between the Seller and shareholders related to the Company (if any).

4. CONDITION PRECEDENT OF THE TRANSFER

The closing of the transfer (the "*Closing*") shall only be made upon the satisfaction of below condition precedent:

- (a) The State Administration for Industry and Commerce (the "*SAIC*") or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (b) If required by applicable laws, the Ministry of Commerce or its Beijing branch approves the transfer of equity set forth under this Agreement;
- (c) Apply to the SAIC or its Beijing branch for change of shareholder; and
- (d) Other conditions provided in writing by the Parties.

5. TRANSFER OF THE AGREEMENT

5.1 Unless with the prior written consent of the Purchaser, the Seller has no right to transfer or assign any of its rights and obligations hereunder.

5.2 This Agreement shall be binding upon the Seller and its successors and assigns permitted by Purchaser, and is enforceable by Purchaser and its successors and assigns.

5.3 If the Purchaser is restructured for whatever reason, upon the request of the Purchaser, the Seller shall enter into a new agreement containing the content substantially same to the terms and conditions of this Agreement with the restructured Purchaser.

6. LIABILITY OF DEFAULT

Any Party shall be liable for all direct and indirect damages or losses arising from its breach of obligations under this Agreement.

7. EFFECTIVENESS

This Agreement shall enter into its effectiveness upon execution (the "*Effective Date*"). The Purchaser is entitled to terminate this Agreement at its own discretion.

8. GOVERNING LAW

This Agreement, including its validity, rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the laws of the PRC.

9. DISPUTE RESOLUTION

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement, including disputes related to the existence, validity, interpretation or termination (the "*Dispute*"), through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Party written notice of the Dispute, then each Party may submit the dispute to Guangzhou Arbitration Commission for arbitration in accordance with then effective arbitration rules. The number of arbitrators shall be one. If the Parties reject the assignment of arbitrator within twenty (20) days after any Party gives the notice of arbitration, Guangzhou Arbitration Commission shall assign another arbitrator. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

10. LANGUAGE

This Agreement is executed in the Chinese language.

11. MISCELLANEOUS PROVISIONS

Being reasonably requested by the Purchaser, the Seller agrees to execute and deliver other documents and take other measures to perform its obligations as the Seller under this Agreement, and perfect all transfer procedures and requirements.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any Party whose signature appears thereon, and all of which together shall constitute one and the same instrument. Counterparts delivered through email attachments or facsimile photocopies shall be deemed as effective deliveries.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

SELLER:

Signatory:	
Name:	Qunhua Ding

PURCHASER: Guangzhou Wangxing Information Technology Co., Ltd. (seal)

Signatory:	
Name:	Jianqiang Hu
Title:	Director

Chengdu Jiyue Internet Technology Co., Ltd. (seal)

Signatory:	
Name:	Qunhua Ding
Title:	Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this “**Agreement**”) dated July 31, 2019, is signed by and among:

Party A: **Jianqiang Hu** (the “**Shareholder**”)
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the “**WFOE**”)
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Jiyue Internet Technology Co., Ltd.** (the “**Company**”)
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a “**Party**”, collectively referred to as “**Parties**”.

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 99% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

- 1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the “**Entrusted Person**”) to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the “**Entrusted Rights**”):

- (1) Proposing to convene and attending shareholders’ meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
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- (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders' meetings of the Company, including but not limited to the appointment of the Company's directors and other officers needing to be appointed and removed by shareholders;
- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
- 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
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5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

5.2 Each of WFOE and the Company hereby represents and warrants that:

5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.

5.3 The Company further represents and warrants that:

5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.

6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.

6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

- 7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.
- 7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.
- 7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

- 8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the “**Confidential Information**”). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.
- 8.2 The following information shall not be deemed part of the Confidential Information:
- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
 - (b) any information being part of public knowledge through no fault of the receiving Party; or
 - (c) any information rightfully received by the receiving Party from other sources after disclosure.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.
- 8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

- 9.1 The Parties agree and acknowledge that, if any of the Parties (the “**Defaulting Party**”) materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a “**Default**”). In such event, any of the other Parties without default (the “**Non-defaulting Party**”) shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:
- 9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;
-

9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.

9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.

10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.

10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.

10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.

10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.

10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the "**Party's Rights**") shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party's Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.

- 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
- 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
- 10.10 Without WFOE's prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
- 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
- 10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:
- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
 - (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
-

- (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: **Jianqiang Hu**

Signature: /s/ Jianqiang Hu

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.**

Signature: /s/ Jianqiang Hu

Name: Jianqiang Hu

Title: Legal Representative

Party C: **Chengdu Jiyue Internet Technology Co., Ltd.**

Signature: /s/ Qunhua Ding

Name: Qunhua Ding

Title: Legal Representative

Shareholder Voting Rights Proxy Agreement

This Shareholder Voting Rights Proxy Agreement (this “**Agreement**”) dated July 31, 2019, is signed by and among:

Party A: **Qunhua Ding** (the “**Shareholder**”)
ID Card number: *

Party B: **Guangzhou Wangxing Information Technology Co., Ltd.** (the “**WFOE**”)
Address: X1301-E6803(JM), Building 1, No. 106 Fengze East Road, Nansha District, Guangzhou, China
Legal Representative: Jianqiang Hu

Party C: **Chengdu Jiyue Internet Technology Co., Ltd.** (the “**Company**”)
Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu, China
Legal Representative: Qunhua Ding

Party A, Party B and Party C respectively referred to as a “**Party**”, collectively referred to as “**Parties**”.

WHEREAS:

1. The Shareholder is the present shareholder of the Company, which holds 1% equity of the Company;
2. The Shareholders intend to severally entrust the individual designated by WFOE with the exercise of their voting rights in the Company and WFOE is willing to designate such individual to accept such entrustment.

THEREFORE, the Parties, after friendly consultations, hereby agree as follows:

Article 1 Voting Right Entrustment

1.1 The Shareholder hereby irrevocably undertakes to sign a power of attorney in the form and substance as set forth in Annex 1 after execution of this Agreement to entrust the individual designated by WFOE (hereinafter, the “**Entrusted Person**”) to exercise on their respective behalf the following rights they, as the shareholder of the Company, are entitled to under the then effective articles of association of the Company (collectively, the “**Entrusted Rights**”):

- (1) Proposing to convene and attending shareholders’ meetings of the Company as the representative of the Shareholder according to the articles of association of the Company;
-

- (2) On behalf of the Shareholder, exercising voting rights on all the issues needing to be discussed and resolved by the shareholders' meetings of the Company, including but not limited to the appointment of the Company's directors and other officers needing to be appointed and removed by shareholders;
- (3) Other voting rights of shareholder as provided by the laws and regulations of PRC (including their amendments, changes, additions and re-enactments, regardless of the time of their effectiveness before or after the execution of this Agreement);
- (4) Exercise other shareholder voting rights as specified in the articles of association of the Company (including any other shareholder voting rights as specified in the amended articles of association).

The above authorization and entrustment are granted subject to the status of the Entrusted Person as a PRC citizen and the approval by WFOE. Upon and only upon written notice of dismissing and replacing the Entrusted Person (s) given by WFOE to the Shareholder, the Shareholder shall promptly entrust another PRC citizen then designated by WFOE to exercise the above Entrusted Rights, and once new entrustment is made, the original entrustment shall be replaced. The Shareholder shall not cancel the authorization and entrustment for the Entrusted Person (s) otherwise.

- 1.2 The Entrusted Person shall perform the fiduciary obligations within the scope of authorization with due care and diligence and in compliance with laws. The Shareholder acknowledges and assumes relevant liabilities for any legal consequences of the Entrusted Person's exercise of the foregoing Entrusted Rights.
- 1.3 The Shareholder hereby acknowledges that the Entrusted Person is not required to seek advice from the Shareholder prior to the exercise of the foregoing Entrusted Rights. However, the Entrusted Person shall inform the Shareholder in a timely manner of any resolution or any proposal on convening interim shareholders' meeting after such resolution or proposal is made.

Article 2 Right to Information

- 2.1 For the purpose of exercising the Entrusted Rights hereunder, the Entrusted Person is entitled to know the information with regard to the Company's operation, business, customers, finance, staff, etc., and shall have access to the relevant materials of the Company. The Company shall adequately cooperate with the Entrusted Person in this regard.

Article 3 Exercise of Entrusted Rights

- 3.1 The Shareholder will provide adequate assistance to the exercise of the Entrusted Rights by the Entrusted Person, including timely execution of the resolutions of the shareholders' meeting of the Company adopted by the Entrusted Person or other related legal documents when necessary (e.g., when it is necessary for examination and approval of or registration or filing with governmental departments).
- 3.2 If at any time during the term of this Agreement, the grant or exercise of the Entrusted Rights hereunder is unenforceable for any reason (except for default of Shareholder or the Company), the Parties shall immediately seek a most similar substitute for the unenforceable provision and, if necessary, enter into a supplementary agreement to amend or adjust the provisions herein, in order to ensure the realization of the purpose of this Agreement.

Article 4 Exemption and Compensation

- 4.1 Pursuant to the Section 4.2, the Parties acknowledge that WFOE shall not be requested to be liable to or compensate (monetary or otherwise) other Parties or any third party due to exercise of the Entrusted Rights hereunder by the individuals designated by it.
- 4.2 The Shareholder and the Company agree to indemnify and hold harmless WFOE from and against all losses incurred or likely to be incurred by it due to exercise of the Entrusted Rights by the Entrusted Person designated by WFOE, including without limitation, any loss resulting from any litigation, demand, arbitration or claim initiated or raised by any third party against it or from administrative investigation or penalty of governmental authorities (collectively, the "Losses"), PROVIDED THAT the above indemnity in respect of any Losses shall not be available to WFOE to the extent that such Losses have been caused by the willful default or gross negligence on the part of the Entrusted Person.

Article 5 Representations and Warranties

- 5.1 The Shareholder hereby represents and warrants that:
- 5.1.1 It is a Chinese citizen with full capacity. It has the full and independent legal status and legal capacity to, and has been duly authorized to, execute, deliver and perform this Agreement. It may sue or be sued as an independent party.
- 5.1.2 It has the full power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby. This Agreement, when duly executed and delivered, shall constitute a legal, valid and binding obligation enforceable against it in accordance with the terms of this Agreement.
-

5.1.3 It is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

5.2. Each of WFOE and the Company hereby represents and warrants that:

5.2.1 It is a limited liability company duly organized and validly existing under the PRC Law with an independent legal personality. It has the full and independent legal status and legal capacity to execute, deliver and perform this Agreement and may sue or be sued as an independent party.

5.2.2 It has the full corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereby and to be executed by it. It also has the full power and authority to consummate the transaction contemplated hereby.

5.3 The Company further represents and warrants that:

5.3.1 The Shareholder is the recorded legal shareholder of the Company as of the effective date of this Agreement, and except for the rights under this Agreement, the Equity Pledge Agreement, the Exclusive Option Agreement and the Exclusive Assets Purchase Agreement entered into among the Shareholder, the Company and WFOE, the Entrusted Rights are free of any third-party right. Pursuant to this Agreement, the Entrusted Person may fully and sufficiently exercise the Entrusted Rights in accordance with the then effective articles of association of the Company.

Article 6 Term

6.1 Subject to the provisions of Articles 6.2 and 6.3 hereof, this Agreement shall become effective as of the date of the due execution by the Parties. Unless prematurely terminated by the Parties in writing or pursuant to Article 9.1 hereof, this Agreement shall remain in force.

6.2 The Company or WFOE, within three months before expiry of its duration, shall handle the examination, approval and registration procedures concerning the extension of duration. If the Company or WFOE, upon expiry of its duration, fails to handle the examination, approval and registration procedures concerning the extension thereof, this Agreement shall be terminated.

6.3 In case that the Shareholder transfers all of the equity interest held by it in the Company with WFOE's prior consent, such Shareholder shall cease to be a party to this Agreement. If the Shareholder transfers all or parts of the equity interest held by it in the Company with WFOE's prior consent, the Shareholder warrants that it shall obtain the written confirmation from the transferee, which agrees to inherit and fulfill all the responsibilities, obligations and commitments of such existing Shareholder under this Agreement.

Article 7 Notices

- 7.1 Any notice, request, demand and other communications required to be made or given under or pursuant to this Agreement shall be in writing and served on the relevant Party.
- 7.2 The above notices or other communications shall be deemed duly given or served: if sent by fax or telex, immediately upon transmission; if delivered in person, at the time of delivery; if posted by mail, five (5) days after posting.
- 7.3 For the purpose of notice, all the notices, communications or other documents delivered to the parties of this Agreement shall be delivered to the following address or facsimile number of relevant Party:

If send to the Company:

Address: 1/F, No. 38&40 Zhonghe Shang Street, High-tech District, Chengdu
Telephone:
Attention: Qunhua Ding

If send to WFOE:

Address: 24/F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou,
Telephone:
Attention: Jianqiang Hu

If send to the Shareholder:

Address: *****
Telephone:
Attention: *****

Article 8 Confidentiality

- 8.1 Regardless of whether this Agreement is terminated or not, each Party shall keep strictly confidential all the business secrets, proprietary information, customer information and other information of a confidential nature about the other Parties known by it during the execution and performance of this Agreement (collectively, the “**Confidential Information**”). The receiving Party shall not disclose any Confidential Information to any third party except with the prior written consent of the disclosing Party or in accordance with relevant laws or regulations or under requirements of the place where its affiliate is listed on a stock exchange. The receiving Party shall not use or indirectly use any Confidential Information other than for performing this Agreement.
- 8.2 The following information shall not be deemed part of the Confidential Information:
- (a) any information already known by the receiving Party by legal means prior to disclosure, which is substantiated in writing;
 - (b) any information being part of public knowledge through no fault of the receiving Party; or
 - (c) any information rightfully received by the receiving Party from other sources after disclosure.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or engaged professionals, but the receiving Party shall guarantee that they are in compliance with the relevant terms and conditions of this Agreement and assume any responsibility arising from any breach thereof by them.
- 8.4 Notwithstanding any other provision herein, the validity of this Article shall survive the termination of this Agreement.

Article 9 Defaulting Liability

- 9.1 The Parties agree and acknowledge that, if any of the Parties (the “**Defaulting Party**”) materially breaches any provision herein or materially fails to perform or delays performance of any of the obligations hereunder, such breach, failure or delay shall constitute a default under this Agreement (a “**Default**”). In such event, any of the other Parties without default (the “**Non-defaulting Party**”) shall have the right to require the Defaulting Party to rectify such Default or take remedial measures within a reasonable period. If the Defaulting Party fails to rectify such Default or take remedial measures within such reasonable period or within ten (10) days of the Non-defaulting Party notifying the Defaulting Party in writing and requiring the Default to be rectified, then:
- 9.1.1 if the Shareholder or the Company is the Defaulting Party, WFOE shall be entitled to terminate this Agreement and require the Defaulting Party to indemnify all damages;
-

9.1.2 if WFOE is the Defaulting Party, the Non-defaulting Party shall be entitled to require the Defaulting Party to indemnify all damages, but the Non-defaulting Party shall not be entitled to any rights to terminate or cancel this Agreement in any situation unless otherwise provided by the mandatory provisions of the laws.

9.2 Notwithstanding any other provision herein, the validity of this Article shall survive the suspension or termination of this Agreement.

Article 10 Miscellaneous

10.1 This Agreement is written in Chinese and executed in three (3) originals, with one (1) original to be retained by each Party hereto.

10.2 The formation, validity and interpretation of, resolution of disputes in connection with, this Agreement, shall be governed by PRC Law.

10.3 Any dispute arising hereunder and in connection herewith shall be resolved through consultations among the Parties, and if the Parties fail to reach a mutual agreement within thirty (30) days of its occurrence, any Party may submit such dispute to Guangzhou Arbitration Commission for arbitration in accordance with its arbitration rules in effect at the time of applying for arbitration. The number of arbitrators should be one. If within 20 (20) days after the issuance of the notice of arbitration by any party to this Agreement, the parties refuse the designation of the arbitrator who has agreed to participate in the arbitration, Guangzhou Arbitration Commission shall appoint an arbitrator separately. The seat of arbitration shall be Guangzhou and the language used in arbitration proceedings shall be Chinese. The arbitral award shall be final and binding on the Parties.

10.4 During dispute resolution, the Parties shall continue to exercise the rights of this Agreement and perform the terms of this Agreement other than those relating to disputes.

10.5 Any right, power or remedy conferred on any Party by any provision of this Agreement shall not be exclusive of any other right, power or remedy available to it at law and under the other provisions of this Agreement, and the exercise by such Party of any of its rights, powers and remedies shall not preclude the exercise of any other rights, powers and remedies it may have.

10.6 No failure or delay by a Party in exercising any of its rights, powers and remedies available to it hereunder or at law (hereinafter, the "Party's Rights") shall operate as a waiver thereof, nor shall the waiver of any single or partial exercise of the Party's Rights shall preclude such Party from exercising such rights in any other way and exercising the remaining part of the Party's Rights.

10.7 The headings contained herein shall be for reference only, and in no circumstances shall such headings be used in or affect the interpretation of the provisions hereof.

- 10.8 Each provision contained herein shall be severable and independent from each of other provisions, and if at any time any one or more provisions herein become invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions herein shall not be affected as a result thereof.
- 10.9 Any amendment or supplement hereto shall be made in writing and shall become effective only upon due execution by the Parties hereto.
- 10.10 Without WFOE's prior written consent, any other Party shall not transfer any of its rights and/or obligations hereunder to any third party. The Shareholder and the Company hereby agree that WFOE is entitled to transfer any of its rights and/or obligations hereunder to any third party upon written notice thereof to the other Parties.
- 10.11 This Agreement shall be binding on the legal assignees, successors or heirs of the Parties.
- 10.12 After the execution of this Agreement, if any government agency of PRC makes amendments to any of the laws, regulations, decrees or provisions of China, including amendments, additions or repeal of existing laws, regulations, decrees or regulations, or cites a different interpretation or a different implementation to any of the existing laws, regulations, decrees or regulations (respectively referred to as a "Modification"), or a new law, regulation, decree or regulation (respectively referred to as a "New Provision"), or any government agency proposes requirements or opinions that may have an impact to the performance of this Agreement, the following shall apply:
- (a) if the Modification or New Provision is more favorable to the WFOE than the relevant laws, regulations, decrees or regulations that are effective as of the effective date of this Agreement, the parties shall promptly apply to the relevant institutions (if required) for the benefits of these Modification or New Provision. The parties should use their best efforts to get the application approved.
 - (b) if, due to the Modification or New Provision, the interests of the WFOE under this Agreement are seriously and adversely affected directly or indirectly, after the WFOE notifies the other parties, the parties shall promptly negotiate on the basis of the principle of good faith, and make all necessary modifications and adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.
-

- (c) if the requirements of any government agency may have a material adverse effect on the performance of this Agreement in accordance with the terms and conditions of this Agreement, the Shareholder and the Company shall use their best reasonable efforts to communicate with the relevant government agency in order to make this Agreement could be performed pursuant to the original terms and conditions, and the WFOE shall provide necessary assistance in such communication. If such communication is unavailable, all parties shall make timely negotiating on the basis of the principle of good faith, make all necessary modifications and reasonable adjustments to the terms or performance of this Agreement, in order to maximize the original commercial intentions of the parties under this Agreement and to maintain the interests of WFOE in this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

Party A: Qunhua Ding

Signature: /s/ Qunhua Ding

Party B: Guangzhou Wangxing Information Technology Co., Ltd.

Signature: /s/ Jianqiang Hu
Name: Jianqiang Hu
Title: Legal Representative

Party C: Chengdu Jiyue Internet Technology Co., Ltd.

Signature: /s/ Qunhua Ding
Name: Qunhua Ding
Title: Legal Representative

Power of Attorney

YY INC.

AND

CITICORP INTERNATIONAL LIMITED,

as Trustee

INDENTURE

Dated as of June 24, 2019

0.750% Convertible Senior Notes due 2025

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INDENTURE dated as of June 24, 2019 between YY INC., a Cayman Islands exempted company, as issuer (the “**Company**”, as more fully set forth in Section 1.01) and CITICORP INTERNATIONAL LIMITED, a private company limited by shares incorporated in Hong Kong, as trustee (the “**Trustee**”, as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 0.750% Convertible Senior Notes due 2025 (the “**Notes**”), initially in an aggregate principal amount not to exceed US\$500,000,000, and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice, the Form of Repurchase Notice and the Form of Assignment and Transfer to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Definitions.* The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words “herein,” “hereof,” “hereunder,” and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

“**Additional ADSs**” shall have the meaning specified in Section 14.03(a).

“**Additional Amounts**” shall have the meaning specified in Section 4.07(a).

“**Additional Interest**” means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e), and Section 6.03, as applicable.

“**ADS**” means an American Depositary Share issued pursuant to the Deposit Agreement, representing twenty Class A Common Shares of the Company as of the date of this Indenture, and deposited with the ADS Custodian.

“**ADS Custodian**” means Citibank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

“**ADS Depositary**” means Citibank, N.A., as depositary for the ADSs, or any successor entity thereto.

“**ADS Price**” shall have the meaning specified in Section 14.03(c).

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. Notwithstanding anything to the contrary herein, the determination of whether one Person is an “Affiliate” of another Person for purposes of this Indenture shall be made based on the facts at the time such determination is made or required to be made, as the case may be, hereunder.

“**Agent Parties**” shall have the meaning specified in Section 7.02(1).

“**Agents**” means the Paying Agent, the Transfer Agent, the Note Registrar, the Conversion Agent and the Bid Solicitation Agent, in each case, unless the Company is acting in such capacity.

“**Applicable PRC Rate**” means (i) in the case of deduction or withholding of PRC income tax, 10%, (ii) in the case of deduction or withholding of PRC value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of both PRC income tax and PRC value added tax (including any related local levies), 16.72%.

“**Authenticating Agent**” shall have the meaning specified in Section 2.11.

“**Bid Solicitation Agent**” means the Company or any Person appointed by the Company to solicit bids for the Trading Price of the Notes in accordance with Section 14.01(b)(i). The Company shall initially act as the Bid Solicitation Agent.

“**Board of Directors**” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“**Board Resolution**” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means, with respect to any Note, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the City of New York, the Cayman Islands or, in the case of a payment under this Indenture, the place of payment are authorized or obligated by law or executive order to close.

“**Capital Stock**” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“**Cash Settlement**” shall have the meaning specified in Section 14.02(a).

“**Change in Law**” shall have the meaning specified in the definition of “Fundamental Change.”

“**Change in Tax Law**” shall have the meaning specified in Section 16.01(b).

“**Class A Common Shares**” means the Class A common shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“**Class B Common Shares**” means the Class B common shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“**Clause A Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause B Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause C Distribution**” shall have the meaning specified in Section 14.04(c).

“**close of business**” means 5:00 p.m. (New York City time).

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Combination Settlement**” shall have the meaning specified in Section 14.02(a).

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Common Equity**” of any Person means ordinary share capital or Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“**Company**” shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

“**Company Group**” shall have the meaning specified in the definition of “Fundamental Change.”

“**Company Notice**” shall have the meaning specified in Section 15.01(a).

“**Company Order**” means a written order of the Company, signed by an Officer of the Company and delivered to the Trustee.

“**Conversion Agent**” means Citibank, N.A., the conversion agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor conversion agent.

“**Conversion Consideration**” shall have the meaning specified in Section 14.13(a).

“**Consolidated Affiliated Entity**” means, with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

“**Conversion Date**” shall have the meaning specified in Section 14.02(c).

“**Conversion Obligation**” shall have the meaning specified in Section 14.01(a).

“**Conversion Price**” means as of any time, US\$1,000, *divided by* the Conversion Rate as of such time.

“**Conversion Rate**” shall have the meaning specified in Section 14.01(a).

“**Corporate Trust Office**” means the designated office of the Trustee at which at any time this Indenture shall be administered, which office at the date hereof is located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong, Attention: Agency and Trust, Facsimile: +852 2323 0279, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the designated corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

“**Daily Conversion Value**” means, for each of the 40 consecutive Trading Days during the Observation Period, 2.5% of the product of (a) the Conversion Rate on such Trading Day and (b) the Daily VWAP for such Trading Day.

“**Daily Measurement Value**” means the Specified Dollar Amount (if any), *divided by* 40.

“**Daily Settlement Amount**,” for each of the 40 consecutive Trading Days during the Observation Period, shall consist of:

- (a) cash in an amount equal to the lesser of (i) the Daily Measurement Value and (ii) the Daily Conversion Value on such Trading Day; and
- (b) if the Daily Conversion Value on such Trading Day exceeds the Daily Measurement Value, a number of ADSs equal to (i) the difference between the Daily Conversion Value and the Daily Measurement Value, *divided by* (ii) the Daily VWAP for such Trading Day.

“**Daily VWAP**” means, for each of the 40 consecutive Trading Days during the relevant Observation Period, the per ADS volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “YY <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one ADS on such Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The “**Daily VWAP**” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

“**Default**” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“**Defaulted Amounts**” means any amounts on any Note (including, without limitation, the Repurchase Price, the Tax Redemption Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for.

“**delivered**” means, with respect to any notice to be delivered, given or mailed to a Holder pursuant to this Indenture, notice (x) given to the Depositary (or its designee) pursuant to the standing instructions from the Depositary or its designee, including by electronic mail in accordance with accepted practices or procedures at the Depositary (in the case of a Global Note) or (y) mailed to such Holder by first class mail, postage prepaid, at its address as it appears on the Note Register, in each case in accordance with Section 17.03. Notice so “delivered” shall be deemed to include any notice to be “mailed” or “given,” as applicable, under this Indenture.

“**Deposit Agreement**” means the deposit agreement dated as of May 21, 2018, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs evidenced by American depositary receipts issued thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

“**Depositary**” means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depositary with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Depositary**” shall mean or include such successor.

“**Designated Financial Institution**” shall have the meaning specified in Section 14.13(a).

“**Distributed Property**” shall have the meaning specified in Section 14.04(c).

“**DTC**” means The Depository Trust Company, a New York corporation.

“**Effective Date**” shall have the meaning specified in Section 14.03(c), except that, as used in Section 14.04 and Section 14.05, “Effective Date” means the first date on which ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

“**Event of Default**” shall have the meaning specified in Section 6.01.

“**Ex-Dividend Date**” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Exchange Election**” shall have the meaning specified in Section 14.13(a).

“**Existing Principal Shareholders**” means (i) Lei Jun, Top Brand Holdings Limited, David Xueling Li and YYME Limited, (ii) the spouse and lineal descendants and spouses of lineal descendants of Lei Jun and David Xueling Li, (iii) the estate or legal representatives of any natural person named in clauses (i) or (ii), (iv) trusts established for the benefit of any natural person named in clauses (i) or (ii) and (v) any entity majority owned and controlled, directly or indirectly, by one or more of the foregoing.

“**Expiring Rights**” means any rights, options or warrants to purchase Class A Common Shares or ADSs that expire on or prior to the Maturity Date.

“**FATCA**” means sections 1471 through 1474 of the Code (or any amended or successor versions of such sections).

“**Form of Assignment and Transfer**” means the “Form of Assignment and Transfer” attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

“**Form of Fundamental Change Repurchase Notice**” means the “Form of Fundamental Change Repurchase Notice” attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

“**Form of Note**” means the “Form of Note” attached hereto as Exhibit A.

“**Form of Notice of Conversion**” means the “Form of Notice of Conversion” attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

“Form of Repurchase Notice” means the “Form of Repurchase Notice” attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

“Fundamental Change” shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) (A) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and any of the Existing Principal Shareholders has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company’s Common Equity or (B) the Existing Principal Shareholders, collectively, have become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of Class A Common Shares (including Class A Common Shares held in the form of ADSs) representing more than 50% of the number of outstanding Class A Common Shares; *provided, however*, that for purposes of clause (B), in calculating the beneficial ownership percentage of the Class A Common Shares held by the Existing Principal Shareholders, any Class A Common Shares (including Common Equity held in the form of ADSs) issued or issuable on conversion of Class B Common Shares, or conversion, exchange or exercise of other securities, in any such case beneficially owned directly or indirectly by the Existing Principal Shareholders as of June 19, 2019 or issued or issuable by the Company to the Existing Principal Shareholders after June 19, 2019 pursuant to rights attached to, or a dividend or other distribution on, any such Class B Common Shares or other securities so owned as of June 19, 2019 (or any Class A Common Shares into which they may convert or be exchanged or exercised) shall be excluded from both the numerator and denominator;

(b) the consummation of (A) any recapitalization, reclassification or change of the Class A Common Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Common Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of the Company, or any similar transaction, pursuant to which the Class A Common Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries and Consolidated Affiliated Entities, taken as a whole, to any Person other than one of the Company’s Subsidiaries or Consolidated Affiliated Entities; *provided, however*, that a transaction described in clause (B) in which the holders of all classes of the Company’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions *vis-a-vis* each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(d) the ADSs (or Class A Common Shares or other Common Equity or American Depositary Shares in respect of Reference Property) cease to be listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors); or

(e) any change in or amendment to the laws, regulations and rules of the People's Republic of China or the official interpretation or official application thereof (a "**Change in Law**") that results in (x) the Company, its Subsidiaries and its Consolidated Affiliated Entities (collectively, the "**Company Group**") (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter;

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received by holders of the ADSs, excluding cash payments for any fractional ADS and cash payments made pursuant to dissenters' appraisal rights, in connection with such transaction or transactions consists of shares of Common Equity or ADSs in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions the Notes become convertible into such consideration, excluding cash payments for any fractional ADS and cash payments made pursuant to dissenters' appraisal rights (subject to the provisions of Section 14.02(a)).

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 15.02(c).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 15.02(a).

"**Fundamental Change Repurchase Notice**" shall have the meaning specified in Section 15.02(b)(i).

"**Fundamental Change Repurchase Price**" shall have the meaning specified in Section 15.02(a).

"**Global Note**" shall have the meaning specified in Section 2.05(b).

“**Holder**,” as applied to any Note, or other similar terms (but excluding the term “beneficial owner”), means any Person in whose name at the time a particular Note is registered on the Note Register.

“**Indenture**” means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

“**Interest Payment Date**” means each June 15 and December 15 of each year, beginning on December 15, 2019.

“**Last Reported Sale Price**” of the ADSs (or other security for which a Last Reported Sale Price must be determined) on any date means the closing sale price per ADS (or such other security) (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs (or such other security) are traded. If the ADSs (or such other security) are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “**Last Reported Sale Price**” shall be the last quoted bid price for the ADSs (or such other security) in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs (or such other security) are not so quoted, the “**Last Reported Sale Price**” shall be the average of the mid-point of the last bid and ask prices for the ADSs (or such other security) on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“**Make-Whole Fundamental Change**” means any transaction or event described in clause (a), (b) or (d) of the definition of Fundamental Change (determined after giving effect to any exceptions to or exclusions from such definition, including in the *proviso* immediately succeeding clause (e) of the definition thereof, but without regard to the *proviso* in clause (b) of the definition thereof).

“**Market Disruption Event**” means, for purposes of determining amounts due upon conversion, (a) a failure by the primary U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading to open for trading during its regular trading session or (b) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the ADSs for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the ADSs or in any options contracts or futures contracts relating to the ADSs.

“**Maturity Date**” means June 15, 2025.

“**Measurement Period**” shall have the meaning specified in Section 14.01(b)(i).

“**Merger Event**” shall have the meaning specified in Section 14.07(a).

“**Note**” or “**Notes**” shall have the meaning specified in the first paragraph of the recitals of this Indenture.

“**Note Register**” shall have the meaning specified in Section 2.05(a).

“**Note Registrar**” shall have the meaning specified in Section 2.05(a).

“**Notes Fungibility Date**” means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and all of the Regulation S Notes are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c), are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

“**Notice of Conversion**” shall have the meaning specified in Section 14.02(b).

“**Observation Period**” with respect to any Note surrendered for conversion means: (i) subject to clause (ii), if the relevant Conversion Date occurs prior to December 15, 2024, the 40 consecutive Trading Day period beginning on, and including, the second Trading Day immediately succeeding such Conversion Date; (ii) if the relevant Conversion Date occurs on or after the date of the Company’s issuance of a Tax Redemption Notice with respect to the Notes pursuant to Section 16.01 and prior to the relevant Tax Redemption Date, the 40 consecutive Trading Days beginning on, and including, the 41st Scheduled Trading Day immediately preceding such Tax Redemption Date; and (iii) subject to clause (ii), if the relevant Conversion Date occurs on or after December 15, 2024, the 40 consecutive Trading Days beginning on, and including, the 41st Scheduled Trading Day immediately preceding the Maturity Date.

“**Offering Memorandum**” means the preliminary offering memorandum dated June 18, 2019, as supplemented by the pricing term sheet dated June 19, 2019, relating to the offering and sale of the Notes.

“**Officer**” means, with respect to the Company, the President, the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, the Treasurer, the Secretary, any Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”).

“**Officers’ Certificate**,” when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by (a) two Officers of the Company or (b) one Officer of the Company and one of any Assistant Treasurer, any Assistant Secretary or the Controller of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section. One of the Officers giving an Officers’ Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

“**open of business**” means 9:00 a.m. (New York City time).

“**Opinion of Counsel**” means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel who is reasonably acceptable to the Trustee, that is delivered to the Trustee, which opinion may contain customary exceptions and qualifications as to the matters set forth therein. Each such opinion shall include the statements

provided for in Section 17.06 if and to the extent required by the provisions of such Section 17.06.

“**outstanding**,” when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

- (a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;
- (b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);
- (c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;
- (d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08;
- (e) Notes redeemed pursuant to Article 16; and
- (f) Notes repurchased by the Company pursuant to the third sentence of Section 2.10.

“**Paying Agent**” means Citibank, N.A., the paying agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor paying agent.

“**Paying Agent Office**” means the designated office of the Paying Agent at which at any time this Indenture shall be administered, which office at the date hereof is located at 388 Greenwich Street, 14th Floor, New York, New York, 10013, USA, Attention: Agency and Trust, Facsimile: +1 201 258 3567, or such other address as the Paying Agent may designate from time to time by notice to the Holders and the Company, or the designated office of any successor paying agent (or such other address as such successor paying agent may designate from time to time by notice to the Holders and the Company).

“**Person**” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“**Physical Notes**” means permanent certificated Notes in registered form issued in denominations of US\$1,000 principal amount and integral multiples thereof.

“**Physical Settlement**” shall have the meaning specified in Section 14.02(a).

“**PRC**” means the People’s Republic of China, excluding, for the purpose of this Indenture only, Taiwan, Hong Kong and Macau.

“**Predecessor Note**” of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

“**QIB**” shall have the meaning specified in Section 2.05(a).

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Common Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Common Shares (directly or in the form of ADSs) (or such other security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“**Reference Property**” shall have the meaning specified in Section 14.07(a).

“**Regular Record Date**,” with respect to any Interest Payment Date, shall mean the June 1 or December 1 (whether or not such day is a Business Day) immediately preceding the applicable June 15 or December 15 Interest Payment Date, respectively.

“**Regulation S**” means Regulation S under the Securities Act or any successor to such regulation.

“**Regulation S Notes**” means the Notes initially offered and sold outside the United States pursuant to Regulation S.

“**Relevant Taxing Jurisdiction**” shall have the meaning specified in Section 4.07(a).

“**Repurchase Date**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Expiration Time**” means the close of business on the second Business Day immediately preceding the Repurchase Date.

“**Repurchase Notice**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Price**” shall have the meaning specified in Section 15.01(a).

“**Resale Restriction Termination Date**” shall have the meaning specified in Section 2.05(c).

“**Responsible Officer**” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter relating to this Indenture is referred because of such Person’s knowledge of and familiarity with the particular subject and who, in each case, shall have direct responsibility for the administration of this Indenture.

“**Restricted Securities**” shall have the meaning specified in Section 2.05(c).

“**Rule 144**” means Rule 144 as promulgated under the Securities Act.

“**Rule 144A**” means Rule 144A as promulgated under the Securities Act.

“**Rule 144A Notes**” means the Notes initially offered and sold pursuant to Rule 144A.

“**Scheduled Trading Day**” means a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading. If the ADSs are not so listed or admitted for trading, “**Scheduled Trading Day**” means a Business Day.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Settlement Amount**” has the meaning specified in Section 14.02(a)(iv).

“**Settlement Method**” means, with respect to any conversion of Notes, Physical Settlement, Cash Settlement or Combination Settlement, as elected (or deemed to have been elected) by the Company.

“**Settlement Notice**” has the meaning specified in Section 14.02(a)(iii).

“**Significant Subsidiary**” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act. For the avoidance of doubt, each of the Company’s Consolidated Affiliated Entities shall be deemed to be a Subsidiary of the Company for the purposes of this definition.

“**Specified Dollar Amount**” means the maximum cash amount per US\$1,000 principal amount of Notes to be received upon conversion as specified in the Settlement Notice related to any converted Notes (or deemed specified pursuant to Section 14.02(a)(iii)).

“**Spin-Off**” shall have the meaning specified in Section 14.04(c).

“**Subsidiary**” means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

“**Successor Company**” shall have the meaning specified in Section 11.01(a).

“**Tax Redemption**” shall have the meaning specified in Section 16.01.

“**Tax Redemption Date**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Notice**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Price**” means, for any Notes to be redeemed pursuant to Section 16.01, 100% of the principal amount of such Notes, *plus* accrued and unpaid interest (including any Additional Amounts), if any, to, but excluding, the Tax Redemption Date (unless the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, in which case the Company shall pay on the Interest Payment Date the full amount of accrued and unpaid interest, if any, due on such Interest Payment Date to the Holders of record of such Notes as of the close of business on such Regular Record Date corresponding to such Interest Payment Date, and the Tax Redemption Price will be equal to 100% of the principal amount of such Notes) and all Additional Amounts (if any) then due and which will become due on the applicable Tax Redemption Date as a result of the Tax Redemption or otherwise.

“**Trading Day**” means a day on which (i) trading in the ADSs (or other security for which a Last Reported Sale Price must be determined) generally occurs on The Nasdaq Global Select Market or, if the ADSs (or such other security) are not then listed on The Nasdaq Global Select Market, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded, and (ii) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; *provided* that if the ADSs (or such other security) are not so listed or traded, “**Trading Day**” means a Business Day; and *provided, further*, that for purposes of determining amounts due upon conversion only, “**Trading Day**” means a day on which (x) there is no Market Disruption Event and (y) trading in the ADSs generally occurs on The Nasdaq Global Market or, if the ADSs are not then listed on The Nasdaq Global Market, on the principal other U.S. national or regional securities exchange on which the ADSs are then listed or, if the ADSs are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs are then listed or admitted for trading, except that if the ADSs are not so listed or admitted for trading, “**Trading Day**” means a Business Day.

“**Trading Price**” means, with respect to the Notes on any date of determination, the average of the secondary market bid quotations obtained by the Bid Solicitation Agent for US\$1,000,000 principal amount of Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers the Company selects for this purpose; *provided* that if three such bids cannot reasonably be obtained by the Bid Solicitation Agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Bid Solicitation Agent, that one bid shall be used. If the Bid Solicitation Agent cannot reasonably obtain at least one bid for US\$1,000,000 principal amount of Notes from a nationally recognized securities dealer on any determination date, then the Trading Price per US\$1,000 principal amount of Notes on such determination date shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate.

“**transfer**” shall have the meaning specified in Section 2.05(c).

“**Transfer Agent**” means Citibank, N.A., the transfer agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor transfer agent.

“**Trigger Event**” shall have the meaning specified in Section 14.04(c).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term “Trust Indenture Act” shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

“**Trustee**” means the Person named as the “**Trustee**” in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Trustee**” shall mean or include each Person who is then a Trustee hereunder.

“**unit of Reference Property**” shall have the meaning specified in Section 14.07(a).

“**U.S. Person**” shall have the meaning as such term is defined under Regulation S.

“**Valuation Period**” shall have the meaning specified in Section 14.04(c).

Section 1.02. *References to Interest.* Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

Section 2.01. *Designation and Amount.* The Notes shall be designated as the “0.750% Convertible Senior Notes due 2025.” The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to US\$500,000,000, subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 11.02, Section 14.02 and Section 15.04.

Section 2.02. *Form of Notes.* The Notes and the Trustee’s certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Depository, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officer executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect repurchases, redemptions, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Registrar, at the direction of the Trustee, in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, a Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03. *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts.* (a) The Notes shall be issuable in registered form without coupons in denominations of US\$1,000 principal amount and integral multiples thereof. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of the number of days actually elapsed in a 30-day month.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. The principal amount of any Note (x) in the case of any Physical Note, shall be payable at the office or agency of the Company maintained by the Company for such purposes in the Borough of Manhattan, The City of New York, which shall initially be the Paying Agent Office and (y) in the case of any Global Note, shall be payable by wire transfer of immediately available funds to the account of the Depository or its nominee. The Company shall pay interest (i) on Physical Notes, if any, by wire transfer in immediately available funds to that Holder's account within the United States specified by that Holder, which specification shall remain in effect until the Holder notifies, in writing, the Paying Agent and the Trustee to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depository or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee in its sole discretion shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee and Holders of the proposed payment of such Defaulted Amounts and the special record date therefor at its address as it appears in the Note Register or by electronic means to the Depository in the case of Global Notes, not less than 10 days prior to such special record date. Notice of the proposed payment of such

Defaulted Amounts and the special record date therefor having been so delivered, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c). The Trustee shall have no responsibility whatsoever for the calculation of any Defaulted Amounts.

(ii) The Company may make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04. *Execution, Authentication and Delivery of Notes.* The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of any of its Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary or any of its Executive or Senior Vice Presidents. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder; *provided* that the Trustee shall be entitled to receive an Officers' Certificate and an Opinion of Counsel with respect to the issuance, authentication and delivery of such Notes.

The Company Order shall specify the amount of Notes to be authenticated (including the initial amount of Rule 144A Notes and the initial amount of Regulation S Notes), the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. The Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order).

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the Form of Note attached as Exhibit A hereto, executed manually or by facsimile by an authorized officer of the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05. *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary.* (a) The Company shall cause to be kept at the Paying Agent Office a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the “**Note Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. Citibank, N.A. is hereby initially appointed the “**Note Registrar**” for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by Section 2.05(c).

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Prior to the Notes Fungibility Date, (A) Regulation S Notes (or beneficial interests therein) may be exchanged for Rule 144A Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) only if (1) such exchange occurs in connection with a transfer of the Notes (or a beneficial interest therein) under Rule 144A and (2) the transferor first delivers to the Trustee and the Note Registrar a written certificate, in the form attached to such Note, to the effect that the Notes (or such beneficial interest) are being transferred to a Person (a) who the transferor reasonably believes to be a “Qualified Institutional Buyer” (a “**QIB**”) (within the meaning of Rule 144A); (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions and (B) Rule 144A Notes

(or beneficial interests therein) may only be exchanged for Regulation S Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) if the transferor first delivers to the Trustee and the Note Registrar a written certificate, in the form attached to such Note, to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co- Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Transfer Agent, the ADS Depositary, the Note Registrar, any co-Note Registrar or the Paying Agent for any exchange or registration of transfer of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer. The Company shall pay the ADS Depositary's fees for issuance of any ADSS due upon conversion of the Notes.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion, (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15 or (iii) any Notes surrendered for redemption in accordance with Article 16.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(b) So long as the Notes are eligible for book-entry settlement with the Depositary, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a "**Global Note**") registered in the name of the Depositary or the nominee of the Depositary. The transfer and

exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depository in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05(c) (together with any ADSs (including the Class A Common Shares represented thereby) delivered upon conversion of the Notes that are required to bear the legend set forth in Section 2.05(d), collectively, the “**Restricted Securities**”) shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder’s acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c) and Section 2.05(d), the term “**transfer**” encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the “**Resale Restriction Termination Date**”) that is the later of (1) the date that is one year after the last date of original issuance of the Rule 144A Notes, or such shorter period of time as permitted by Rule 144 or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing a Rule 144A Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Class A Common Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Rule 144A Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (A “**QIB**”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT

TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE

144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Until the Resale Restriction Termination Date, any certificate evidencing a Regulation S Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Class A Common Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Regulation S Notes have been transferred pursuant to a registration statement that has become effective or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depositary in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (A “QIB”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (2) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a

restricted CUSIP number. The Company shall be entitled to instruct the Trustee in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Trustee shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee in writing upon the occurrence of the Resale Restriction Termination Date and after a registration statement, if any, with respect to the Notes or the ADSs (including the Class A Common Shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act. Any exchange pursuant to the foregoing paragraph shall be in accordance with the applicable procedures of the Depository.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository and (ii) for exchange of a Global Note or a portion thereof for one or more Physical Notes upon request of a member of, or a participant in, the Depository (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section 2.05(c).

The Depository shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depository with respect to each Global Note. Initially, each Global Note shall be issued to the Depository, registered in the name of Cede & Co., as the nominee of the Depository, and deposited with the Trustee as custodian for Cede & Co.

If (i) the Depository notifies the Company at any time that the Depository is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days, (ii) the Depository ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days or (iii) an Event of Default with respect to the Notes has occurred and is continuing and, subject to the Depository's procedures, a beneficial owner of any Note requests that its beneficial interest therein be issued as a Physical Note, the Company shall execute, and the Trustee, upon receipt of an Officers' Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause (iii), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

Physical Notes issued in exchange for all or a part of a Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, or, in the case of clause (iii) of the immediately preceding paragraph, the relevant beneficial owner, shall

instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, canceled, repurchased, redeemed or transferred, such Global Note shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and existing instructions of the Depository. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, canceled, repurchased, redeemed or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and existing instructions of the Depository, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Trustee, to reflect such reduction or increase.

None of the Company, the Trustee, any agent of the Company or any agent of the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Rule 144A Note shall bear a legend in substantially the following form (unless such ADSs (including the Class A Common Shares represented thereby) have been issued upon conversion of a Rule 144A Note that has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR

ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Regulation S Note shall bear a legend in substantially the following form (unless such ADSs (including the Class A Common Shares represented thereby) have been issued upon conversion of a Regulation S Note that has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "**COMPANY**"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (A) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (B) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (C) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the ADS Depository, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

(e) Any Note or ADS (including the Class A Common Shares represented thereby) delivered upon the conversion or exchange of a Note that is repurchased or owned by any Affiliate of the Company (or any Person who was an Affiliate of the Company at any time during the three months immediately preceding) may not be resold by such Affiliate (or such Person, as the case may be) unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note or ADS, as the case may be, no longer being a "restricted security" (as defined under Rule 144). The Company shall cause any Note that is

repurchased or owned by it to be surrendered to the Paying Agent for cancellation in accordance with Section 2.08.

(f) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any securities laws or restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(g) Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by the Depository.

Section 2.06. *Mutilated, Destroyed, Lost or Stolen Notes.* In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon the Company's written request the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee may authenticate any such substituted Note and deliver the same upon the receipt of such security, pre-funding and/or indemnity as the Trustee and the Company may require. No service charge shall be imposed by the Company, Transfer Agent, the ADS Depository, the Note Registrar, any co-Note Registrar or the Paying Agent upon the issuance of any substitute Note, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or is about to mature or has been surrendered for required repurchase or redemption or is about to be converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company and the Trustee of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or repurchase or redemption of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement, payment, redemption, conversion or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07. *Temporary Notes.* Pending the preparation of Physical Notes, the Company may execute and the Trustee shall, upon written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08. *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries, Consolidated Affiliated Entity or Affiliates), to be delivered and surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be canceled promptly by it, and, except in the case of Notes surrendered for registration of transfer or exchange, no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such cancellation and disposition to the Company, at the Company's written request in a Company Order.

Section 2.09. *CUSIP Numbers.* The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change

in the “CUSIP” or “ISIN” numbers, as applicable. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different “CUSIP” numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same “CUSIP” or “ISIN” number, as applicable.

Section 2.10. *Additional Notes; Repurchases.* The Company may, without the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms and with the same CUSIP number (or, if prior to the Notes Fungibility Date, the same CUSIP numbers as the Rule 144A Notes or the Regulation S Notes, as applicable) as the Notes initially issued hereunder (except for any differences in the issue price, issue date and interest accrued, if any) in an unlimited aggregate principal amount; *provided* that if any such additional Notes are not fungible with the Notes initially issued hereunder for U.S. federal securities laws or income tax purposes, such additional Notes shall have separate CUSIP and ISIN numbers from both the Rule 144A Notes and the Regulation S Notes. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officers’ Certificate and an Opinion of Counsel, such Officers’ Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.06, as the Trustee shall reasonably request. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or through its Subsidiaries or Consolidated Affiliated Entities or through a private or public tender or exchange offer or through counterparties to private agreements. The Company shall cause any Notes so repurchased to be surrendered to the Trustee for cancellation in accordance with Section 2.08. The Company may also enter into cash-settled swaps or other derivatives with respect to the Notes. For the avoidance of doubt, any Notes underlying such cash-settled swaps or other derivatives shall not be required to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and will continue to be considered “outstanding” for purposes of this Indenture, subject to the provisions of Section 8.04.

Section 2.11. *Appointment of Authenticating Agent.* As long as any Notes remain outstanding, the Trustee may, by an instrument in writing, appoint with the approval of the Company an authenticating agent (an “**Authenticating Agent**”), which shall be authorized to act on behalf of the Trustee to authenticate Notes pursuant to this Indenture. Notes authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or to the Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Such Authenticating Agent shall at all times be a Person that is eligible pursuant to the Trust Indenture Act to act as such and that has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section 2.11, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

ARTICLE 3
SATISFACTION AND DISCHARGE

Section 3.01. *Satisfaction and Discharge.* This Indenture shall upon request of the Company contained in an Officers' Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than Notes which have been destroyed, lost or stolen and which have been replaced, paid or converted as provided in Section 2.06) have been delivered to the Trustee for cancellation; or (ii) the Company has deposited with the Trustee or delivered to Holders, as applicable, after the Notes have become due and payable, whether on the Maturity Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon Tax Redemption, upon conversion or otherwise, cash, ADSs or a combination thereof, as applicable, solely to satisfy the Company's Conversion Obligation, sufficient to pay all of the outstanding Notes and all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4
PARTICULAR COVENANTS OF THE COMPANY

Section 4.01. *Payment of Principal and Interest.* The Company covenants and agrees that it will cause to be paid the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02. *Maintenance of Office or Agency.* The Company will maintain in the contiguous United States of America an office or agency (which will be the Paying Agent Office initially) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase or for conversion and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be made. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made at the Paying Agent Office.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the contiguous United States of America for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in

the location of any such other office or agency. The terms “Paying Agent” and “Conversion Agent” include any such additional or other offices or agencies, as applicable.

The Company initially designates Citibank, N.A. as the Paying Agent, Note Registrar and Conversion Agent and the Paying Agent Office shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

Section 4.03. *Appointments to Fill Vacancies in Trustee’s Office.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04. *Provisions as to Paying Agent.* (a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes in trust for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum in immediately available funds sufficient to pay such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) or accrued and unpaid interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; *provided* that such deposit must be received by the Paying Agent by 10:00 a.m., New York City time, on the relevant due date.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if

applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held in trust by the Company or by any Paying Agent as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts. Upon the occurrence of any event specified in Section 6.01(i) or Section 6.01(j), the Trustee or one of its affiliates shall automatically become the Paying Agent.

(d) Any money and ADSs deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on and the consideration due upon conversion of, any Note and remaining unclaimed for two years after such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), interest or consideration due upon conversion has become due and payable, shall be paid or delivered, as the case may be, to the Company on request of the Company contained in an Officers' Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money and ADSs, and all liability of the Company as trustee thereof, shall thereupon cease.

Section 4.05. *Existence.* Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 4.06. *Rule 144A Information Requirement and Annual Reports.* (a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes or any ADSs (including the Class A Common Shares represented thereby) deliverable upon conversion thereof shall, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or any ADSs deliverable upon conversion of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or ADSs pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request to the extent from time to time required to enable such Holder or beneficial owner to sell such Notes or ADSs in accordance with Rule 144A, as such rule may be amended from time to time.

(b) The Company shall provide to the Trustee, within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any applicable grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's

EDGAR system or any successor thereof shall be deemed to be provided to the Trustee for purposes of this Section 4.06(b) at the time such documents are filed via the EDGAR system or any successor thereof, it being understood that the Trustee shall not be responsible for determining whether such filings have been made. If the Notes become convertible into Reference Property consisting in whole or in part of shares of Capital Stock of any parent company of the Company pursuant to the terms of this Indenture described under Section 14.07 and such parent company provides a full and unconditional guarantee of the notes, the U.S. Securities and Exchange Commission reports of such parent company shall be deemed to satisfy the foregoing reporting requirements.

(c) Delivery of the reports and documents described in this Section 4.06 to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months after the last date of original issuance of the Notes, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after giving effect to all applicable grace periods thereunder and other than reports on Form 6-K), or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (as a result of restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes), the Company shall pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or the period during which the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately preceding) as described above, as the case may be. As used in this Section 4.06(d), documents or reports that the Company is required to "file" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act do not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP number or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes) as of the 375th day after the last date of original issuance of the Notes, the Company shall pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of the Notes outstanding until the restrictive legend on the Notes has been removed in accordance with Section 2.05(c), the Notes are assigned an unrestricted CUSIP number and the Notes are freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately

preceding) without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes.

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(g) Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. In no event shall Additional Interest accrue on any day under the terms of this Indenture (including any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e) together with any Additional Interest payable pursuant to Section 6.03) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid such Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officers' Certificate setting forth the particulars of such payment.

Section 4.07. *Additional Amounts.* (a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price), payments of interest and payments of cash and/or deliveries of ADSs (together with payments of cash in lieu of any fractional ADS) upon conversion of the Notes, shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company or any successor to the Company is, for tax purposes, organized or resident or doing business or through which payment is made or deemed made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or any successor to the Company shall pay to the Holder of each Note such additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the Holders after such withholding or deduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such Holders had no such withholding or deduction been required; *provided* that that no Additional Amounts shall be payable:

(i) for or on account of:

- (A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
- (1) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or the payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for, unless the Holder would have been entitled to such Additional Amounts on the last day of the 30-day period;
 - (3) the failure of the Holder or beneficial owner to comply with a timely request from the Company or any successor of the Company, addressed to the Holder, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable; or
 - (4) the presentation of such Notes (in cases in which presentation is required) for payment in the Relevant Taxing Jurisdiction, unless such Notes could not have been presented for payment elsewhere;
- (B) any estate, inheritance, gift, sale, transfer, excise, personal property or similar tax, assessment or other governmental charge;
- (C) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments or deliveries under or with respect to the Notes;

(D) any tax, assessment, withholding or deduction required by FATCA, any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, including any agreement pursuant to Section 1471(b) of the Code, or any law enacted by such other jurisdiction to give effect to such agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(E) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or Person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) If the Company becomes obligated to pay Additional Amounts with respect to any payment or delivery under or with respect to the Notes, the Company shall deliver to the Trustee and the Paying Agent, if other than the Trustee, on a date that is at least 30 days prior to the date of that payment or delivery (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company shall notify the Trustee and the Paying Agent promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts shall be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent or the Conversion Agent, as the case may be, to pay Additional Amounts to Holders on the relevant payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Company shall provide the Trustee and the Paying Agent with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(c) Any reference in this Indenture or the Notes in any context to the payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of the Notes or the payment of principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on, any Note or any other amount payable with respect to such Note, shall be deemed to include any Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 4.07.

(d) The Company or its successor shall make all withholdings and deductions required by law and shall remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. If the Company or its successor is required to make any deduction or withholding from any payments or deliveries with respect to the Notes, it shall deliver to the Trustee and the Paying Agent for the benefit of any Holders or beneficial owners official tax receipts evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted or, if official receipts are not obtainable, an Officers' Certificate evidencing the payment of any applicable taxes so deducted or withheld. Copies of those receipts or other documentation, as the case may be, shall be made available by the Trustee to the Holders or beneficial owners of the Notes.

(e) The Trustee shall have no obligation to determine whether any Additional Amounts are payable under this Indenture or the amount thereof. The Trustee and the Paying Agent shall be entitled to make any withholding or deduction pursuant to an agreement described in section 1471 of the Code or otherwise imposed pursuant to FATCA and any regulations or agreements thereunder or official interpretations thereof.

(f) The foregoing obligations shall survive termination or discharge of this Indenture.

Section 4.08. *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09. *Compliance Certificate; Statements as to Defaults.* The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2019) an Officers' Certificate stating that a review has been conducted of the Company's activities under this Indenture and whether the Company has fulfilled its obligations hereunder, and whether the authorized Officers thereof have knowledge of any Default by the Company that occurred during the previous year that is then continuing and, if so, specifying each such Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 days after the occurrence of any Default if such Default is then continuing, an Officers' Certificate setting forth the details of such Default, its status and the action that the Company is taking or proposing to take in respect thereof.

Section 4.10. *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE 5
LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01. *Lists of Holders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 5 days after each June 1 and December 1 in each year beginning with December 1, 2019, and at such other times as the Trustee may request in writing, within 5 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02. *Preservation and Disclosure of Lists.* The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01. *Events of Default.* The following events shall be “**Events of Default**” with respect to the Notes:

- (a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable and the default continues for a period of 30 days;
- (b) default in the payment of principal of any Note when due and payable on the Maturity Date, upon any required repurchase or redemption, upon declaration of acceleration or otherwise;
- (c) failure by the Company to comply with its obligation to convert the Notes in accordance with this Indenture upon exercise of a Holder’s conversion right and such failure continues for a period of five Business Days;
- (d) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 15.02(c), notice of a Make-Whole Fundamental Change in accordance with Section 14.03(a) or notice of a specified corporate event in accordance with Section 14.01(b)(ii) or 14.01(b)(iii), in each case, when due and such failure continues for a period of five Business Days;
- (e) failure by the Company to comply with its obligations under Article 11;
- (f) failure by the Company for 60 days after written notice from the Trustee or by the Trustee at the request of the Holders of at least 25% in aggregate principal amount of the Notes

then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of US\$40 million (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable (following any applicable grace periods) at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise;

(h) a final judgment for the payment of US\$40 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) rendered against the Company or any Significant Subsidiary of the Company, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

Section 6.02. *Acceleration; Rescission and Annulment.* If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Trustee may by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with

Section 8.04, by notice in writing to the Company and to the Trustee may, and the Trustee at the request of such Holders accompanied by security and/or indemnity satisfactory to the Trustee shall, declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable, notwithstanding anything contained in this Indenture or in the Notes to the contrary. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, 100% of the principal of, and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Trustee. If an Event of Default occurs and is continuing, the Agents and any other agents of the Company appointed under this Indenture will be required to act on the direction of the Trustee.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum in immediately available funds sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes at such time, *plus* one percent) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured pursuant to Section 6.01 or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, any Notes, (ii) a failure to repurchase any Notes when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes.

Section 6.03. *Additional Interest.* Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for an Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall after the occurrence of such an Event of Default (which, with respect to an Event of Default described in Section 6.01(f), shall be the 60th day after written notice is provided to the

Company in accordance with Section 6.01(f)) consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to:

(a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred; and

(b) if such Event of Default has not been cured or validly waived prior to the 181st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 181st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 360th day immediately following, and including, the date on which such Event of Default first occurred.

Additional Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). In no event shall Additional Interest accrue on the Notes on any day under this Indenture (including any Additional Interest payable pursuant to this Section 6.03 together with any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e)) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations. If the Company so elects, such Additional Interest shall be payable in the same manner and on the same dates as the stated interest payable on the Notes. On the 361st day after such Event of Default (if the Event of Default with respect to the Company's obligations under Section 4.06(b) is not cured or waived prior to such 361st day), the Notes shall be subject to acceleration as provided in Section 6.02. The provisions of this paragraph will not affect the rights of Holders of Notes in the event of the occurrence of any Event of Default other than the Company's failure to comply with its obligations as set forth in Section 4.06(b). In the event the Company does not elect to pay Additional Interest following an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 360 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify in writing all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 360-day period. Upon the Company's failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

Section 6.04. *Payments of Notes on Default; Suit Therefor.* If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee or at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04 and subject to pre-funding, indemnity and/or security satisfactory to the Trustee, pay to the Trustee, for the benefit

of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time, *plus* one percent, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may at its sole and absolute discretion and without further notice institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for reasonable compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies,

securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05. *Application of Monies Collected by Trustee.* Any monies or property collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due the Trustee under Section 7.06 and any payments due to the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar (if other than the Company acting in any such capacity);

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, and any cash due upon conversion of, the Notes in default in the order of the date due of the payments of such interest and cash due upon conversion, as the case may be, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time, *plus* one percent, such payments to be made ratably to the Persons entitled thereto;

Third, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including, if applicable, the payment of the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time, *plus* one percent, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company.

Section 6.06. *Proceedings by Holders*. Except to enforce the right to receive payment of principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

- (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;
- (b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to pursue the remedy;
- (c) such Holders shall have offered to the Trustee such security, pre-funding and/or indemnity satisfactory to it against any loss, liability or expense to be incurred therein or thereby;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of such security, pre-funding and/or indemnity, shall have neglected or refused to institute any such action, suit or proceeding; and
- (e) no direction that, in the opinion of the Trustee, is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09,

it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this

Indenture to affect, disturb or prejudice the rights of any other Holder (it being further understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, each Holder shall have the right to receive payment or delivery, as the case may be, of (x) (i) the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of and (ii) accrued and unpaid interest on, or (y) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, and such right to receive such payment or delivery, as the case may be, on or after such respective dates shall not be impaired or affected without the consent of such Holder.

Section 6.07. *Proceedings by Trustee.* In case of an Event of Default, the Trustee in its discretion may proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

Section 6.08. *Remedies Cumulative and Continuing.* Except as provided in the last paragraph of Section 2.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09. *Direction of Proceedings and Waiver of Defaults by Majority of Holders.* The Holders of a majority of the aggregate principal amount of the Notes at the time outstanding

determined in accordance with Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Trustee may refuse to follow any direction that it determines is unduly prejudicial to the rights of any other Holder (it being understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), that would involve the Trustee in personal liability, or for which the Trustee is not provided with security, pre-funding and/or indemnity to its satisfaction. In addition, the Trustee will not be required to expend its own funds under any circumstances. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences except (i) a default in the payment of accrued and unpaid interest on, or the principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) of, the Notes when due that has not been cured pursuant to the provisions of Section 6.01, (ii) a failure by the Company to pay or deliver, as the case may be, the consideration due upon conversion of the Notes or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10. *Notice of Defaults and Events of Default.* If a Default or Event of Default occurs and is continuing and is notified in writing to a Responsible Officer of the Trustee, the Trustee shall, within 90 days after the Responsible Officer of the Trustee it receives written notice or obtains knowledge of such Default or Event of Default, mail to all Holders (at the Company's expense) as the names and addresses of such Holders appear upon the Note Register, notice of all such Defaults known to a Responsible Officer, unless such Defaults shall have been cured or waived before the giving of such notice; *provided* that the Trustee shall not be deemed to have knowledge of any occurrence of a Default or an Event of Default unless a Responsible Officer of the Trustee has received written notice of such Event of Default describing the circumstances of such, and identifying the circumstances constituting such Event of Default. Except in the case of a Default in the payment of the principal of (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), or accrued and unpaid interest on, any of the Notes or a Default in the payment or delivery of the consideration due upon conversion, the Trustee shall be protected in withholding such notice if and so long as the Trustee's board of directors, an executive committee or a committee of Responsible Officers of the Trustee (in its sole discretion) in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11. *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest on any Note (including, but not limited to, the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note, or receive the consideration due upon conversion, in accordance with the provisions of Article 14.

ARTICLE 7
CONCERNING THE TRUSTEE

Section 7.01. *Duties and Responsibilities of Trustee.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In the event an Event of Default has occurred and is continuing, and if a Responsible Officer of the Trustee has written notice or actual knowledge of such event, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs; *provided* that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered (and, if requested, provided) to the Trustee indemnity, pre-funding and/or security satisfactory to it against, any loss, liability or expense that might be incurred by it in compliance with such request or direction.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee has written notice or actual knowledge of and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture

and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee and each Agent may conclusively and without liability rely, and will be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, security, bond, debenture, note, other evidence of indebtedness or other paper or document (whether in original, email or any other form of electronic communication or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee and each Agent need not investigate any fact or matter stated in the document, but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be determined by a decision of a court component jurisdiction that the Trustee was fraudulent or grossly negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively and without liability rely on its failure to receive such notice as reason to act as if no such event occurred, unless a Responsible Officer of the Trustee had actual knowledge of such event;

(g) in the absence of written investment direction from the Company, all cash received by the Trustee shall be placed in a non-interest bearing trust account, and in no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon or for losses incurred as a result of the liquidation of any such investment prior to its maturity date or

the failure of the party directing such investments prior to its maturity date or the failure of the party directing such investment to provide timely written investment direction, and the Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction from the Company;

(h) in the event that the Trustee or any of its affiliates is also acting as ADS Custodian, Note Registrar, Paying Agent, Conversion Agent, Bid Solicitation Agent or Transfer Agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article 7 shall also be afforded to such ADS Custodian, Note Registrar, Paying Agent, Conversion Agent, Bid Solicitation Agent or Transfer Agent; and

(i) under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Notes.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02. *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(b) the Trustee may consult with counsel or other professional advisors of its selection and require an Opinion of Counsel and any written or verbal advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(c) the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(d) in connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the

Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided in Section 4.07 or Section 14.02(e) and/or any undertaking given in addition to, or in substitution for, Section 4.07 or Section 14.02(e) pursuant to this Indenture;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, delegates, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, delegate, representative, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

(g) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(h) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture;

(i) in no event shall the Trustee be liable for any consequential, punitive, special or indirect loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(j) neither the Trustee nor any Agent shall be charged with knowledge of any Default or Event of Default with respect to the Notes, unless either (1) in the case of the Trustee, a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) it has received express written notice of such Default or Event of Default;

(k) the Trustee shall treat information provided hereunder as confidential, but (unless consent is prohibited by law) the Company hereby consents to the processing, transfer and disclosure by the Trustee of any information relating to it provided hereunder to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee solely in connection with the discharge of the Trustee's trusts, powers, authorities, duties and obligations under this Indenture, wherever situated, for confidential use (including to service providers selected by the Trustee with due care for data processing, statistical and risk analysis purposes and for compliance with applicable law). The Trustee and any such branch, subsidiary, representative office, affiliate, agent or third party may transfer and disclose any such information only to the extent required or requested by any applicable law, regulatory authority, court or legal process, including any auditor of the Company and including any payor or payee as required by applicable law, and may use (and its performance will be subject to the rules of) any communications, clearing or payment systems, intermediary bank or other system. The Company acknowledges that the transfers permitted by this Section 7.02(k) may include transfers to jurisdictions which do not have strict data protection or data privacy laws;

(l) the Company hereby irrevocably waives, in favor of the Trustee and the Agents, any conflict of interest that may arise by virtue of the Trustee and/or the Agents acting in various capacities under the Notes or this Indenture or for other customers of the Trustee and the Agents. The Company acknowledges that the Trustee and the Agents and their respective affiliates (together, the “**Agent Parties**”) may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which the Company may regard as conflicting with its interests and may possess information (whether or not material to the Company) other than as a result of the Trustee and/or the Agents acting as the Trustee and/or the Agents hereunder, that the Trustee and/or the Agents may not be entitled to share with the Company. The Trustee and the Agents will not disclose confidential information obtained from the Company (without its consent) to any of the Trustee and/or the Agents’ other customers or affiliates nor will it use on behalf of the Company any confidential information obtained from any other customer. Without prejudice to the foregoing, the Company agrees that the Agent Parties may deal (whether for its own or its customers’ account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of the Notes or this Indenture;

(m) the Trustee shall be entitled to take any action or to refuse to take any action which the Trustee regards as necessary for the Trustee to comply with any applicable law, regulation or fiscal requirement, court order, or the rules, operating procedures or market practice of any relevant stock exchange or other market or clearing system;

(n) notwithstanding anything else contained in this Indenture, each of the Trustee and the Agents may refrain without liability from (i) doing anything which would or might in its opinion acting reasonably be illegal or contrary to, or would result in the Trustee or any Agent being in breach of, any law of any jurisdiction or any directive, rule, regulation, request, direction, notice, announcement or similar action of any agency, regulatory authority, stock exchange or self-regulatory organization of any jurisdiction (including, without limitation, Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation or (ii) doing anything which may cause the Trustee to be considered a sponsor of a covered fund under Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any regulations promulgated thereunder. Furthermore, the Trustee may also refrain from taking any action if, in its opinion based upon advice of counsel, it would not have the power to do the relevant thing in the relevant jurisdiction by virtue of any applicable law in such jurisdiction or if it is determined by any court or other competent authority in such jurisdiction that it does not have such power; and

(o) in the event the Trustee receives inconsistent or conflicting requests and indemnity, security and/or pre-funding from two or more groups of Holders, each representing less than a majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole and absolute discretion, may determine what action, if any, will be taken.

Section 7.03. *No Responsibility for Recitals, Etc.* The recitals, statements, warranties and representations contained herein and in the Notes (except in the Trustee’s certificate of

authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the accuracy or correctness of the same or the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture. Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Section 7.04. *Trustee, Paying Agents, Conversion Agents, Bid Solicitation Agent, Transfer Agent or Note Registrar May Own Notes.* The Trustee, any Paying Agent, any Conversion Agent, Bid Solicitation Agent (if other than the Company or any Affiliate thereof), Transfer Agent or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent, Bid Solicitation Agent, Transfer Agent or Note Registrar, and nothing herein shall obligate any of them to account for any profits earned from any business or transactional relationship.

Section 7.05. *Monies and ADSs to Be Held in Trust.* All monies and ADSs received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money and ADSs held by the Trustee in trust or by the Paying Agent hereunder need not be segregated from other funds or property except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any money or ADSs received by it hereunder.

Section 7.06. *Compensation and Expenses of Trustee.* (a) The Company covenants and agrees to pay to the Trustee, in any capacity under this Indenture, from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence or willful misconduct as determined by a final, non-appealable decision of a court of competent jurisdiction. The Company also covenants to indemnify the Trustee in any capacity under this Indenture and any other document or transaction entered into in connection herewith and its officers, directors, attorneys, employees and agents, and to hold them harmless against, any loss, claim (provided that the Company need not pay for settlement of any such claim made without its consent, which consent shall not be unreasonably withheld), damage, liability or expense incurred without gross negligence or willful misconduct on the part of the Trustee, its officers, directors, agents, attorneys or employees, as the case may be, as determined by a final, non-appealable decision of a court of competent jurisdiction, and arising

out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior lien to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The indemnity under this Section 7.06(a) is payable upon demand by the Trustee. The obligation of the Company under this Section 7.06(a) shall survive the satisfaction and discharge of this Indenture and payment of the Notes, the termination of this Indenture and the resignation or removal of the Trustee. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06(a) shall extend to the officers, directors, attorneys, agents and employees of the Trustee. Subject to Section 7.02(e), any negligence or misconduct of any agent, delegate, attorney or representative, in each case, of the Trustee, shall not affect indemnification of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws. If a Default or Event of Default shall have occurred or if the Trustee finds it expedient or necessary or is requested by the Company and/or the Holders to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture, the Company will pay such additional remuneration as the Company and the Trustee have separately agreed in writing.

(b) The Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar shall be entitled to the compensation to be agreed upon in writing with the Company for all services rendered by it under this Indenture, and the Company agrees promptly to pay such compensation and to reimburse the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar for its out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by it in connection with the services rendered by it under this Indenture. The Company hereby agrees to indemnify the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar and their respective officers, directors, agents and employees and any successors thereto for, and to hold it harmless against, any loss, liability or expense (including reasonable fees and expenses of counsel) incurred without gross negligence or willful misconduct on its part, as determined by a final, non-appealable decision of a court of competent jurisdiction, arising out of or in connection with its acting as the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar hereunder. The obligations of the Company under this paragraph (b) shall survive the payment of the Notes, the termination of this Indenture and the resignation or removal of the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar.

Section 7.07. *Officers' Certificate as Evidence.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it

necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08. *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09. *Resignation or Removal of Trustee.* (a) The Trustee may at any time resign by giving 30 days written notice of such resignation to the Company and by delivering notice thereof to the Holders. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation to the Holders, the resigning Trustee may appoint a successor trustee on behalf of and at the expense of the Company or it may, upon ten Business Days' notice to the Company and the Holders, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may remove the Trustee by giving 30 days written notice to the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10. *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due to it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall deliver or cause to be delivered notice of the succession of such trustee hereunder to the Holders. If the Company fails to deliver such notice within ten days after acceptance of

appointment by the successor trustee, the successor trustee shall cause such notice to be delivered at the expense of the Company.

Section 7.11. *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12. *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date such application is deemed to have been given to any Officer of the Company pursuant to Section 17.03, unless any such Officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8
CONCERNING THE HOLDERS

Section 8.01. *Action by Holders.* Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or

waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action.

The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02. *Proof of Execution by Holders.* Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03. *Who Are Deemed Absolute Owners.* The Company, the Trustee, any Paying Agent, any Transfer Agent, any Conversion Agent and any Note Registrar will deem the Person in whose name a Note shall be registered upon the Note Register to be, and will treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal (including any Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) of and (subject to Section 2.03) accrued and unpaid interest on such Note, for conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Transfer Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such holder's right to exchange such beneficial interest for a Physical Note in accordance with the provisions of this Indenture.

Section 8.04. *Company-Owned Notes Disregarded.* In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary or Consolidated Affiliated Entity thereof or by any Affiliate of the Company or any Subsidiary or Consolidated Affiliated Entity thereof shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes in respect of which a Responsible Officer is notified in writing

shall be so disregarded. Notwithstanding the foregoing, Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish its right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary or Consolidated Affiliated Entity thereof or an Affiliate of the Company or a Subsidiary or Consolidated Affiliated Entity thereof. Within five days of acquisition of the Notes by any of the above described persons or entities, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05. *Revocation of Consents; Future Holders Bound.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9 HOLDERS' MEETINGS

Section 9.01. *Purpose of Meetings.* A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder (in each case, as permitted under this Indenture) and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or
- (d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02. *Call of Meetings by Trustee.* The Trustee may at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be delivered to Holders of such Notes. Such notice shall also be delivered to the Company. Such notices shall be delivered not less than 20 nor more than 90 days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03. *Call of Meetings by Company or Holders.* In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have delivered the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by delivering notice thereof as provided in Section 9.02.

Section 9.04. *Qualifications for Voting.* To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05. *Regulations.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in aggregate principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxy-holder shall be entitled to one vote for each US\$1,000 principal amount of Notes held or represented by him or her; *provided, however,* that no vote shall be cast or counted at any

meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Holders of the Notes, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Section 9.06. *Voting.* The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was delivered as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07. *No Delay of Rights by Meeting.* Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10 SUPPLEMENTAL INDENTURES

Section 10.01. *Supplemental Indentures Without Consent of Holders.* The Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's

expense and direction, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to provide for the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes pursuant to Article 11;
- (c) to add guarantees with respect to the Notes;
- (d) to secure the Notes;
- (e) to add to the covenants or Events of Default of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (f) upon the occurrence of any Merger Event, to provide that the Notes are convertible into Reference Property, subject to the provisions of Section 14.02, and effect the related changes to the terms of the Notes described under Section 14.07, in each case, in accordance with Section 14.07;
- (g) to make any change that does not adversely affect the rights or interests of any Holder; or
- (h) to conform the provisions of this Indenture or the Notes to the "Description of the Notes" section of the Offering Memorandum.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise. Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02. *Supplemental Indentures with Consent of Holders.* With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided, however,* that, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

- (a) reduce the amount of Notes whose Holders must consent to an amendment;

- (b) reduce the rate of or extend the stated time for payment of interest on any Note;
- (c) reduce the principal of or extend the Maturity Date of any Note;
- (d) make any change that adversely affects the conversion rights of any Notes;
- (e) reduce the Repurchase Price payable on the Repurchase Date, the Tax Redemption Price or the Fundamental Change Repurchase Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (f) make any Note payable in a currency other than U.S. dollars;
- (g) change the ranking of the Notes;
- (h) impair the right of any Holder to receive payment of principal and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Note;
- (i) change the Company's obligation to pay Additional Amounts on any Note; or
- (j) make any change in this Article 10 that requires each Holder's consent or in the waiver provisions in Section 6.02 or Section 6.09.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of the requisite Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless (i) the Trustee has not received an Opinion of Counsel stating that such supplemental indenture is authorized and permitted by the terms of this Indenture and not contrary to law or (ii) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holdings do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any such supplemental indenture becomes effective, the Company shall deliver to the Holders (with a copy to the Trustee) a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04. *Notation on Notes.* Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated upon receipt of a Company Order, by the Trustee and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05. *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.* In addition to the documents required by Section 17.06, the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture and with respect to such Opinion of Counsel, that such supplemental indenture is the valid and binding obligation of the Company enforceable in accordance with its terms, subject to customary exceptions and qualifications.

ARTICLE 11
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01. *Company May Consolidate, Etc. on Certain Terms.* Subject to the provisions of Section 11.02, the Company shall not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of its properties and assets to another Person, unless:

(a) the resulting, surviving or transferee Person (the "**Successor Company**"), if not the Company, shall be a corporation organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong and the Successor Company (if not the Company) shall expressly assume by supplemental indenture all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07); and

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture.

For purposes of this Section 11.01, the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries or Consolidated Affiliated Entities of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries or Consolidated Affiliated Entities, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02. *Successor Corporation to Be Substituted.* In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the

Successor Company, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "Company" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03. *Opinion of Counsel to Be Given to Trustee.* No consolidation, merger, sale, conveyance, transfer or lease shall be effective unless the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11.

ARTICLE 12 IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01. *Indenture and Notes Solely Corporate Obligations.* No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note,

nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13
INTENTIONALLY OMITTED

ARTICLE 14
CONVERSION OF NOTES

Section 14.01. *Conversion Privilege*

(a) Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is US\$1,000 principal amount or an integral multiple thereof) of such Note (i) subject to satisfaction of the conditions described in Section 14.01(b), at any time prior to the close of business on the Business Day immediately preceding December 15, 2024 under the circumstances and during the periods set forth in Section 14.01(b), and (ii) regardless of the conditions described in Section 14.01(b), on or after December 15, 2024 and prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, in each case, at an initial conversion rate of 10.4271 ADSs (subject to adjustment as provided in this Article 14, the "**Conversion Rate**") per US\$1,000 principal amount of Notes (subject to, and in accordance with, the settlement provisions of Section 14.02, the "**Conversion Obligation**").

(b) (i) Prior to the close of business on the Business Day immediately preceding December 15, 2024, a Holder may surrender all or any portion of its Notes for conversion at any time during the five Business Day period immediately after any ten consecutive Trading Day period (the "**Measurement Period**") in which the Trading Price per US\$1,000 principal amount of Notes, as determined following a request by a Holder of Notes in accordance with this subsection (b)(i), for each Trading Day of the Measurement Period was less than 98% of the product of the Last Reported Sale Price of the ADSs on each such Trading Day and the Conversion Rate on each such Trading Day. The Trading Prices shall be determined by the Bid Solicitation Agent pursuant to this subsection (b)(i) and the definition of Trading Price set forth in this Indenture. The Bid Solicitation Agent (if other than the Company) shall have no obligation to determine the Trading Price per US\$1,000 principal amount of Notes unless the Company has requested such determination in writing, and the Company shall have no obligation to make such request (or, if the Company is acting as Bid Solicitation Agent, the Company shall have no obligation to determine the Trading Price per US\$1,000 principal amount of Notes) unless a Holder provides the Company with reasonable evidence that the Trading Price per US\$1,000 principal amount of Notes on any Trading Day would be less than 98% of the product of the Last Reported Sale Price of the ADSs on such Trading Day and the Conversion Rate on such Trading Day, at which time the Company shall instruct the Bid Solicitation Agent (if other

than the Company) in writing to determine, or if the Company is acting as Bid Solicitation Agent, the Company shall determine, the Trading Price per US\$1,000 principal amount of Notes beginning on the next Trading Day and on each successive Trading Day until the Trading Price per US\$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate. At such time as the Company directs the Bid Solicitation Agent (if other than the Company) in writing to solicit bid quotations, the Company shall provide the Bid Solicitation Agent with the names and contact details of the three independent nationally recognized securities dealers the Company selects, and the Company shall direct those securities dealers to provide bids to the Bid Solicitation Agent. If (x) the Company is not acting as Bid Solicitation Agent, and the Company does not, when the Company is required to, instruct the Bid Solicitation Agent to determine the Trading Price per US\$1,000 principal amount of Notes when obligated as provided in the preceding sentence, or if the Company instructs the Bid Solicitation Agent in writing to obtain bids and the Bid Solicitation Agent fails to make such determination, or (y) the Company is acting as Bid Solicitation Agent and the Company fails to make such determination when obligated as provided in the preceding sentence, then, in either case, the Trading Price per US\$1,000 principal amount of Notes shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate on each Trading Day of such failure. If the Trading Price condition set forth above has been met, the Company shall so notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing. If, at any time after the Trading Price condition set forth above has been met, the Trading Price per US\$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate for such date, the Company shall so notify in writing the Holders, the Trustee and the Conversion Agent (if other than the Trustee).

(ii) If, prior to the close of business on the Business Day immediately preceding December 15, 2024, the Company elects to:

(A) issue to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per share that is less than the average of the Last Reported Sale Prices of the ADSs, *divided by* the number of Class A Common Shares then represented by one ADS, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance; or

(B) distribute to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) the Company's assets, securities or rights to purchase securities of the Company, which distribution has a per share value, as determined by the Board of Directors, exceeding 10% of (i) the Last Reported Sale Price of the ADSs on the Trading Day preceding the date of announcement for such distribution, *divided by* (ii) the number of Class A Common Shares then represented by one ADS,

then, in either case, the Company shall notify all Holders of the Notes, the Trustee and the Conversion Agent (if other than the Trustee) in writing at least 50 Scheduled Trading Days prior to the Ex-Dividend Date for such issuance or distribution. Once the Company has given such notice, a Holder may surrender all or any portion of its Notes for conversion at any time until the earlier of (1) the close of business on the Business Day immediately preceding the Ex-Dividend Date for such issuance or distribution and (2) the Company's announcement that such issuance or distribution will not take place, in each case, even if the Notes are not otherwise convertible at such time.

(iii) If a transaction or event that constitutes a Fundamental Change or a Make-Whole Fundamental Change occurs prior to the close of business on the Business Day immediately preceding December 15, 2024, regardless of whether a Holder has the right to require the Company to repurchase the Notes pursuant to Section 15.02, or if the Company is a party to a Merger Event that occurs prior to the close of business on the Business Day immediately preceding December 15, 2024, all or any portion of a Holder's Notes may be surrendered for conversion at any time from or after the actual effective date of such transaction until 35 Trading Days after the actual effective date of such transaction or, if such transaction also constitutes a Fundamental Change, until the related Fundamental Change Repurchase Date. The Company shall notify Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing as promptly as practicable following the date the Company publicly announces such transaction.

(iv) Prior to the close of business on the Business Day immediately preceding December 15, 2024, a Holder may surrender all or any portion of its Notes for conversion at any time during any calendar quarter commencing after the calendar quarter ending on September 30, 2019 (and only during such calendar quarter), if the Last Reported Sale Price of the ADSs for at least 20 Trading Days (whether or not consecutive) during the period of 30 consecutive Trading Days ending on, and including, the last Trading Day of the immediately preceding calendar quarter is greater than or equal to 130% of the Conversion Price on each applicable Trading Day. The Company shall determine at the beginning of each calendar quarter commencing after September 30, 2019 whether the Notes may be surrendered for conversion in accordance with this clause (iv) and shall notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing if the Notes become convertible in accordance with this clause (iv).

(v) If the Company calls all of the Notes upon a Tax Redemption pursuant to Article 16, a Holder may surrender any or all of its Notes for conversion at any time prior to the close of business on the second Business Day prior to the Tax Redemption Date, even if the Notes are not otherwise convertible at such time. After that time, the right to convert the Notes on account of the Company's delivery of a Tax Redemption Notice shall expire under this clause (v), unless the Company defaults in the payment of the Tax Redemption Price, in which case a Holder may convert any or all of its Notes until the Tax Redemption Price has been paid or duly provided for.

Section 14.02. *Conversion Procedure; Settlement Upon Conversion.*

(a) Subject to this Section 14.02, Section 14.03(b) and Section 14.07(a), upon conversion of any Note, the Company shall pay or deliver, as the case may be, to the converting Holder, in respect of each US\$1,000 principal amount of Notes being converted, cash (“**Cash Settlement**”), ADSs, together with cash, if applicable, in lieu of delivering any fractional ADSs in accordance with subsection (j) of this Section 14.02 (“**Physical Settlement**”) or a combination of cash and ADSs, together with cash, if applicable, in lieu of delivering any fractional ADS in accordance with subsection (j) of this Section 14.02 (“**Combination Settlement**”), at its election, as set forth in this Section 14.02.

(i) All conversions for which the relevant Conversion Date occurs after the Company’s issuance of a Tax Redemption Notice with respect to the Notes and prior to the related Tax Redemption Date shall be settled using the same Settlement Method, and all conversions for which the relevant Conversion Date occurs on or after December 15, 2024 shall be settled using the same Settlement Method.

(ii) Except for any conversions for which the relevant Conversion Date occurs after the Company’s issuance of a Tax Redemption Notice with respect to the Notes but prior to the related Tax Redemption Date, and any conversions for which the relevant Conversion Date occurs on or after December 15, 2024, the Company shall use the same Settlement Method for all conversions with the same Conversion Date, but the Company shall not have any obligation to use the same Settlement Method with respect to conversions with different Conversion Dates.

(iii) If, in respect of any Conversion Date (or one of the periods described in the fourth immediately succeeding set of parentheses, as the case may be), the Company elects a Settlement Method, the Company shall deliver a written notice (the “**Settlement Notice**”) of the relevant Settlement Method in respect of such Conversion Date (or such period, as the case may be) to converting Holders, the Trustee and the Conversion Agent (if other than the Trustee) no later than the close of business on the Trading Day immediately following the relevant Conversion Date (or, in the case of any conversions for which the relevant Conversion Date occurs (x) after the date of issuance of a Tax Redemption Notice with respect to the Notes and prior to the related Tax Redemption Date, in such Tax Redemption Notice or (y) on or after December 15, 2024, no later than December 15, 2024). If the Company does not elect a Settlement Method prior to the deadline set forth in the immediately preceding sentence, the Company shall no longer have the right to elect Cash Settlement or Physical Settlement and the Company shall be deemed to have elected Combination Settlement in respect of its Conversion Obligation, and the Specified Dollar Amount per US\$1,000 principal amount of Notes shall be equal to US\$1,000. Such Settlement Notice shall specify the relevant Settlement Method and in the case of an election of Combination Settlement, the relevant Settlement Notice shall indicate the Specified Dollar Amount per US\$1,000 principal amount of Notes. If the Company delivers a Settlement Notice electing Combination Settlement in respect of its Conversion Obligation but does not indicate a Specified Dollar Amount per US\$1,000 principal amount of Notes in such Settlement Notice, the Specified Dollar Amount per US\$1,000 principal amount of Notes shall be deemed to be US\$1,000.

(iv) The cash, ADSs or a combination of cash and ADSs in respect of any conversion of Notes (the “**Settlement Amount**”) shall be computed as follows:

(A) if the Company elects to satisfy its Conversion Obligation in respect of such conversion by Physical Settlement, the Company shall deliver to the converting Holder in respect of each US\$1,000 principal amount of Notes being converted a number of ADSs equal to the Conversion Rate in effect on the Conversion Date;

(B) if the Company elects to satisfy its Conversion Obligation in respect of such conversion by Cash Settlement, the Company shall pay to the converting Holder in respect of each US\$1,000 principal amount of Notes being converted cash in an amount equal to the sum of the Daily Conversion Values for each of the 40 consecutive Trading Days during the related Observation Period; and

(C) if the Company elects (or is deemed to have elected) to satisfy its Conversion Obligation in respect of such conversion by Combination Settlement, the Company shall pay or deliver, as the case may be, in respect of each US\$1,000 principal amount of Notes being converted, a Settlement Amount equal to the sum of the Daily Settlement Amounts for each of the 40 consecutive Trading Days during the related Observation Period.

(v) The Daily Settlement Amounts (if applicable) and the Daily Conversion Values (if applicable) shall be determined by the Company promptly following the last day of the Observation Period. Promptly after such determination of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering any fractional ADS, the Company shall notify the Trustee and the Conversion Agent (if other than the Trustee) in writing of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering fractional ADSs. The Trustee and the Conversion Agent (if other than the Trustee) shall have no responsibility for any such determination.

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depository in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h) and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile thereof) (a “**Notice of Conversion**”) at the office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any ADSs to be delivered upon settlement of the Conversion Obligation to be registered, (2) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (3) if required, furnish appropriate endorsements and transfer documents and (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in

Section 14.02(h). The Trustee (and if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. No Notice of Conversion with respect to any Notes may be delivered, and no Notes may be surrendered for conversion, by a Holder thereof if such Holder has also delivered a Fundamental Change Repurchase Notice or Repurchase Notice to the Company in respect of such Notes and has not validly withdrawn such Fundamental Change Repurchase Notice or Repurchase Notice, as the case may be, in accordance with Section 15.03.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has complied with the requirements set forth in subsection (b) above. Except as set forth in Section 14.03(b) and Section 14.07(a), the Company shall pay or deliver, as the case may be, the consideration due in respect of the Conversion Obligation on the second Business Day immediately following the relevant Conversion Date, if the Company elects Physical Settlement, or on the second Business Day immediately following the last Trading Day of the relevant Observation Period, in the case of any other Settlement Method. If any ADSs are due to a converting Holder, the Company shall issue or cause to be issued, and deliver (if applicable) to such Holder, or such Holder’s nominee or nominees, the full number of ADSs to which such Holder shall be entitled, in book-entry format through the Depository, in satisfaction of the Company’s Conversion Obligation.

(d) In case any certificated Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp, issue, transfer or similar tax due on the issue of any ADSs upon conversion of the Notes or the issuance of the underlying Class A Common Shares, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder’s name, in which case the Holder shall pay that tax. The Company shall pay the ADS Depository’s fees for the issuance of the ADSs.

(f) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs delivered upon the conversion of any Note as provided in this Article 14.

(g) Upon the conversion of an interest in a Global Note, the Trustee shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(h) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's settlement of the full Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon a conversion of Notes into a combination of cash and ADSs, accrued and unpaid interest will be deemed to be paid first out of the cash paid upon such conversion. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date and prior to the open of business on the immediately following Interest Payment Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. However, Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by an amount in U.S. dollars equal to the amount of interest payable on the Notes so converted; *provided* that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Tax Redemption Date that is after a Regular Record Date and on or prior to the Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date); (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date); or (4) to the extent of any Defaulted Amounts, if any Defaulted Amounts exists at the time of conversion with respect to such Note. Therefore, for the avoidance of doubt, all Holders of record on the Regular Record Date immediately preceding the Maturity Date shall receive the full interest payment due on the Maturity Date in cash regardless of whether their Notes have been converted following such Regular Record Date. Neither the Trustee nor the Conversion Agent (if other than the Trustee) will have any duty to determine or verify determination by the Company of whether any of the conditions to conversion have been satisfied.

(i) The Person in whose name any ADSs shall be deliverable upon conversion shall be treated as a holder of record as of the close of business on the relevant Conversion Date (if the Company elects to satisfy the related Conversion Obligation by Physical Settlement) or the last Trading Day of the relevant Observation Period (if the Company elects to satisfy the related Conversion Obligation by Combination Settlement), as the case may be. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(j) The Company shall not issue any fractional ADSs upon conversion of the Notes and shall instead pay cash in lieu of delivering any fractional ADS deliverable upon conversion

based on the Daily VWAP for the relevant Conversion Date (in the case of Physical Settlement) or based on the Daily VWAP for the last Trading Day of the relevant Observation Period (in the case of Combination Settlement). For each Note surrendered for conversion, if the Company has elected (or is deemed to have elected) Combination Settlement, the full number of ADSs that shall be deliverable upon conversion thereof shall be computed on the basis of the aggregate Daily Settlement Amounts for the relevant Observation Period and any fractional shares remaining after such computation shall be paid in cash.

Section 14.03. *Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Changes or Tax Redemptions.*

(a) If (i) a Make-Whole Fundamental Change occurs prior to the Maturity Date or (ii) the Company delivers a Tax Redemption Notice and, in each case, a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change or such Tax Redemption, as the case may be, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the “**Additional ADSs**”), as described below. A conversion of Notes shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the second Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change). A conversion of Notes shall be deemed for these purposes to be “in connection with” a Tax Redemption if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the date the Company delivers the Tax Redemption Notice in respect of such Tax Redemption to, and including, the second Business Day immediately prior to the related Tax Redemption Date. The Company shall provide written notification to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change or a Tax Redemption, the Company shall, at its option, satisfy the related Conversion Obligation by Physical Settlement, Cash Settlement or Combination Settlement, in accordance with Section 14.02; *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per US\$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment for Additional ADSs), *multiplied by* such ADS Price. In such event, the Conversion Obligation shall be paid to Holders in cash on the second Business Day following the Conversion Date.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on (i) the date on which the Make-Whole Fundamental Change occurs or becomes effective or, in the case of a Tax

Redemption, the date on which the Company delivers a Tax Redemption Notice (in each case, the “Effective Date”) and (ii) the price paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change or, in the case of a Tax Redemption, the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the date the Company delivers such Tax Redemption Notice, as the case may be (in each case, the “ADS Price”). If the holders of the ADSs receive in exchange for their ADSs only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change. The Board of Directors shall make appropriate adjustments to the ADS Price, in its good faith determination, to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date (as such term is used in Section 14.04) or expiration date of the event occurs during such five consecutive Trading Day period.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs by which the Conversion Rate shall be increased per US\$1,000 principal amount of Notes pursuant to this Section 14.03 for each ADS Price and Effective Date set forth below:

Effective Date	ADS Price											
	US\$71.04	US\$80	US\$90	US\$95.90	US\$100	US\$125	US\$150	US\$200	US\$250	US\$300	US\$400	US\$500
June 24, 2019	3.6494	2.9229	2.3240	2.0458	1.8780	1.1650	0.7665	0.3714	0.1960	0.1068	0.0273	0.0000
June 15, 2020	3.6494	2.9229	2.3240	2.0458	1.8653	1.1118	0.7061	0.3223	0.1620	0.0844	0.0196	0.0000
June 15, 2021	3.6494	2.9229	2.2939	1.9700	1.7783	1.0031	0.6072	0.2559	0.1199	0.0583	0.0112	0.0000
June 15, 2022	3.6494	2.9229	2.1478	1.8068	1.6087	0.8428	0.4791	0.1811	0.0768	0.0334	0.0039	0.0000
June 15, 2023	3.6494	2.5321	1.8230	1.5112	1.3300	0.6385	0.3290	0.1034	0.0371	0.0133	0.0000	0.0000
June 15, 2024	3.6494	2.3653	1.5449	1.2021	1.0107	0.3649	0.1457	0.0320	0.0090	0.0020	0.0000	0.0000
June 15, 2025	3.6494	2.0729	0.6840	0.0004	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact ADS Price and Effective Date may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of

Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the ADS Price is greater than US\$ 500.00 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than US\$71.04 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per US\$1,000 principal amount of the Notes exceed 14.0765 ADSs, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04.

Section 14.04. *Adjustment of Conversion Rate.* If the number of Class A Common Shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Common Shares represented by the ADSs upon which conversion of the Notes is based remains the same.

Notwithstanding the adjustment provisions described in this Section 14.04, if the Company distributes to holders of the Class A Common Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to Class A Common Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 14.04 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Common Shares. However, in the event that the Company issues or distributes to all holders of the Class A Common Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights described in clause (b) below entitling holders of the Class A Common Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Common Shares or ADSs) or Section 14.04(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 14.04 results in a change to the number of Class A Common Shares represented by the ADSs, then such a change

shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such event to the extent to which such change produces the same economic result as the adjustment to the Conversion Rate that would otherwise have been made on account of such event.

Subject to the foregoing, the Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the case of (x) a share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate, *multiplied by* the principal amount (expressed in thousands) of Notes held by such Holder. Neither the Trustee nor the Conversion Agent shall have any responsibility to monitor the accuracy of the calculation of any adjustment to the Conversion Rate, and the same shall be conclusive and binding on the Holders, absent manifest error. Notice of such adjustment to the Conversion Rate shall be given by the Company promptly to the Holders, the Trustee and the Paying Agent and Conversion Agent and shall be conclusive and binding on the Holders, absent manifest error.

(a) If the Company exclusively issues Class A Common Shares as a dividend or distribution on the Class A Common Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date or Effective Date, as applicable;

OS₀ = the number of Class A Common Shares outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date, as applicable (before giving effect to any such dividend, distribution, share split or share combination); and

OS₁ = the number of Class A Common Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution, or immediately after the open of business on the Effective Date for such share split or share combination, as

applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) any rights (other than in connection with a stockholders rights plan), options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per Class A Common Share that is less than the average of the Last Reported Sale Prices of the Class A Common Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex- Dividend Date for such issuance;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex- Dividend Date;

OS₀ = the number of Class A Common Shares outstanding immediately prior to the open of business on such Ex-Dividend Date;

X = the total number of Class A Common Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and

Y = the number of Class A Common Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants *divided by* (b) the number of Class A Common Shares then represented by one ADS.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the Ex-Dividend Date for such issuance. To the extent that Class A Common Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with

respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Class A Common Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if the Ex-Dividend Date for such issuance had not occurred.

For purposes of this Section 14.04(b) and Section 14.01(b)(ii)(A), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per Class A Common Share that is less than such average of the Last Reported Sale Prices of the Class A Common Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Class A Common Shares or ADSs, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 14.04(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities, the “**Distributed Property**”), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such distribution;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;

SP₀ = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Class A Common Share (directly or in the form of ADSs) on the Ex-Dividend Date for such distribution.

Any increase made under the portion of this Section 14.04(c) above shall become effective immediately after the open of business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each US\$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Class A Common Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the end of the Valuation Period;

CR₁ = the Conversion Rate in effect immediately after the end of the Valuation Period;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Common Shares (directly or in the form of ADSs) applicable to one Class A Common Share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to the ADSs were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex- Dividend Date of the Spin-Off (the “Valuation Period”); and

MP₀ = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall occur at the close of business on the last Trading Day of the Valuation Period; *provided* that (x) in respect of any conversion of Notes for which Physical Settlement is applicable, if the relevant Conversion Date occurs during the Valuation Period, references in the preceding paragraph with respect to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have

elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate and (y) in respect of any conversion of Notes for which Cash Settlement or Combination Settlement is applicable, for any Trading Day that falls within the relevant Observation Period for such conversion and within the Valuation Period, references in the preceding paragraph with respect to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, such Trading Day in determining the Conversion Rate as of such Trading Day.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the Class A Common Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Class A Common Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Class A Common Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Common Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Ex-Dividend Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Class A Common Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Common Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), if any dividend or distribution to which this Section 14.04(c) is applicable also includes one or both of:

(A) a dividend or distribution of Class A Common Shares (directly or in the form of ADSs) to which Section 14.04(a) is applicable (the “**Clause A Distribution**”); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the “**Clause B Distribution**”),

then, in either case, (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the “**Clause C Distribution**”) and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made, except that, if determined by the Company (I) the “Ex-Dividend Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Ex-Dividend Date of the Clause C Distribution and (II) any Class A Common Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date” within the meaning of Section 14.04(a) or “outstanding immediately prior to the open of business on such Ex-Dividend Date” within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such dividend or distribution;

CR₁ = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such dividend or distribution;

SP₀ = the Last Reported Sale Price of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and

C = the amount in cash per Class A Common Share the Company distributes to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 14.04(d) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each US\$1,000 principal amount of Notes, at the same time and upon the same terms as holders of the ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries or Consolidated Affiliated Entities make a payment in respect of a tender or exchange offer for the Class A Common Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Class A Common Share exceeds the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Common Shares or ADSs, as the case may be, purchased in such tender or exchange offer;
- OS₀ = the number of Class A Common Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Class A Common Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of Class A Common Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Class A Common Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and

SP1 = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The increase to the Conversion Rate under this Section 14.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that (x) in respect of any conversion of Notes for which Physical Settlement is applicable, if the relevant Conversion Date occurs during the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references to “10” or “10th” in the preceding paragraph shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the date that such tender or exchange offer expires to, and including, the Conversion Date in determining the Conversion Rate and (y) in respect of any conversion of Notes for which Cash Settlement or Combination Settlement is applicable, for any Trading Day that falls within the relevant Observation Period for such conversion and within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references to “10” or “10th” in the preceding paragraph shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, and such Trading Day in determining the Conversion Rate as of such Trading Day.

(f) Notwithstanding this Section 14.04 or any other provision of this Indenture or the Notes, if a Conversion Rate adjustment becomes effective on any Ex-Dividend Date, and a Holder that has converted its Notes on or after such Ex-Dividend Date and on or prior to the related Record Date would be treated as the record holder of the ADSs as of the related Conversion Date as described under Section 14.02(i) based on an adjusted Conversion Rate for such Ex-Dividend Date, then, notwithstanding the Conversion Rate adjustment provisions in this Section 14.04, the Conversion Rate adjustment relating to such Ex-Dividend Date shall not be made for such converting Holder. Instead, such Holder shall be treated as if such Holder were the record owner of the ADSs on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

(g) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Common Shares or ADSs or any securities convertible into or exchangeable for Class A Common Shares or ADSs or the right to purchase Class A Common Shares or ADSs or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq Global Select Market and any other securities exchange on which any of the Company’s securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company’s best interest. In addition, to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq Global Select Market and any other securities exchange on which any of the Company’s securities are

then listed, the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Class A Common Shares or the ADSs or rights to purchase Class A Common Shares or ADSs in connection with a dividend or distribution of Class A Common Shares or ADSs (or rights to acquire Class A Common Shares or ADSs) or similar event. Whenever the Conversion Rate is increased pursuant to either of the preceding two sentences, the Company shall deliver to the Holder of each Note a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(i) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Common Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Class A Common Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Common Shares or ADSs or options or rights to purchase those Class A Common Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries and Consolidated Affiliated Entities;

(iii) upon the repurchase of any Class A Common Shares pursuant to an open-market share repurchase program or other buyback transaction that is not a tender offer or exchange offer of the nature described in clause (e) of this Section 14.04 above;

(iv) upon the issuance of any Class A Common Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued (other than any rights under a rights plan);

(v) solely for a change in the par value of the Class A Common Shares or ADSs; or

(vi) for accrued and unpaid interest, if any.

(j) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000th) of an ADS.

(k) Notwithstanding this Section 14.04 or any other provision of this Indenture or the Notes, the Company will not be required to adjust the Conversion Rate unless such adjustment would require an increase or decrease of at least one percent of the Conversion Rate prior to giving effect to such adjustment; *provided, however*, that any such minor adjustments that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and *provided, further*, that any such adjustment of less than one percent that has not been made shall be made upon the occurrence of (i) the Effective Date for any Fundamental Change or Make-Whole Fundamental Change, (ii) in the case of any Note to which Physical Settlement

applies, the relevant Conversion Date, and, in the case of any Note to which Cash Settlement or Combination Settlement applies, each Trading Day of the applicable Observation Period and (iii) every one year anniversary of the first date of original issuance of the Notes. In addition, the Company shall not account for such deferrals when determining whether any of the conditions to conversion have been satisfied or what number of ADSs a Holder would have held on a given day had it converted its Notes.

(l) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly deliver to the Trustee (and the Conversion Agent if not the Trustee) an Officers' Certificate setting forth (i) the adjusted Conversion Rate, (ii) the subsection of this Section 14.04 pursuant to which after such adjustment has been made, showing in reasonable detail the facts upon which such adjustment is based, and (iii) the date as of which such adjustment is effective. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall deliver such notice of such adjustment of the Conversion Rate to each Holder. Failure to deliver such notice shall not affect the legality or validity of any such adjustment. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate or the information and calculations contained therein.

(m) For purposes of this Section 14.04, the number of Class A Common Shares at any time outstanding shall not include Class A Common Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Class A Common Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Class A Common Shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Common Shares.

Section 14.05. *Adjustments of Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts or the ADS Prices for purposes of a Make- Whole Fundamental Change or a Tax Redemption over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date or expiration date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts or ADS Prices are to be calculated.

Section 14.06. *Class A Common Shares to Be Fully Paid.* The Company shall provide, free from preemptive rights, out of its authorized but unissued Class A Common Shares or Class A Common Shares held in treasury, a sufficient number of Class A Common Shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming delivery of the maximum number of Additional ADSs pursuant to Section 14.03 and that at the time of computation of such number of Class A

Common Shares, all such Notes would be converted by a single Holder and that Physical Settlement were applicable).

Section 14.07. *Effect of Recapitalizations, Reclassifications and Changes of the Class A Common Shares.*

(a) In the case of:

- (i) any recapitalization, reclassification or change of the ADSs or the Class A Common Shares (other than changes resulting from a subdivision or combination),
- (ii) any consolidation, merger, combination or similar transaction involving the Company,
- (iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries and Consolidated Affiliated Entities substantially as an entirety, or
- (iv) any statutory share exchange,

in each case, as a result of which the ADSs or the Class A Common Shares would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Merger Event**"), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 10.01(f) providing that, at and after the effective time of such Merger Event, the right to convert each US\$1,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; *provided, however*, that at and after the effective time of the Merger Event, (A) the Company shall continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion of the Notes in accordance with Section 14.02 and (B)(I) any amount payable in cash upon conversion of the Notes in accordance with Section 14.02 shall continue to be payable in cash, (II) any ADSs that the Company would have been required to deliver upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event and (III) the Daily VWAP shall be calculated based on the value of a unit of Reference Property that a holder of one ADS would have received in such Merger Event.

If the Merger Event causes the ADSs or Class A Common Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be the weighted average of the types and amounts of

consideration actually received by the holders of the ADSs, and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. If the holders of the ADSs or Class A Common Shares receive only cash in such Merger Event, then for all conversions for which the relevant Conversion Date occurs after the effective date of such Merger Event (A) the consideration due upon conversion of each US\$1,000 principal amount of Notes shall be solely cash in an amount equal to the Conversion Rate in effect on the Conversion Date (as may be increased by any Additional ADSs pursuant to Section 14.03), *multiplied by* the price paid per ADS or Class A Common Share, as applicable, in such Merger Event and (B) the Company shall satisfy the Conversion Obligation by paying cash to converting Holders on the second Business Day immediately following the relevant Conversion Date. The Company shall provide written notice to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 14 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depositary receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such additional provisions to protect the interests of the Holders of the Notes, including the right of Holders to require the Company to repurchase their Notes upon a Fundamental Change pursuant to Section 15.02 and the right of Holders to require the Company to repurchase their Notes on June 15, 2023 pursuant to Section 15.01, as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) When the Company executes a supplemental indenture pursuant to subsection (a) of this Section 14.07, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or property or asset that will comprise a unit of Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly deliver notice thereof to all Holders. The Company shall cause notice of the execution of such supplemental indenture to be delivered to each Holder within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(c) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a Holder of Notes to convert its Notes into cash, ADSs or a combination of cash and ADSs, as applicable, as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08. *Certain Covenants.* (a) The Company covenants that all ADSs delivered upon conversion of Notes, and all Class A Common Shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any ADSs to be provided for the purpose of conversion of Notes hereunder, or any Class A Common Shares represented by such ADSs, require registration with or approval of any governmental authority under any federal or state law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants that if at any time the ADSs shall be listed on any national securities exchange or automated quotation system the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of the Notes.

(d) The Company further covenants to take all actions and obtain all approvals and registrations required with respect to the conversion of the Notes into ADSs and the issuance, and deposit into the ADS facility, of the Class A Common Shares represented by such ADSs. Subject to Section 14.12, the Company also undertakes to maintain, as long as any Notes are outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder such that ADSs can be delivered in accordance with the terms of this Indenture, the Notes and the Deposit Agreement upon conversion of the Notes. In addition, subject to Section 14.12, the Company further covenants to provide Holders with a reasonably detailed description of the mechanics for the delivery of ADSs upon conversion of Notes as set forth in the Deposit Agreement upon request.

Section 14.09. *Responsibility of Trustee.* The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities, property or cash that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion, the accuracy or inaccuracy of any mathematical calculation or formulae under this Indenture, whether by the Company or any Person so authorized by the Company for such purpose under this Indenture or the failure by the Company to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or

amount of shares of stock or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto. Neither the Trustee nor the Conversion Agent shall be responsible for determining whether any event contemplated by Section 14.01(b) has occurred that makes the Notes eligible for conversion or no longer eligible therefor until the Company has delivered to the Trustee and the Conversion Agent the notices referred to in Section 14.01(b) with respect to the commencement or termination of such conversion rights, on which notices the Trustee and the Conversion Agent may conclusively rely, and the Company agrees to deliver such notices to the Trustee and the Conversion Agent as promptly as practicable after the occurrence of any such event or at such other times as shall be provided for in Section 14.01(b). Except as otherwise expressly provided herein, neither the Trustee nor any other agent acting under this Indenture (other than the Company, if acting in such capacity) shall have any obligation to make any calculation or to determine whether the Notes may be surrendered for conversion pursuant to this Indenture, or to notify the Company or the Depository or any of the Holders if the Notes have become convertible pursuant to the terms of this Indenture.

Section 14.10. *Notice to Holders Prior to Certain Actions.* In case of any:

- (a) action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;
- (b) Merger Event; or
- (c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries or Consolidated Affiliated Entities;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be delivered to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities or, if a record is not to be taken, the date as of which the holders of Class A Common Shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Class A Common Shares or ADSs, as the case may be, of record shall be entitled to exchange their Class A Common Shares or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its

Section 14.11. *Stockholder Rights Plans.* If the Company has a stockholder rights plan in effect upon conversion of the Notes, each ADS, if any, issued upon such conversion shall be entitled to receive (either directly or in respect of the Class A Common Shares underlying such ADSs) the appropriate number of rights, if any, and the certificates representing the ADSs delivered upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. However, if, prior to any conversion of the Notes, the rights have separated from the Class A Common Shares underlying the ADSs in accordance with the provisions of the applicable stockholder rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all holders of the Class A Common Shares Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12. *Termination of Depositary Receipt Program.* If the Class A Common Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Common Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Common Shares and as if the Class A Common Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Class A Common Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply. The Company shall provide written notice to the Holders, the Trustee and the Conversion Agent (if other than the Trustee) upon the occurrence of the foregoing.

Section 14.13. *Exchange In Lieu Of Conversion.* (a) When a Holder surrenders its Notes for conversion, the Company may, at its election (an “**Exchange Election**”), direct the Conversion Agent to deliver, on or prior to the Business Day immediately following the Conversion Date, such Notes to one or more financial institutions designated by the Company (each, a “**Designated Financial Institution**”) for exchange in lieu of conversion. In order to accept any Notes surrendered for conversion, the Designated Financial Institution(s) must agree to timely pay and/or deliver, as the case may be, in exchange for such Notes, the cash, ADSs or a combination thereof, at the Company’s election, that would otherwise be due upon conversion pursuant to Section 14.02 or such other amount agreed to by the Holder of such Notes and the Designated Financial Institution(s) (the “**Conversion Consideration**”). If the Company makes an Exchange Election, the Company shall, by the close of business on the Business Day following the relevant Conversion Date, notify in writing the Trustee, the Conversion Agent (if other than the Trustee) and the Holder surrendering Notes for conversion that the Company has made the Exchange Election and the Company shall promptly notify the Designated Financial Institution(s) of the relevant deadline for delivery of the Conversion Consideration and the type of Conversion Consideration to be paid and/or delivered, as the case may be.

(b) Any Notes delivered to the Designated Financial Institution(s) shall remain outstanding, subject to the applicable procedures of the Depository. If the Designated Financial Institution(s) agree(s) to accept any Notes for exchange but does not timely pay and/or deliver, as the case may be, the related Conversion Consideration, or if such Designated Financial Institution(s) does not accept the Notes for exchange, the Company shall pay and/or deliver, as the case may be, the relevant Conversion Consideration, as, and at the time, required pursuant to this Indenture as if the Company had not made the Exchange Election.

(c) The Company's designation of any Designated Financial Institution(s) to which the Notes may be submitted for exchange does not require such Designated Financial Institution(s) to accept any Notes.

ARTICLE 15
REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01. *Repurchase at Option of Holders.*

(a) Each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash on June 15, 2023 (the "**Repurchase Date**"), all of such Holder's Notes, or any portion thereof that is an integral multiple of US\$1,000 principal amount, at a repurchase price (the "**Repurchase Price**") that is equal to 100% of the principal amount of the Notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the Repurchase Date; *provided* that any such accrued and unpaid interest shall be paid not to the Holders submitting the Notes for repurchase on the Repurchase Date but instead to the Holders of such Notes at the close of business on the Regular Record Date immediately preceding the Repurchase Date. Not later than 20 Business Days prior to the Repurchase Date, the Company shall deliver a notice (the "**Company Notice**") to the Trustee, to the Paying Agent and to each Holder (and to beneficial owners as required by applicable law). The Company Notice shall include a form of Repurchase Notice to be completed by a holder and shall state:

- (i) the last date on which a Holder may exercise its repurchase right pursuant to this Section 15.01;
- (ii) the Repurchase Price;
- (iii) the Repurchase Date;
- (iv) the name and address of the Conversion Agent and Paying Agent;
- (v) that the Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Indenture;
- (vi) that the Holder shall have the right to withdraw any Notes surrendered prior to the Repurchase Expiration Time; and

(vii) the procedures a Holder must follow to exercise its repurchase rights under this Section 15.01 and a brief description of those rights.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Simultaneously with providing the Company Notice, the Company shall publish a notice containing the information included in the Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.01.

Repurchases of Notes under this Section 15.01 shall be made, at the option of the Holder thereof, upon:

(A) delivery to the Paying Agent by the Holder of a duly completed notice (the "**Repurchase Notice**") in the form set forth in Attachment 3 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case during the period beginning at any time from the open of business on the date that is 20 Business Days prior to the Repurchase Date until the Repurchase Expiration Time; and

(B) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Repurchase Notice (together with all necessary endorsements) at the Paying Agent Office, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Repurchase Price therefor.

Each Repurchase Notice shall state:

(A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;

(B) the portion of the principal amount of the Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof; and

(C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the Repurchase Expiration Time by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

No Repurchase Notice with respect to any Notes may be surrendered by a Holder thereof if such Holder has also surrendered a Fundamental Change Repurchase Notice and has not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03.

(b) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02. *Repurchase at Option of Holders Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to US\$1,000 or an integral multiple of US\$1,000, on the date (the "**Fundamental Change Repurchase Date**") notified in writing by the Company as set forth in Section 15.02(c) that is not less than 20 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Business Day immediately succeeding the Interest Payment Date to which such Regular Record Date relates (or if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date), in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15. The Trustee and any other Conversion Agent shall have no responsibility to determine the Fundamental Change Repurchase Price.

(b) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent by a Holder of a duly completed notice (the “**Fundamental Change Repurchase Notice**”) in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository’s procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer), or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

- (i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (ii) the portion of the principal amount of Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof; and
- (iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be surrendered by a Holder thereof if such Holder has also surrendered a Repurchase Notice and has not validly withdrawn such Repurchase Notice in accordance with Section 15.03.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders, the Trustee and the Paying Agent (if other than the Trustee) a written notice (the “**Fundamental Change Company**”

Notice”) of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice shall be delivered in accordance with the applicable procedures of the Depository. Simultaneously with providing such notice, the Company shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company’s website or through such other public medium as the Company may use at that time. Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Paying Agent;
- (vii) if applicable, the Conversion Rate and any adjustments to the Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Indenture; and
- (ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders’ repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company’s request, the Trustee shall give such notice in the Company’s name and at the Company’s expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company and delivered to the Trustee no later than 2 Business Days (or such shorter period as is acceptable to the Trustee) prior to the date the Fundamental Change Company Notice is to be sent.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a Default by the Company in the

payment of the Fundamental Change Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

(e) The Company shall not be required to purchase, or to make an offer to purchase, the Notes upon a Fundamental Change if a third party makes such an offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.02 and such third party purchases all Notes properly surrendered and not validly withdrawn under its offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.02.

(f) Notwithstanding anything to the contrary in this Indenture, to the extent that the provisions of any federal or state securities laws or other applicable laws or regulations adopted after the date on which the Notes are first issued conflict with the provisions of this Indenture relating to the Company's obligations to repurchase the Notes upon a Fundamental Change, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under such provisions of this Indenture by virtue of such conflict.

Section 15.03. *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice.* (a) A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Paying Agent in accordance with this Section 15.03 at any time prior to the Repurchase Expiration Time or prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

- (i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,
- (ii) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and
- (iii) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of US\$1,000 or an integral multiple of US\$1,000;

provided, however, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depositary.

Section 15.04. *Deposit of Repurchase Price or Fundamental Change Repurchase Price.*

(a) The Company will deposit with the Paying Agent, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04 at or prior to 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Paying Agent, payment for Notes surrendered for repurchase (and not withdrawn in accordance with Section 15.03) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (*provided* the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Paying Agent) by the Holder thereof in the manner required by Section 15.01 or Section 15.02, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Paying Agent shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Paying Agent holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then, with respect to the Notes that have been properly surrendered for repurchase and have not been validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) such Notes will cease to be outstanding, (ii) interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Paying Agent) and (iii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be, and, if applicable, accrued and unpaid interest).

(c) Upon surrender of a Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unreurchased portion of the Note surrendered.

Section 15.05. *Covenant to Comply with Applicable Laws Upon Repurchase of Notes.* In connection with any repurchase offer, the Company will, if required:

- (a) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act;
- (b) file a Schedule TO or any other required schedule under the Exchange Act, if required by applicable law; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

ARTICLE 16
REDEMPTION ONLY FOR TAXATION REASONS

Section 16.01. *No Redemption Except for Taxation Reasons.* The Notes shall not be redeemable by the Company prior to the Maturity Date, except as described in this Article 16, and no sinking fund is provided for the Notes. The Notes may be redeemed, for cash, at the Company's option, as a whole but not in part (a "**Tax Redemption**"), at the Tax Redemption Price, if (x) on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts, (y) the Company cannot avoid any such payment obligation by taking reasonable measures available to it (provided that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure) and (z) the requirement arises as a result of:

- (a) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective on or after June 19, 2019 (or, if the applicable taxing jurisdiction becomes a Relevant Taxing Jurisdiction on a date after June 19, 2019, such later date); or
- (b) any amendment to, or change in, an official written interpretation or application or administration of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice), which amendment or change is publicly announced and becomes effective on or after June 19, 2019 (or, if the applicable taxing jurisdiction becomes a Relevant Taxing Jurisdiction on a date after June 19, 2019, such later date) (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**").

Section 16.02. *Notice of Tax Redemption.*

(a) In the event that the Company exercises its Tax Redemption right pursuant to Section 16.01, it shall fix a date for redemption (the "**Tax Redemption Date**") and it or, at its written request received by the Trustee not less than 60 Scheduled Trading Days prior to the Tax Redemption Date (or such shorter period of time as may be acceptable to the Trustee), the Trustee, in the name of and at the expense of the Company, shall deliver a notice of such Tax Redemption (a "**Tax Redemption Notice**") not less than 50 nor more than 60 Scheduled Trading Days prior to the Tax Redemption Date to each Holder of Notes so to be redeemed at its last address as the same appears on the Note Register; *provided, however*, that, if the Company shall give such notice, it shall also give a written notice of the Tax Redemption Date to the Trustee. The Tax Redemption Date must be a Business Day. For the avoidance of doubt, if the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, interest accrued to the Interest Payment Date shall be paid on the Interest Payment Date to Holders of record on such Regular Record Date corresponding to such Interest Payment Date.

(b) The Company shall not give any Tax Redemption Notice earlier than 90 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such Tax Redemption Notice is given. Prior to the publication or, where relevant, mailing of any Tax Redemption Notice pursuant to the foregoing, the Company shall deliver to the Trustee (a) an Officers' Certificate stating that such change or amendment referred to in Section 16.01 has occurred, describing the facts related thereto and stating that the obligation to pay such Additional Amounts cannot be avoided by the Company taking reasonable measures available to it (provided that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure); and (b) a written opinion of independent tax counsel or tax advisor of recognized standing in the Relevant Taxing Jurisdiction to the effect that the Company has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law. The Trustee shall accept and rely upon such certificate and opinion (without further investigation or enquiry) and it shall be conclusive and binding on the Holders of the Notes to be redeemed. Notwithstanding anything to the contrary herein, neither the Company nor any successor Person may redeem any of the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable PRC Rate or less solely as a result of the Company or its successor Person being considered a PRC tax resident.

(c) The Tax Redemption Notice, if delivered in the manner herein provided, shall be conclusively presumed to have been given duly, whether or not the Holder receives such notice. In any case, failure to deliver such Tax Redemption Notice or any defect in the Tax Redemption Notice to the Holder of any Note designated for redemption shall not affect the validity of the proceedings for the redemption of any other Note.

(d) Each Tax Redemption Notice shall specify:

- (i) the Tax Redemption Date;
- (ii) the Tax Redemption Price;
- (iii) the place or places where such Notes are to be surrendered for payment of the Tax Redemption Price;
- (iv) that on the Tax Redemption Date, the Tax Redemption Price will become due and payable upon each Note to be redeemed, and that interest thereon, if any, shall cease to accrue on and after the Tax Redemption Date;
- (v) that Holders may surrender their Notes for conversion at any time prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date;
- (vi) the procedures a converting Holder must follow to convert its Notes and the Settlement Method and Specified Dollar Amount, if applicable;

- (vii) that Holders who wish to elect not to have their Notes redeemed must satisfy the requirements set forth in this Indenture;
- (viii) that Holders who wish to withdraw any election not to have their Notes redeemed must satisfy the requirements set forth in this Indenture;
- (ix) that, if a Holder elects not to be subject to a Tax Redemption, the Company shall not be required to pay Additional Amounts with respect to payments made in respect of such Holder's Notes following the applicable Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of the Relevant Taxing Jurisdiction in respect of such Change in Tax Law;
- (x) the Conversion Rate and, if applicable, the number of Additional ADSs added to the Conversion Rate in accordance with Section 14.03; and
- (xi) the CUSIP, ISIN or other similar numbers, if any, assigned to such Notes.

A Tax Redemption Notice shall be irrevocable. In the case of a Tax Redemption, a Holder may convert its Notes at any time until the close of business on the second Business Day preceding the Tax Redemption Date.

Section 16.03. Payment of Notes Called for Tax Redemption.

(a) If any Tax Redemption Notice has been given in respect of the Notes in accordance with Section 16.02, the Notes shall become due and payable on the Tax Redemption Date at the place or places stated in the Tax Redemption Notice and at the applicable Tax Redemption Price. On presentation and surrender of the Notes at the place or places stated in the Tax Redemption Notice, the Notes shall be paid and redeemed by the Company at the applicable Tax Redemption Price.

(b) Prior to the open of business on the Business Day immediately prior to the Tax Redemption Date, the Company shall deposit with the Paying Agent or, if the Company or a Subsidiary of the Company is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 7.05 an amount of cash (in immediately available funds if deposited on the Tax Redemption Date), sufficient to pay the Tax Redemption Price of all of the Notes to be redeemed on such Tax Redemption Date. Subject to receipt of funds by the Paying Agent, payment for the Notes to be redeemed shall be made on the Tax Redemption Date for such Notes. The Paying Agent shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Tax Redemption Price.

Section 16.04. Holders' Right to Avoid Redemption.

(a) Notwithstanding anything to the contrary in this Article 16, if the Company has given a Tax Redemption Notice pursuant to Section 16.02, each Holder of Notes shall have the

right to elect that such Holder's Notes will not be subject to such Tax Redemption. If a Holder elects not to be subject to a Tax Redemption, the Company shall not be required to pay Additional Amounts with respect to payments made in respect of such Holder's Notes following the applicable Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of the Relevant Taxing Jurisdiction in respect of such Change in Tax Law. The obligation to pay Additional Amounts to any electing Holder for periods up to the Tax Redemption Date shall remain subject to the exceptions set forth under Section 4.07.

(b) Subject to the applicable procedures of DTC in the case of Global Notes, a Holder electing to not have its Notes redeemed must deliver to the Company, with a copy to the Paying Agent a written notice of election so as to be received by the Company and the Paying Agent or otherwise by complying with the requirements for conversion in Section 14.02(b) prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date. A Holder may withdraw any notice of election (other than such a deemed notice of election in connection with a conversion) by delivering to the Company and the Paying Agent a written notice of withdrawal prior to the close of business on the Business Day immediately preceding the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price). If a Holder does not make such election, such Holder's Notes shall be redeemed without any further action on the part of such Holder.

Section 16.05. *Restrictions on Tax Redemption.* The Company may not redeem any Notes on any date if the principal amount of the Notes has been accelerated in accordance with the terms of this Indenture, and such acceleration has not been rescinded, on or prior to the Tax Redemption Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Tax Redemption Price with respect to such Notes).

ARTICLE 17 MISCELLANEOUS PROVISIONS

Section 17.01. *Provisions Binding on Company's Successors.* All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02. *Official Acts by Successor Corporation.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03. *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served by being delivered in person, transmitted by facsimile, sent via electronic mail

(with portable document format attached) or deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to:

YY Inc.
Building 3-08
Yangchang Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China
Attention: *****
E-mail: *****
Facsimile: *****

Any notice, direction, request or demand hereunder to or upon the Paying Agent shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Paying Agent Office or sent electronically in PDF format. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office or sent electronically in PDF format. Notwithstanding any other provision of this Indenture, notices to the Trustee shall only be deemed received upon actual receipt thereof by a Responsible Officer.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by DTC, notices to owners of beneficial interests in the Global Notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

All notices and other communications under this Indenture shall be in writing in English.

Any notice or communication delivered or to be delivered to a Holder of Physical Notes shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register and shall be sufficiently given to it if so mailed within the time prescribed. Notwithstanding anything to the contrary in this Indenture, any notice or communication delivered or to be delivered to a Holder of Global Notes shall be delivered in accordance with the applicable procedures of the Depository and shall be sufficiently given to it if so delivered within the time prescribed.

Failure to mail or deliver a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed or delivered, as the case may be, in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 17.04. *Governing Law; Jurisdiction.* THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States, in each case, located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.05. *Submission to Jurisdiction; Service of Process.* The Company irrevocably appoints Law Debenture Corporate Service, Inc., 801 2nd Avenue, Suite 403, New York, NY 10017 as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to:

YY Inc.
Building 3-08
Yangchang Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China
Attention: Chief Financial Officer
Facsimile: +86(20)2916-2080

shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of seven years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Holder and the Trustee a copy of the new agent's acceptance of that appointment within ten Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any Agent or any Holder to

serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.06. *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an Officer's Certificate and an Opinion of Counsel stating that such action is permitted by the terms of this Indenture. Each Officer's Certificate and Opinion of Counsel provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officer's Certificates provided for in Section 4.09) shall include (a) a statement that the person signing such certificate is familiar with the requested action and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such person, such action is permitted by this Indenture and that all covenants and conditions precedent in this Indenture have been complied with.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to such Opinion of Counsel.

Section 17.07. *Legal Holidays.* In any case where any Interest Payment Date, any Fundamental Change Repurchase Date, any Repurchase Date, any Tax Redemption Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.08. *No Security Interest Created.* Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09. *Benefits of Indenture.* Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Paying Agent, any Conversion Agent, any Note Registrar and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10. *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of

reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11. *Execution in Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.12. *Severability.* In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13. *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14. *Force Majeure.* In no event shall the Trustee or the Agents be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee or the Agents, as the case may be, shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15. *Calculations.* Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts, accrued interest payable on the Notes and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders. The Company shall provide a schedule of its calculations to each of the Trustee, the Paying Agent and the Conversion Agent, and each of the Trustee, the Paying Agent and the Conversion Agent has no duty to verify such calculations and is entitled to rely conclusively and without liability upon the accuracy of the Company's calculations without independent verification. The Trustee shall forward the Company's calculations to any Holder of Notes upon the request of that Holder at the sole cost and expense of the Company upon verification of such Holder's identity and noteholdings in a manner satisfactory to the Trustee.

Section 17.16. *USA PATRIOT Act*. The parties hereto acknowledge that in accordance with Section 326 of the USA PATRIOT Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the USA PATRIOT Act.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

YY, INC.

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

[Signature Page to Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

CITICORP INTERNATIONAL LIMITED,
as Trustee

By: /s/ Terence Yeung
Name: Terence Yeung
Title: Vice President

[Signature Page to Indenture]

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITORY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.]¹

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (2) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.]²

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

¹ Include for a Rule 144A Note.

² Include for a Regulation S Note.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.]

No. [_____]

[Initially]³ US\$ _____CUSIP No. [_____] [_____] ⁴

ISIN No. [_____]

YY Inc., a company duly organized and validly existing under the laws of the Cayman Islands (the “**Company**,” which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.]⁶ [_____], or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]⁸ [of US\$[_____]]⁹, which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed US\$500,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on June 15, 2025, and interest thereon as set forth below.

This Note shall bear interest at the rate of 0.750% per year from June 24, 2019, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until June 15, 2025. Interest is payable semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2019, to Holders of record at the close of business on the preceding June 1 and December 1 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) or Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

³ Include if a Global Note.

⁴ Include for a Rule 144A Note.

⁵ Include for a Regulation S Note.

⁶ Include if a Global Note.

⁷ Include if a Physical Note.

⁸ Include if a Global Note.

⁹ Include if a Physical Note.

The Company shall pay the principal of and interest on this Note, if and so long as such Note is a Global Note, by wire transfer in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated Citibank, N.A. as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and the Paying Agent Office as a place where Notes may be presented for payment or for registration of transfer and exchange.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into cash, ADSs or a combination of cash and ADSs, as applicable, on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or by facsimile by the Trustee under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

YY INC.

By: _____

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

CITICORP INTERNATIONAL LIMITED,
as Trustee, certifies that this is one of the Notes described
in the within-named Indenture.

By: _____

Authorized Officer

[FORM OF REVERSE OF NOTE]

YY INC.
0.750% Convertible Senior Note due 2025

This Note is one of a duly authorized issue of Notes of the Company, designated as its 0.750% Convertible Senior Notes due 2025 (the “**Notes**”), limited to the aggregate principal amount of US\$500,000,000, all issued or to be issued under and pursuant to an Indenture dated as of June 24, 2019 (the “**Indenture**”), between the Company and Citicorp International Limited, as trustee (the “**Trustee**”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In case certain Events of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. In the case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the principal of, and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments and deliveries in respect of the principal amount on the Maturity Date, the Tax Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, as the case may be, to the Holder who surrenders a Note to the Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Indenture, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Tax Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), payments of interest and the payments of cash and/or deliveries of ADSs (together with payments for any fractional ADS) upon conversion of the Notes to ensure that the net amount received by the Holder after any applicable withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amount that would have been received by such Holder had no such withholding or deduction been required.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute

supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

Each Holder shall have the right to receive payment or delivery, as the case may be, of (x) (i) the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of and (ii) accrued and unpaid interest on, or (y) the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money or ADSs, as the case may be, herein prescribed.

The Notes are issuable in registered form without coupons in denominations of US\$1,000 principal amount and integral multiples thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

Under certain circumstances specified in the Indenture, the Notes will be subject to redemption by the Company at the Tax Redemption Price. No sinking fund is provided for the Notes.

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Repurchase Date at a price equal to the Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US\$1,000 or an integral multiple thereof, into cash, ADSs or a combination of cash and ADSs, as applicable, at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

[FORM OF NOTICE OF CONVERSION]

YY INC.
0.750% Convertible Senior Notes due 2025CUSIP No. [_____] ¹¹ [_____] ¹²

To: Citibank, N.A., as ADS Depositary
388 Greenwich Street, New York, NY 10013

Citibank, N.A., as Conversion Agent
480 Washington Boulevard, 30th floor, Jersey City, NJ 07310
Attention: Agency and Trust

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, into cash, ADSs or a combination of cash and ADSs, as applicable, in accordance with the terms of the Indenture referred to in this Note, and directs that any cash payable and any ADSs deliverable upon such conversion, together with any cash payable for any fractional ADS, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp or similar issue or transfer taxes, if any in accordance with Section 14.02(d) and Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note (or securities represented thereby) have not been and are not expected to be registered under the Securities Act.

¹¹ Include for a Rule 144A Note.

¹² Include for a Regulation S Note.

2. The undersigned further certifies that either:

(a) The undersigned is, and at the time any ADSs are delivered in conversion of its Notes will be, the holder of the ADSs and the Class A Common Shares represented thereby, and (i) the undersigned is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S) and acquired, or has agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Common Shares represented thereby being delivered in the conversion outside the United States and (ii) the undersigned is not in the business of buying and selling securities or, if the undersigned is in such business, the undersigned did not acquire the Notes being converted from the Company or any Affiliate thereof in the initial distribution of the Notes.

OR

(b) The undersigned is a broker-dealer acting on behalf of its customer; its customer has confirmed to the undersigned that it is, and at the time any ADSs are delivered in conversion of our Notes will be, the holder of the ADSs and the Class A Common Shares represented thereby, and (i) it is not a U.S. person (as defined in Regulation S under the Securities Act) and it is located outside the United States (within the meaning of Regulation S and acquired, or has agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Common Shares represented thereby being delivered in the conversion outside the United States and (ii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes being converted from the Company or any Affiliate thereof in the initial distribution of the Notes.

OR

(c) The undersigned is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) acting for its own account or for the account of one or more qualified institutional buyers and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of any ADSs to be received upon conversion of the Notes.

3. The undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Restricted Securities received upon conversion of this Note if the undersigned (or such other account) becomes an Affiliate of the Company.

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, unless and until the undersigned (or such other account) is notified by the Depositary that the restrictive legend on such Restricted Security has been removed from such security, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of the United States and any state thereof.¹³

¹³ Include if a Restricted Security.

Dated: _____

Signature(s)

Telephone: _____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

The undersigned hereby requests that the ADSs issued upon conversion of this note to be delivered to:

(Name of Contact Person)

(Broker Name)

(DTC/Euroclear/Clearstream Participant Number)

(Account Name)

(Account Number)

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)
Please print name and address

Bank Account Details:

Principal amount to be converted (if less than all):
US\$_____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer
Identification Number

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

YY INC.
0.750% Convertible Senior Notes due 2025

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from YY Inc. (the “Company”) as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered Holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions)

with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all):
US\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF REPURCHASE NOTICE]

YY INC.
0.750% Convertible Senior Notes due 2025

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from YY Inc. (the “**Company**”) regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated and requests and instructs the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Indenture referred to in this Note, at the Repurchase Price from the registered Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of certificated Notes, the certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all): US\$ _____,000



NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

- To YY Inc. or a subsidiary thereof; or
- Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- Outside the United States to a person that is not a U.S. person in accordance with Regulation S under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF CERTIFICATE RE: EXCHANGE FOR RULE 144A NOTE]

YY INC.
0.750% Convertible Senior Notes due 2025

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

In connection with the requested exchange of the within Note (or a portion thereof) for a Rule 144A Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that:

- (1) such exchange occurs in connection with a transfer of such Note (or a beneficial interest therein) under Rule 144A (as defined in the Indenture); and
- (2) such Note (or a beneficial interest therein) is being transferred to a Person:
 - (a) who the undersigned reasonably believes to be a QIB (as defined in the Indenture);
 - (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all securities laws of the states of the United States and other jurisdictions.

¹⁴ To be included for Regulation S Notes.

Dated: _____

Signature(s)

[FORM OF CERTIFICATE RE: EXCHANGE FOR REGULATION S NOTE]

YY INC.
0.750% Convertible Senior Notes due 2025

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

In connection with the requested exchange of the within Note (or a portion thereof) for a Regulation S Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that the Note (or a beneficial interest therein) has been transferred in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended.

¹⁵ To be included for Rule 144A Notes.

Dated: _____

Signature(s)

B-2

YY INC.

AND

CITICORP INTERNATIONAL LIMITED,

as Trustee

INDENTURE

Dated as of June 24, 2019

1.375% Convertible Senior Notes due 2026

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INDENTURE dated as of June 24, 2019 between YY INC., a Cayman Islands exempted company, as issuer (the “**Company**”, as more fully set forth in Section 1.01) and CITICORP INTERNATIONAL LIMITED, a private company limited by shares incorporated in Hong Kong, as trustee (the “**Trustee**”, as more fully set forth in Section 1.01).

WITNESSETH:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the issuance of its 1.375% Convertible Senior Notes due 2026 (the “**Notes**”), initially in an aggregate principal amount not to exceed US\$500,000,000, and in order to provide the terms and conditions upon which the Notes are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Form of Note, the certificate of authentication to be borne by each Note, the Form of Notice of Conversion, the Form of Fundamental Change Repurchase Notice, the Form of Repurchase Notice and the Form of Assignment and Transfer to be borne by the Notes are to be substantially in the forms hereinafter provided; and

WHEREAS, all acts and things necessary to make the Notes, when executed by the Company and authenticated and delivered by the Trustee, as in this Indenture provided, the valid, binding and legal obligations of the Company, and this Indenture a valid agreement according to its terms, have been done and performed, and the execution of this Indenture and the issuance hereunder of the Notes have in all respects been duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be, authenticated, issued and delivered, and in consideration of the premises and of the purchase and acceptance of the Notes by the Holders thereof, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes (except as otherwise provided below), as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Definitions.* The terms defined in this Section 1.01 (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section 1.01. The words “herein,” “hereof,” “hereunder,” and words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

“**Additional ADSs**” shall have the meaning specified in Section 14.03(a).

“**Additional Amounts**” shall have the meaning specified in Section 4.07(a).

“**Additional Interest**” means all amounts, if any, payable pursuant to Section 4.06(d), Section 4.06(e), and Section 6.03, as applicable.

“**ADS**” means an American Depositary Share issued pursuant to the Deposit Agreement, representing twenty Class A Common Shares of the Company as of the date of this Indenture, and deposited with the ADS Custodian.

“**ADS Custodian**” means Citibank, N.A., with respect to the ADSs delivered pursuant to the Deposit Agreement, or any successor entity thereto.

“**ADS Depository**” means Citibank, N.A., as depository for the ADSs, or any successor entity thereto.

“**ADS Price**” shall have the meaning specified in Section 14.03(c).

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. Notwithstanding anything to the contrary herein, the determination of whether one Person is an “Affiliate” of another Person for purposes of this Indenture shall be made based on the facts at the time such determination is made or required to be made, as the case may be, hereunder.

“**Agent Parties**” shall have the meaning specified in Section 7.02(1).

“**Agents**” means the Paying Agent, the Transfer Agent, the Note Registrar, the Conversion Agent and the Bid Solicitation Agent, in each case, unless the Company is acting in such capacity.

“**Applicable PRC Rate**” means (i) in the case of deduction or withholding of PRC income tax, 10%, (ii) in the case of deduction or withholding of PRC value added tax (including any related local levies), 6.72%, or (iii) in the case of deduction or withholding of both PRC income tax and PRC value added tax (including any related local levies), 16.72%.

“**Authenticating Agent**” shall have the meaning specified in Section 2.11.

“**Bid Solicitation Agent**” means the Company or any Person appointed by the Company to solicit bids for the Trading Price of the Notes in accordance with Section 14.01(b)(i). The Company shall initially act as the Bid Solicitation Agent.

“**Board of Directors**” means the board of directors of the Company or a committee of such board duly authorized to act for it hereunder.

“**Board Resolution**” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Business Day**” means, with respect to any Note, each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in the City of New York, the Cayman Islands or, in the case of a payment under this Indenture, the place of payment are authorized or obligated by law or executive order to close.

“**Capital Stock**” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“**Cash Settlement**” shall have the meaning specified in Section 14.02(a).

“**Change in Law**” shall have the meaning specified in the definition of “Fundamental Change.”

“**Change in Tax Law**” shall have the meaning specified in Section 16.01(b).

“**Class A Common Shares**” means the Class A common shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“**Class B Common Shares**” means the Class B common shares of the Company, par value US\$0.00001 per share, at the date of this Indenture, subject to Section 14.07.

“**Clause A Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause B Distribution**” shall have the meaning specified in Section 14.04(c).

“**Clause C Distribution**” shall have the meaning specified in Section 14.04(c).

“**close of business**” means 5:00 p.m. (New York City time).

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Combination Settlement**” shall have the meaning specified in Section 14.02(a).

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Common Equity**” of any Person means ordinary share capital or Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

“**Company**” shall have the meaning specified in the first paragraph of this Indenture, and subject to the provisions of Article 11, shall include its successors and assigns.

“**Company Group**” shall have the meaning specified in the definition of “Fundamental Change.”

“**Company Notice**” shall have the meaning specified in Section 15.01(a).

“**Company Order**” means a written order of the Company, signed by an Officer of the Company and delivered to the Trustee.

“**Conversion Agent**” means Citibank, N.A., the conversion agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor conversion agent.

“**Conversion Consideration**” shall have the meaning specified in Section 14.13(a).

“**Consolidated Affiliated Entity**” means, with respect to any Person, any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such person prepares its financial statements in accordance with accounting principles other than the accounting principles generally accepted in the United States of America, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles.

“**Conversion Date**” shall have the meaning specified in Section 14.02(c).

“**Conversion Obligation**” shall have the meaning specified in Section 14.01(a).

“**Conversion Price**” means as of any time, US\$1,000, *divided by* the Conversion Rate as of such time.

“**Conversion Rate**” shall have the meaning specified in Section 14.01(a).

“**Corporate Trust Office**” means the designated office of the Trustee at which at any time this Indenture shall be administered, which office at the date hereof is located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong, Attention: Agency and Trust, Facsimile: +852 2323 0279, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the designated corporate trust office of any successor trustee (or such other address as such successor trustee may designate from time to time by notice to the Holders and the Company).

“**Daily Conversion Value**” means, for each of the 40 consecutive Trading Days during the Observation Period, 2.5% of the product of (a) the Conversion Rate on such Trading Day and (b) the Daily VWAP for such Trading Day.

“**Daily Measurement Value**” means the Specified Dollar Amount (if any), *divided by* 40.

“**Daily Settlement Amount**,” for each of the 40 consecutive Trading Days during the Observation Period, shall consist of:

- (a) cash in an amount equal to the lesser of (i) the Daily Measurement Value and (ii) the Daily Conversion Value on such Trading Day; and
- (b) if the Daily Conversion Value on such Trading Day exceeds the Daily Measurement Value, a number of ADSs equal to (i) the difference between the Daily Conversion Value and the Daily Measurement Value, *divided by* (ii) the Daily VWAP for such Trading Day.

“**Daily VWAP**” means, for each of the 40 consecutive Trading Days during the relevant Observation Period, the per ADS volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page “YY <equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day (or if such volume-weighted average price is unavailable, the market value of one ADS on such Trading Day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The “**Daily VWAP**” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

“**Default**” means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

“**Defaulted Amounts**” means any amounts on any Note (including, without limitation, the Repurchase Price, the Tax Redemption Price, the Fundamental Change Repurchase Price, principal and interest) that are payable but are not punctually paid or duly provided for.

“**delivered**” means, with respect to any notice to be delivered, given or mailed to a Holder pursuant to this Indenture, notice (x) given to the Depositary (or its designee) pursuant to the standing instructions from the Depositary or its designee, including by electronic mail in accordance with accepted practices or procedures at the Depositary (in the case of a Global Note) or (y) mailed to such Holder by first class mail, postage prepaid, at its address as it appears on the Note Register, in each case in accordance with Section 17.03. Notice so “delivered” shall be deemed to include any notice to be “mailed” or “given,” as applicable, under this Indenture.

“**Deposit Agreement**” means the deposit agreement dated as of May 21, 2018, by and among the Company, the ADS Depositary and the holders and beneficial owners of the ADSs evidenced by American depositary receipts issued thereunder or, if amended or supplemented as provided therein, as so amended or supplemented.

“**Depositary**” means, with respect to each Global Note, the Person specified in Section 2.05(c) as the Depositary with respect to such Notes, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Depositary**” shall mean or include such successor.

“**Designated Financial Institution**” shall have the meaning specified in Section 14.13(a).

“**Distributed Property**” shall have the meaning specified in Section 14.04(c).

“**DTC**” means The Depository Trust Company, a New York corporation.

“**Effective Date**” shall have the meaning specified in Section 14.03(c), except that, as used in Section 14.04 and Section 14.05, “Effective Date” means the first date on which ADSs trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

“**Event of Default**” shall have the meaning specified in Section 6.01.

“**Ex-Dividend Date**” means the first date on which the ADSs trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Company or, if applicable, from the seller of the ADSs on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Exchange Election**” shall have the meaning specified in Section 14.13(a).

“**Existing Principal Shareholders**” means (i) Lei Jun, Top Brand Holdings Limited, David Xueling Li and YYME Limited, (ii) the spouse and lineal descendants and spouses of lineal descendants of Lei Jun and David Xueling Li, (iii) the estate or legal representatives of any natural person named in clauses (i) or (ii), (iv) trusts established for the benefit of any natural person named in clauses (i) or (ii) and (v) any entity majority owned and controlled, directly or indirectly, by one or more of the foregoing.

“**Expiring Rights**” means any rights, options or warrants to purchase Class A Common Shares or ADSs that expire on or prior to the Maturity Date.

“**FATCA**” means sections 1471 through 1474 of the Code (or any amended or successor versions of such sections).

“**Form of Assignment and Transfer**” means the “Form of Assignment and Transfer” attached as Attachment 4 to the Form of Note attached hereto as Exhibit A.

“**Form of Fundamental Change Repurchase Notice**” means the “Form of Fundamental Change Repurchase Notice” attached as Attachment 2 to the Form of Note attached hereto as Exhibit A.

“**Form of Note**” means the “Form of Note” attached hereto as Exhibit A.

“**Form of Notice of Conversion**” means the “Form of Notice of Conversion” attached as Attachment 1 to the Form of Note attached hereto as Exhibit A.

“Form of Repurchase Notice” means the “Form of Repurchase Notice” attached as Attachment 3 to the Form of Note attached hereto as Exhibit A.

“Fundamental Change” shall be deemed to have occurred at the time after the Notes are originally issued if any of the following occurs:

(a) (A) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, other than the Company, its Subsidiaries, the employee benefit plans of the Company and its Subsidiaries and any of the Existing Principal Shareholders has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of the Company’s Common Equity (including Common Equity held in the form of ADSs) representing more than 50% of the voting power of the Company’s Common Equity or (B) the Existing Principal Shareholders, collectively, have become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of Class A Common Shares (including Class A Common Shares held in the form of ADSs) representing more than 50% of the number of outstanding Class A Common Shares; *provided, however*, that for purposes of clause (B), in calculating the beneficial ownership percentage of the Class A Common Shares held by the Existing Principal Shareholders, any Class A Common Shares (including Common Equity held in the form of ADSs) issued or issuable on conversion of Class B Common Shares, or conversion, exchange or exercise of other securities, in any such case beneficially owned directly or indirectly by the Existing Principal Shareholders as of June 19, 2019 or issued or issuable by the Company to the Existing Principal Shareholders after June 19, 2019 pursuant to rights attached to, or a dividend or other distribution on, any such Class B Common Shares or other securities so owned as of June 19, 2019 (or any Class A Common Shares into which they may convert or be exchanged or exercised) shall be excluded from both the numerator and denominator;

(b) the consummation of (A) any recapitalization, reclassification or change of the Class A Common Shares or the ADSs (other than changes resulting from a subdivision or combination) as a result of which the Class A Common Shares or the ADSs would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger of the Company, or any similar transaction, pursuant to which the Class A Common Shares or the ADSs will be converted into cash, securities or other property; or (C) any sale, lease or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of the Company and its Subsidiaries and Consolidated Affiliated Entities, taken as a whole, to any Person other than one of the Company’s Subsidiaries or Consolidated Affiliated Entities; *provided, however*, that a transaction described in clause (B) in which the holders of all classes of the Company’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions *vis-a-vis* each other as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company;

(d) the ADSs (or Class A Common Shares or other Common Equity or American Depositary Shares in respect of Reference Property) cease to be listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors); or

(e) any change in or amendment to the laws, regulations and rules of the People's Republic of China or the official interpretation or official application thereof (a "**Change in Law**") that results in (x) the Company, its Subsidiaries and its Consolidated Affiliated Entities (collectively, the "**Company Group**") (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) as of the last date of the period described in the Company's consolidated financial statements for the most recent fiscal quarter and (y) the Company being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Company Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in the Company's consolidated financial statements for the most recent fiscal quarter;

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received by holders of the ADSs, excluding cash payments for any fractional ADS and cash payments made pursuant to dissenters' appraisal rights, in connection with such transaction or transactions consists of shares of Common Equity or ADSs in respect of Common Equity that are listed or quoted on any of The New York Stock Exchange, The Nasdaq Global Select Market or The Nasdaq Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions the Notes become convertible into such consideration, excluding cash payments for any fractional ADS and cash payments made pursuant to dissenters' appraisal rights (subject to the provisions of Section 14.02(a)).

"**Fundamental Change Company Notice**" shall have the meaning specified in Section 15.02(c).

"**Fundamental Change Repurchase Date**" shall have the meaning specified in Section 15.02(a).

"**Fundamental Change Repurchase Notice**" shall have the meaning specified in Section 15.02(b)(i).

"**Fundamental Change Repurchase Price**" shall have the meaning specified in Section 15.02(a).

"**Global Note**" shall have the meaning specified in Section 2.05(b).

“**Holder**,” as applied to any Note, or other similar terms (but excluding the term “beneficial owner”), means any Person in whose name at the time a particular Note is registered on the Note Register.

“**Indenture**” means this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

“**Interest Payment Date**” means each June 15 and December 15 of each year, beginning on December 15, 2019.

“**Last Reported Sale Price**” of the ADSs (or other security for which a Last Reported Sale Price must be determined) on any date means the closing sale price per ADS (or such other security) (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the ADSs (or such other security) are traded. If the ADSs (or such other security) are not listed for trading on a U.S. national or regional securities exchange on the relevant date, the “**Last Reported Sale Price**” shall be the last quoted bid price for the ADSs (or such other security) in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization. If the ADSs (or such other security) are not so quoted, the “**Last Reported Sale Price**” shall be the average of the mid-point of the last bid and ask prices for the ADSs (or such other security) on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“**Make-Whole Fundamental Change**” means any transaction or event described in clause (a), (b) or (d) of the definition of Fundamental Change (determined after giving effect to any exceptions to or exclusions from such definition, including in the *proviso* immediately succeeding clause (e) of the definition thereof, but without regard to the *proviso* in clause (b) of the definition thereof).

“**Market Disruption Event**” means, for purposes of determining amounts due upon conversion, (a) a failure by the primary U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading to open for trading during its regular trading session or (b) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the ADSs for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the ADSs or in any options contracts or futures contracts relating to the ADSs.

“**Maturity Date**” means June 15, 2026.

“**Measurement Period**” shall have the meaning specified in Section 14.01(b)(i).

“**Merger Event**” shall have the meaning specified in Section 14.07(a).

“**Note**” or “**Notes**” shall have the meaning specified in the first paragraph of the recitals of this Indenture.

“**Note Register**” shall have the meaning specified in Section 2.05(a).

“**Note Registrar**” shall have the meaning specified in Section 2.05(a).

“**Notes Fungibility Date**” means the date, if any, following the Resale Restriction Termination Date on which all of the Rule 144A Notes and all of the Regulation S Notes are no longer Restricted Securities, do not bear the restrictive legend required by Section 2.05(c), are fungible for U.S. securities law purposes and are assigned an identical, unrestricted CUSIP number.

“**Notice of Conversion**” shall have the meaning specified in Section 14.02(b).

“**Observation Period**” with respect to any Note surrendered for conversion means: (i) subject to clause (ii), if the relevant Conversion Date occurs prior to December 15, 2025, the 40 consecutive Trading Day period beginning on, and including, the second Trading Day immediately succeeding such Conversion Date; (ii) if the relevant Conversion Date occurs on or after the date of the Company’s issuance of a Tax Redemption Notice with respect to the Notes pursuant to Section 16.01 and prior to the relevant Tax Redemption Date, the 40 consecutive Trading Days beginning on, and including, the 41st Scheduled Trading Day immediately preceding such Tax Redemption Date; and (iii) subject to clause (ii), if the relevant Conversion Date occurs on or after December 15, 2025, the 40 consecutive Trading Days beginning on, and including, the 41st Scheduled Trading Day immediately preceding the Maturity Date.

“**Offering Memorandum**” means the preliminary offering memorandum dated June 18, 2019, as supplemented by the pricing term sheet dated June 19, 2019, relating to the offering and sale of the Notes.

“**Officer**” means, with respect to the Company, the President, the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, the Treasurer, the Secretary, any Executive or Senior Vice President or any Vice President (whether or not designated by a number or numbers or word or words added before or after the title “Vice President”).

“**Officers’ Certificate**,” when used with respect to the Company, means a certificate that is delivered to the Trustee and that is signed by (a) two Officers of the Company or (b) one Officer of the Company and one of any Assistant Treasurer, any Assistant Secretary or the Controller of the Company. Each such certificate shall include the statements provided for in Section 17.06 if and to the extent required by the provisions of such Section. One of the Officers giving an Officers’ Certificate pursuant to Section 4.09 shall be the principal executive, financial or accounting officer of the Company.

“**open of business**” means 9:00 a.m. (New York City time).

“**Opinion of Counsel**” means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company, or other counsel who is reasonably acceptable to the Trustee, that is delivered to the Trustee, which opinion may contain customary exceptions and qualifications as to the matters set forth therein. Each such opinion shall include the statements

provided for in Section 17.06 if and to the extent required by the provisions of such Section 17.06.

“**outstanding**,” when used with reference to Notes, shall, subject to the provisions of Section 8.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except:

- (a) Notes theretofore canceled by the Trustee or accepted by the Trustee for cancellation;
- (b) Notes, or portions thereof, that have become due and payable and in respect of which monies in the necessary amount shall have been deposited in trust with the Trustee or with any Paying Agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent);
- (c) Notes that have been paid pursuant to Section 2.06 or Notes in lieu of which, or in substitution for which, other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.06 unless proof satisfactory to the Trustee is presented that any such Notes are held by protected purchasers in due course;
- (d) Notes converted pursuant to Article 14 and required to be cancelled pursuant to Section 2.08;
- (e) Notes redeemed pursuant to Article 16; and
- (f) Notes repurchased by the Company pursuant to the third sentence of Section 2.10.

“**Paying Agent**” means Citibank, N.A., the paying agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor paying agent.

“**Paying Agent Office**” means the designated office of the Paying Agent at which at any time this Indenture shall be administered, which office at the date hereof is located at 388 Greenwich Street, 14th Floor, New York, New York, 10013, USA, Attention: Agency and Trust, Facsimile: +1 201 258 3567, or such other address as the Paying Agent may designate from time to time by notice to the Holders and the Company, or the designated office of any successor paying agent (or such other address as such successor paying agent may designate from time to time by notice to the Holders and the Company).

“**Person**” means an individual, a corporation, a limited liability company, an association, a partnership, a joint venture, a joint stock company, a trust, an unincorporated organization or a government or an agency or a political subdivision thereof.

“**Physical Notes**” means permanent certificated Notes in registered form issued in denominations of US\$1,000 principal amount and integral multiples thereof.

“**Physical Settlement**” shall have the meaning specified in Section 14.02(a).

“**PRC**” means the People’s Republic of China, excluding, for the purpose of this Indenture only, Taiwan, Hong Kong and Macau.

“**Predecessor Note**” of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.06 in lieu of or in exchange for a mutilated, lost, destroyed or stolen Note shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Note that it replaces.

“**QIB**” shall have the meaning specified in Section 2.05(a).

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Class A Common Shares (directly or in the form of ADSs) (or other applicable security) have the right to receive any cash, securities or other property or in which the Class A Common Shares (directly or in the form of ADSs) (or such other security) are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of security holders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, statute, contract or otherwise).

“**Reference Property**” shall have the meaning specified in Section 14.07(a).

“**Regular Record Date**,” with respect to any Interest Payment Date, shall mean the June 1 or December 1 (whether or not such day is a Business Day) immediately preceding the applicable June 15 or December 15 Interest Payment Date, respectively.

“**Regulation S**” means Regulation S under the Securities Act or any successor to such regulation.

“**Regulation S Notes**” means the Notes initially offered and sold outside the United States pursuant to Regulation S.

“**Relevant Taxing Jurisdiction**” shall have the meaning specified in Section 4.07(a).

“**Repurchase Date**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Expiration Time**” means the close of business on the second Business Day immediately preceding the Repurchase Date.

“**Repurchase Notice**” shall have the meaning specified in Section 15.01(a).

“**Repurchase Price**” shall have the meaning specified in Section 15.01(a).

“**Resale Restriction Termination Date**” shall have the meaning specified in Section 2.05(c).

“**Responsible Officer**” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter relating to this Indenture is referred because of such Person’s knowledge of and familiarity with the particular subject and who, in each case, shall have direct responsibility for the administration of this Indenture.

“**Restricted Securities**” shall have the meaning specified in Section 2.05(c).

“**Rule 144**” means Rule 144 as promulgated under the Securities Act.

“**Rule 144A**” means Rule 144A as promulgated under the Securities Act.

“**Rule 144A Notes**” means the Notes initially offered and sold pursuant to Rule 144A.

“**Scheduled Trading Day**” means a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the ADSs are listed or admitted for trading. If the ADSs are not so listed or admitted for trading, “**Scheduled Trading Day**” means a Business Day.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Settlement Amount**” has the meaning specified in Section 14.02(a)(iv).

“**Settlement Method**” means, with respect to any conversion of Notes, Physical Settlement, Cash Settlement or Combination Settlement, as elected (or deemed to have been elected) by the Company.

“**Settlement Notice**” has the meaning specified in Section 14.02(a)(iii).

“**Significant Subsidiary**” means a Subsidiary of the Company that meets the definition of “significant subsidiary” in Article 1, Rule 1-02 of Regulation S-X under the Exchange Act. For the avoidance of doubt, each of the Company’s Consolidated Affiliated Entities shall be deemed to be a Subsidiary of the Company for the purposes of this definition.

“**Specified Dollar Amount**” means the maximum cash amount per US\$1,000 principal amount of Notes to be received upon conversion as specified in the Settlement Notice related to any converted Notes (or deemed specified pursuant to Section 14.02(a)(iii)).

“**Spin-Off**” shall have the meaning specified in Section 14.04(c).

“**Subsidiary**” means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

“**Successor Company**” shall have the meaning specified in Section 11.01(a).

“**Tax Redemption**” shall have the meaning specified in Section 16.01.

“**Tax Redemption Date**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Notice**” shall have the meaning specified in Section 16.02(a).

“**Tax Redemption Price**” means, for any Notes to be redeemed pursuant to Section 16.01, 100% of the principal amount of such Notes, *plus* accrued and unpaid interest (including any Additional Amounts), if any, to, but excluding, the Tax Redemption Date (unless the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, in which case the Company shall pay on the Interest Payment Date the full amount of accrued and unpaid interest, if any, due on such Interest Payment Date to the Holders of record of such Notes as of the close of business on such Regular Record Date corresponding to such Interest Payment Date, and the Tax Redemption Price will be equal to 100% of the principal amount of such Notes) and all Additional Amounts (if any) then due and which will become due on the applicable Tax Redemption Date as a result of the Tax Redemption or otherwise.

“**Trading Day**” means a day on which (i) trading in the ADSs (or other security for which a Last Reported Sale Price must be determined) generally occurs on The Nasdaq Global Select Market or, if the ADSs (or such other security) are not then listed on The Nasdaq Global Select Market, on the principal other U.S. national or regional securities exchange on which the ADSs (or such other security) are then listed or, if the ADSs (or such other security) are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs (or such other security) are then traded, and (ii) a Last Reported Sale Price for the ADSs (or closing sale price for such other security) is available on such securities exchange or market; *provided* that if the ADSs (or such other security) are not so listed or traded, “**Trading Day**” means a Business Day; and *provided, further*, that for purposes of determining amounts due upon conversion only, “**Trading Day**” means a day on which (x) there is no Market Disruption Event and (y) trading in the ADSs generally occurs on The Nasdaq Global Market or, if the ADSs are not then listed on The Nasdaq Global Market, on the principal other U.S. national or regional securities exchange on which the ADSs are then listed or, if the ADSs are not then listed on a U.S. national or regional securities exchange, on the principal other market on which the ADSs are then listed or admitted for trading, except that if the ADSs are not so listed or admitted for trading, “**Trading Day**” means a Business Day.

“**Trading Price**” means, with respect to the Notes on any date of determination, the average of the secondary market bid quotations obtained by the Bid Solicitation Agent for US\$1,000,000 principal amount of Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers the Company selects for this purpose; *provided* that if three such bids cannot reasonably be obtained by the Bid Solicitation Agent but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the Bid Solicitation Agent, that one bid shall be used. If the Bid Solicitation Agent cannot reasonably obtain at least one bid for US\$1,000,000 principal amount of Notes from a nationally recognized securities dealer on any determination date, then the Trading Price per US\$1,000 principal amount of Notes on such determination date shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate.

“**transfer**” shall have the meaning specified in Section 2.05(c).

“**Transfer Agent**” means Citibank, N.A., the transfer agent with respect to the Notes appointed pursuant to a Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter dated as of the date of this Indenture and, subject to the provisions of such Paying Agent, Transfer Agent, Conversion Agent and Registrar Appointment Letter, shall also include any successor transfer agent.

“**Trigger Event**” shall have the meaning specified in Section 14.04(c).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939, as amended, as it was in force at the date of execution of this Indenture; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after the date hereof, the term “Trust Indenture Act” shall mean, to the extent required by such amendment, the Trust Indenture Act of 1939, as so amended.

“**Trustee**” means the Person named as the “**Trustee**” in the first paragraph of this Indenture until a successor trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “**Trustee**” shall mean or include each Person who is then a Trustee hereunder.

“**unit of Reference Property**” shall have the meaning specified in Section 14.07(a).

“**U.S. Person**” shall have the meaning as such term is defined under Regulation S.

“**Valuation Period**” shall have the meaning specified in Section 14.04(c).

Section 1.02. *References to Interest.* Unless the context otherwise requires, any reference to interest on, or in respect of, any Note in this Indenture shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of Section 4.06(d), Section 4.06(e) and Section 6.03. Unless the context otherwise requires, any express mention of Additional Interest in any provision hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express mention is not made.

Section 2.01. *Designation and Amount.* The Notes shall be designated as the “1.375% Convertible Senior Notes due 2026.” The aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is initially limited to US\$500,000,000, subject to Section 2.10 and except for Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Notes pursuant to Section 2.05, Section 2.06, Section 2.07, Section 10.04, Section 11.02, Section 14.02 and Section 15.04.

Section 2.02. *Form of Notes.* The Notes and the Trustee’s certificate of authentication to be borne by such Notes shall be substantially in the respective forms set forth in Exhibit A, the terms and provisions of which shall constitute, and are hereby expressly incorporated in and made a part of this Indenture. To the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Any Global Note may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this Indenture as may be required by the Depository, or as may be required to comply with any applicable law or any regulation thereunder or with the rules and regulations of any securities exchange or automated quotation system upon which the Notes may be listed or traded or designated for issuance or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Notes are subject.

Any of the Notes may have such letters, numbers or other marks of identification and such notations, legends or endorsements as the Officer executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, or to conform to usage or to indicate any special limitations or restrictions to which any particular Notes are subject.

Each Global Note shall represent such principal amount of the outstanding Notes as shall be specified therein and shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be increased or reduced to reflect repurchases, redemptions, cancellations, conversions, transfers or exchanges permitted hereby. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Registrar, at the direction of the Trustee, in such manner and upon instructions given by the Holder of such Notes in accordance with this Indenture. Payment of principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, a Global Note shall be made to the Holder of such Note on the date of payment, unless a record date or other means of determining Holders eligible to receive payment is provided for herein.

Section 2.03. *Date and Denomination of Notes; Payments of Interest and Defaulted Amounts.* (a) The Notes shall be issuable in registered form without coupons in denominations of US\$1,000 principal amount and integral multiples thereof. Each Note shall be dated the date of its authentication and shall bear interest from the date specified on the face of such Note. Accrued interest on the Notes shall be computed on the basis of a 360-day year composed of twelve 30-day months and, for partial months, on the basis of the number of days actually elapsed in a 30-day month.

(b) The Person in whose name any Note (or its Predecessor Note) is registered on the Note Register at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date. The principal amount of any Note (x) in the case of any Physical Note, shall be payable at the office or agency of the Company maintained by the Company for such purposes in the Borough of Manhattan, The City of New York, which shall initially be the Paying Agent Office and (y) in the case of any Global Note, shall be payable by wire transfer of immediately available funds to the account of the Depository or its nominee. The Company shall pay interest (i) on Physical Notes, if any, by wire transfer in immediately available funds to that Holder's account within the United States specified by that Holder, which specification shall remain in effect until the Holder notifies, in writing, the Paying Agent and the Trustee to the contrary or (ii) on any Global Note by wire transfer of immediately available funds to the account of the Depository or its nominee.

(c) Any Defaulted Amounts shall forthwith cease to be payable to the Holder on the relevant payment date but shall accrue interest per annum at the rate borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, such relevant payment date, and such Defaulted Amounts together with such interest thereon shall be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Amounts, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of the Defaulted Amounts proposed to be paid on each Note and the date of the proposed payment (which shall be not less than 25 days after the receipt by the Trustee of such notice, unless the Trustee in its sole discretion shall consent to an earlier date), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount to be paid in respect of such Defaulted Amounts or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amounts as in this clause provided. Thereupon the Company shall fix a special record date for the payment of such Defaulted Amounts which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment, and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Company shall promptly notify the Trustee and Holders of the proposed payment of such Defaulted Amounts and the special record date therefor at its address as it appears in the Note Register or by electronic means to the Depository in the case of Global Notes, not less than 10 days prior to such special record date. Notice of the proposed payment of such

Defaulted Amounts and the special record date therefor having been so delivered, such Defaulted Amounts shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such special record date and shall no longer be payable pursuant to the following clause (ii) of this Section 2.03(c). The Trustee shall have no responsibility whatsoever for the calculation of any Defaulted Amounts.

(ii) The Company may make payment of any Defaulted Amounts to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered in any other lawful manner not inconsistent with the requirements of any securities exchange or automated quotation system on which the Notes may be listed or designated for issuance, and upon such notice as may be required by such exchange or automated quotation system, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Section 2.04. *Execution, Authentication and Delivery of Notes.* The Notes shall be signed in the name and on behalf of the Company by the manual or facsimile signature of any of its Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary or any of its Executive or Senior Vice Presidents. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes, and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes, without any further action by the Company hereunder; *provided* that the Trustee shall be entitled to receive an Officers' Certificate and an Opinion of Counsel with respect to the issuance, authentication and delivery of such Notes.

The Company Order shall specify the amount of Notes to be authenticated (including the initial amount of Rule 144A Notes and the initial amount of Regulation S Notes), the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. The Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Company Order).

Only such Notes as shall bear thereon a certificate of authentication substantially in the form set forth on the Form of Note attached as Exhibit A hereto, executed manually or by facsimile by an authorized officer of the Trustee, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certificate by the Trustee upon any Note executed by the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

In case any Officer of the Company who shall have signed any of the Notes shall cease to be such Officer before the Notes so signed shall have been authenticated and delivered by the Trustee, or disposed of by the Company, such Notes nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Notes had not ceased to be such Officer of the Company; and any Note may be signed on behalf of the Company by such Persons as, at the actual date of the execution of such Note, shall be the Officers of the Company, although at the date of the execution of this Indenture any such Person was not such an Officer.

Section 2.05. *Exchange and Registration of Transfer of Notes; Restrictions on Transfer; Depositary.* (a) The Company shall cause to be kept at the Paying Agent Office a register (the register maintained in such office or in any other office or agency of the Company designated pursuant to Section 4.02, the “**Note Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Notes and of transfers of Notes. Such register shall be in written form or in any form capable of being converted into written form within a reasonable period of time. Citibank, N.A. is hereby initially appointed the “**Note Registrar**” for the purpose of registering Notes and transfers of Notes as herein provided. The Company may appoint one or more co-Note Registrars in accordance with Section 4.02.

Prior to the Notes Fungibility Date, upon surrender for registration of transfer of any Rule 144A Note or Regulation S Note, as the case may be, to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount and bearing such restrictive legends as may be required by this Indenture. Following the Notes Fungibility Date, upon surrender for registration of transfer of any Note to the Note Registrar or any co-Note Registrar, and satisfaction of the requirements for such transfer set forth in this Section 2.05, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and not bearing the restrictive legends required by Section 2.05(c).

Prior to the Notes Fungibility Date, Rule 144A Notes and Regulation S Notes, as the case may be, may be exchanged for other Rule 144A Notes or Regulation S Notes, as the case may be, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Rule 144A Notes or Regulation S Notes, as the case may be, to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Prior to the Notes Fungibility Date, (A) Regulation S Notes (or beneficial interests therein) may be exchanged for Rule 144A Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) only if (1) such exchange occurs in connection with a transfer of the Notes (or a beneficial interest therein) under Rule 144A and (2) the transferor first delivers to the Trustee and the Note Registrar a written certificate, in the form attached to such Note, to the effect that the Notes (or such beneficial interest) are being transferred to a Person (a) who the transferor reasonably believes to be a “Qualified Institutional Buyer” (a “**QIB**”) (within the meaning of Rule 144A); (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions and (B) Rule 144A Notes

(or beneficial interests therein) may only be exchanged for Regulation S Notes (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) if the transferor first delivers to the Trustee and the Note Registrar a written certificate, in the form attached to such Note, to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S. Whenever any Rule 144A Notes or Regulation S Notes, as the case may be, are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Rule 144A Notes or Regulation S Notes, as the case may be, that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding. Following the Notes Fungibility Date, Notes may be exchanged for other Notes of any authorized denominations and of a like aggregate principal amount but not bearing the restrictive legend required by Section 2.05(c), upon surrender of the Notes to be exchanged at any such office or agency maintained by the Company pursuant to Section 4.02. Whenever any Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Notes that the Holder making the exchange is entitled to receive, bearing registration numbers not contemporaneously outstanding.

All Notes presented or surrendered for registration of transfer or for exchange, repurchase or conversion shall (if so required by the Company, the Trustee, the Note Registrar or any co- Note Registrar) be duly endorsed, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and duly executed, by the Holder thereof or its attorney-in-fact duly authorized in writing.

No service charge shall be imposed by the Company, the Transfer Agent, the ADS Depository, the Note Registrar, any co-Note Registrar or the Paying Agent for any exchange or registration of transfer of Notes, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of new Notes issued upon such exchange or registration of transfer being different from the name of the Holder of the old Notes surrendered for exchange or registration of transfer. The Company shall pay the ADS Depository's fees for issuance of any ADSS due upon conversion of the Notes.

None of the Company, the Trustee, the Note Registrar or any co-Note Registrar shall be required to exchange or register a transfer of (i) any Notes surrendered for conversion or, if a portion of any Note is surrendered for conversion, such portion thereof surrendered for conversion, (ii) any Notes, or a portion of any Note, surrendered for repurchase (and not withdrawn) in accordance with Article 15 or (iii) any Notes surrendered for redemption in accordance with Article 16.

All Notes issued upon any registration of transfer or exchange of Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(b) So long as the Notes are eligible for book-entry settlement with the Depository, unless otherwise required by law, subject to the fourth paragraph from the end of Section 2.05(c) all Notes shall be represented by one or more Notes in global form (each, a "**Global Note**") registered in the name of the Depository or the nominee of the Depository. The transfer and

exchange of beneficial interests in a Global Note that does not involve the issuance of a Physical Note shall be effected through the Depository in accordance with this Indenture (including the restrictions on transfer set forth herein) and the procedures of the Depository therefor. Prior to the Notes Fungibility Date, the Rule 144A Notes shall be represented by one or more Global Notes and the Regulation S Notes shall be represented by one or more separate Global Notes. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes may be represented by one or more of the same Global Notes.

(c) Every Note that bears or is required under this Section 2.05(c) to bear the legend set forth in this Section 2.05(c) (together with any ADSs (including the Class A Common Shares represented thereby) delivered upon conversion of the Notes that are required to bear the legend set forth in Section 2.05(d), collectively, the “**Restricted Securities**”) shall be subject to the restrictions on transfer set forth in this Section 2.05(c) (including the legend set forth below), unless such restrictions on transfer shall be eliminated or otherwise waived by written consent of the Company, and the Holder of each such Restricted Security, by such Holder’s acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.05(c) and Section 2.05(d), the term “**transfer**” encompasses any sale, pledge, transfer or other disposition whatsoever of any Restricted Security.

Until the date (the “**Resale Restriction Termination Date**”) that is the later of (1) the date that is one year after the last date of original issuance of the Rule 144A Notes, or such shorter period of time as permitted by Rule 144 or any successor provision thereto, and (2) such later date, if any, as may be required by applicable law, any certificate evidencing a Rule 144A Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Class A Common Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Rule 144A Notes have been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (A “**QIB**”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT

TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE

144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Until the Resale Restriction Termination Date, any certificate evidencing a Regulation S Note (and all securities issued in exchange therefor or substitution thereof, other than ADSs (including the Class A Common Shares represented thereby) issued upon conversion thereof, which shall bear the legend set forth in Section 2.05(d), if applicable) shall bear a legend in substantially the following form (unless such Regulation S Notes have been transferred pursuant to a registration statement that has become effective or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depositary in writing, with notice thereof to the Trustee):

THIS SECURITY, THE AMERICAN DEPOSITARY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A “QUALIFIED INSTITUTIONAL BUYER” (A “QIB”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE “COMPANY”), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR

- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (2) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

No transfer of any Note prior to the Resale Restriction Termination Date will be registered by the Note Registrar unless the applicable box on the Form of Assignment and Transfer has been checked.

Any Note (or security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of such Note for exchange to the Note Registrar in accordance with the provisions of this Section 2.05, be exchanged for a new Note or Notes, of like tenor and aggregate principal amount, which shall not bear the restrictive legend required by this Section 2.05(c) and shall not be assigned a

restricted CUSIP number. The Company shall be entitled to instruct the Trustee in writing to so surrender any Global Note as to which such restrictions on transfer shall have expired in accordance with their terms for exchange, and, upon such instruction, the Trustee shall so surrender such Global Note for exchange; and any new Global Note so exchanged therefor shall not bear the restrictive legend specified in this Section 2.05(c) and shall not be assigned a restricted CUSIP number. The Company shall promptly notify the Trustee in writing upon the occurrence of the Resale Restriction Termination Date and after a registration statement, if any, with respect to the Notes or the ADSs (including the Class A Common Shares represented thereby) issued upon conversion of the Notes has been declared effective under the Securities Act. Any exchange pursuant to the foregoing paragraph shall be in accordance with the applicable procedures of the Depository.

Notwithstanding any other provisions of this Indenture (other than the provisions set forth in this Section 2.05(c)), a Global Note may not be transferred as a whole or in part except (i) by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository and (ii) for exchange of a Global Note or a portion thereof for one or more Physical Notes upon request of a member of, or a participant in, the Depository (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section 2.05(c).

The Depository shall be a clearing agency registered under the Exchange Act. The Company initially appoints The Depository Trust Company to act as Depository with respect to each Global Note. Initially, each Global Note shall be issued to the Depository, registered in the name of Cede & Co., as the nominee of the Depository, and deposited with the Trustee as custodian for Cede & Co.

If (i) the Depository notifies the Company at any time that the Depository is unwilling or unable to continue as depository for the Global Notes and a successor depository is not appointed within 90 days, (ii) the Depository ceases to be registered as a clearing agency under the Exchange Act and a successor depository is not appointed within 90 days or (iii) an Event of Default with respect to the Notes has occurred and is continuing and, subject to the Depository's procedures, a beneficial owner of any Note requests that its beneficial interest therein be issued as a Physical Note, the Company shall execute, and the Trustee, upon receipt of an Officers' Certificate and a Company Order for the authentication and delivery of Notes, shall authenticate and deliver (x) in the case of clause (iii), a Physical Note to such beneficial owner in a principal amount equal to the principal amount of such Note corresponding to such beneficial owner's beneficial interest and (y) in the case of clause (i) or (ii), Physical Notes to each beneficial owner of the related Global Notes (or a portion thereof) in an aggregate principal amount equal to the aggregate principal amount of such Global Notes in exchange for such Global Notes, and upon delivery of the Global Notes to the Trustee such Global Notes shall be canceled.

Physical Notes issued in exchange for all or a part of a Global Note pursuant to this Section 2.05(c) shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, or, in the case of clause (iii) of the immediately preceding paragraph, the relevant beneficial owner, shall

instruct the Trustee. Upon execution and authentication, the Trustee shall deliver such Physical Notes to the Persons in whose names such Physical Notes are so registered.

At such time as all interests in a Global Note have been converted, canceled, repurchased, redeemed or transferred, such Global Note shall be, upon receipt thereof, canceled by the Trustee in accordance with standing procedures and existing instructions of the Depository. At any time prior to such cancellation, if any interest in a Global Note is exchanged for Physical Notes, converted, canceled, repurchased, redeemed or transferred to a transferee who receives Physical Notes therefor or any Physical Note is exchanged or transferred for part of such Global Note, the principal amount of such Global Note shall, in accordance with the standing procedures and existing instructions of the Depository, be appropriately reduced or increased, as the case may be, and an endorsement shall be made on such Global Note, by the Trustee, to reflect such reduction or increase.

None of the Company, the Trustee, any agent of the Company or any agent of the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Note or maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(d) Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Rule 144A Note shall bear a legend in substantially the following form (unless such ADSs (including the Class A Common Shares represented thereby) have been issued upon conversion of a Rule 144A Note that has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR

ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Until the Resale Restriction Termination Date, any certificate representing ADSs (including the Class A Common Shares represented thereby) issued upon conversion of a Regulation S Note shall bear a legend in substantially the following form (unless such ADSs (including the Class A Common Shares represented thereby) have been issued upon conversion of a Regulation S Note that has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Company and the Depository with written notice thereof to the Trustee and any transfer agent for the ADSs):

THIS SECURITY AND THE CLASS A COMMON SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "**COMPANY**"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE OF THE SERIES OF NOTES UPON THE CONVERSION OF WHICH THIS SECURITY WAS ISSUED OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR

(D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (A) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (B) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (C) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (2)(E) ABOVE, THE COMPANY, THE DEPOSITARY AND THE TRANSFER AGENT FOR THE COMPANY'S AMERICAN DEPOSITARY SHARES RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.

Any such ADSs as to which such restrictions on transfer shall have expired in accordance with their terms may, upon surrender of the certificates representing such ADSs for exchange in accordance with the procedures of the ADS Depository, be exchanged for a new certificate or certificates for a like aggregate number of ADSs, which shall not bear the restrictive legend required by this Section 2.05(d).

(e) Any Note or ADS (including the Class A Common Shares represented thereby) delivered upon the conversion or exchange of a Note that is repurchased or owned by any Affiliate of the Company (or any Person who was an Affiliate of the Company at any time during the three months immediately preceding) may not be resold by such Affiliate (or such Person, as the case may be) unless registered under the Securities Act or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act in a transaction that results in such Note or ADS, as the case may be, no longer being a "restricted security" (as defined under Rule 144). The Company shall cause any Note that is

repurchased or owned by it to be surrendered to the Paying Agent for cancellation in accordance with Section 2.08.

(f) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any securities laws or restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depository participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(g) Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by the Depository.

Section 2.06. *Mutilated, Destroyed, Lost or Stolen Notes.* In case any Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon the Company's written request the Trustee shall authenticate and deliver, a new Note, bearing a registration number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless from any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

The Trustee may authenticate any such substituted Note and deliver the same upon the receipt of such security, pre-funding and/or indemnity as the Trustee and the Company may require. No service charge shall be imposed by the Company, Transfer Agent, the ADS Depository, the Note Registrar, any co-Note Registrar or the Paying Agent upon the issuance of any substitute Note, but the Company may require a Holder to pay a sum sufficient to cover any documentary, stamp or similar issue or transfer tax required in connection therewith as a result of the name of the Holder of the new substitute Note being different from the name of the Holder of the old Note that became mutilated or was destroyed, lost or stolen. In case any Note that has matured or is about to mature or has been surrendered for required repurchase or redemption or is about to be converted in accordance with Article 14 shall become mutilated or be destroyed, lost or stolen, the Company may, in its sole discretion, instead of issuing a substitute Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company and to the Trustee such security, pre-funding and/or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in every case of destruction, loss or theft, evidence satisfactory to the Company and the Trustee of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note issued pursuant to the provisions of this Section 2.06 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of (but shall be subject to all the limitations set forth in) this Indenture equally and proportionately with any and all other Notes duly issued hereunder. To the extent permitted by law, all Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment or conversion or repurchase or redemption of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement, payment, redemption, conversion or repurchase of negotiable instruments or other securities without their surrender.

Section 2.07. *Temporary Notes.* Pending the preparation of Physical Notes, the Company may execute and the Trustee shall, upon written request of the Company, authenticate and deliver temporary Notes (printed or lithographed). Temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Physical Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be executed by the Company and authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Physical Notes. Without unreasonable delay, the Company shall execute and deliver to the Trustee Physical Notes (other than any Global Note) and thereupon any or all temporary Notes (other than any Global Note) may be surrendered in exchange therefor, at each office or agency maintained by the Company pursuant to Section 4.02 and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Physical Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Physical Notes authenticated and delivered hereunder.

Section 2.08. *Cancellation of Notes Paid, Converted, Etc.* The Company shall cause all Notes surrendered for the purpose of payment, repurchase, redemption, registration of transfer or exchange or conversion, if surrendered to any Person other than the Trustee (including any of the Company's agents, Subsidiaries, Consolidated Affiliated Entity or Affiliates), to be delivered and surrendered to the Trustee for cancellation. All Notes delivered to the Trustee shall be canceled promptly by it, and, except in the case of Notes surrendered for registration of transfer or exchange, no Notes shall be authenticated in exchange thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes in accordance with its customary procedures and, after such disposition, shall deliver a certificate of such cancellation and disposition to the Company, at the Company's written request in a Company Order.

Section 2.09. *CUSIP Numbers.* The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in all notices issued to Holders as a convenience to such Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or on such notice and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee in writing of any change

in the “CUSIP” or “ISIN” numbers, as applicable. Prior to the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have different “CUSIP” numbers. Following the Notes Fungibility Date, the Rule 144A Notes and the Regulation S Notes shall have the same “CUSIP” or “ISIN” number, as applicable.

Section 2.10. *Additional Notes; Repurchases.* The Company may, without the consent of the Holders and notwithstanding Section 2.01, reopen this Indenture and issue additional Notes hereunder with the same terms and with the same CUSIP number (or, if prior to the Notes Fungibility Date, the same CUSIP numbers as the Rule 144A Notes or the Regulation S Notes, as applicable) as the Notes initially issued hereunder (except for any differences in the issue price, issue date and interest accrued, if any) in an unlimited aggregate principal amount; *provided* that if any such additional Notes are not fungible with the Notes initially issued hereunder for U.S. federal securities laws or income tax purposes, such additional Notes shall have separate CUSIP and ISIN numbers from both the Rule 144A Notes and the Regulation S Notes. Prior to the issuance of any such additional Notes, the Company shall deliver to the Trustee a Company Order, an Officers’ Certificate and an Opinion of Counsel, such Officers’ Certificate and Opinion of Counsel to cover such matters, in addition to those required by Section 17.06, as the Trustee shall reasonably request. In addition, the Company may, to the extent permitted by law, and directly or indirectly (regardless of whether such Notes are surrendered to the Company), repurchase Notes in the open market or otherwise, whether by the Company or through its Subsidiaries or Consolidated Affiliated Entities or through a private or public tender or exchange offer or through counterparties to private agreements. The Company shall cause any Notes so repurchased to be surrendered to the Trustee for cancellation in accordance with Section 2.08. The Company may also enter into cash-settled swaps or other derivatives with respect to the Notes. For the avoidance of doubt, any Notes underlying such cash-settled swaps or other derivatives shall not be required to be surrendered to the Trustee for cancellation in accordance with Section 2.08 and will continue to be considered “outstanding” for purposes of this Indenture, subject to the provisions of Section 8.04.

Section 2.11. *Appointment of Authenticating Agent.* As long as any Notes remain outstanding, the Trustee may, by an instrument in writing, appoint with the approval of the Company an authenticating agent (an “**Authenticating Agent**”), which shall be authorized to act on behalf of the Trustee to authenticate Notes pursuant to this Indenture. Notes authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or to the Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Such Authenticating Agent shall at all times be a Person that is eligible pursuant to the Trust Indenture Act to act as such and that has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section 2.11, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

ARTICLE 3
SATISFACTION AND DISCHARGE

Section 3.01. *Satisfaction and Discharge.* This Indenture shall upon request of the Company contained in an Officers' Certificate cease to be of further effect, and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when (a) (i) all Notes theretofore authenticated and delivered (other than Notes which have been destroyed, lost or stolen and which have been replaced, paid or converted as provided in Section 2.06) have been delivered to the Trustee for cancellation; or (ii) the Company has deposited with the Trustee or delivered to Holders, as applicable, after the Notes have become due and payable, whether on the Maturity Date, the Repurchase Date, any Fundamental Change Repurchase Date, upon Tax Redemption, upon conversion or otherwise, cash, ADSs or a combination thereof, as applicable, solely to satisfy the Company's Conversion Obligation, sufficient to pay all of the outstanding Notes and all other sums due and payable under this Indenture by the Company; and (b) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.06 shall survive.

ARTICLE 4
PARTICULAR COVENANTS OF THE COMPANY

Section 4.01. *Payment of Principal and Interest.* The Company covenants and agrees that it will cause to be paid the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, each of the Notes at the places, at the respective times and in the manner provided herein and in the Notes.

Section 4.02. *Maintenance of Office or Agency.* The Company will maintain in the contiguous United States of America an office or agency (which will be the Paying Agent Office initially) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase or for conversion and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be made. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made at the Paying Agent Office.

The Company may also from time to time designate as co-Note Registrars one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided* that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the contiguous United States of America for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in

the location of any such other office or agency. The terms “Paying Agent” and “Conversion Agent” include any such additional or other offices or agencies, as applicable.

The Company initially designates Citibank, N.A. as the Paying Agent, Note Registrar and Conversion Agent and the Paying Agent Office shall be considered as one such office or agency of the Company for each of the aforesaid purposes.

Section 4.03. *Appointments to Fill Vacancies in Trustee’s Office.* The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.09, a Trustee, so that there shall at all times be a Trustee hereunder.

Section 4.04. *Provisions as to Paying Agent.* (a) If the Company shall appoint a Paying Agent other than the Trustee, the Company will cause such Paying Agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section 4.04:

(i) that it will hold all sums held by it as such agent for the payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes in trust for the benefit of the Holders of the Notes;

(ii) that it will give the Trustee prompt notice of any failure by the Company to make any payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes when the same shall be due and payable; and

(iii) that at any time during the continuance of an Event of Default, upon request of the Trustee, it will forthwith pay to the Trustee all sums so held in trust.

The Company shall, on or before each due date of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, the Notes, deposit with the Paying Agent a sum in immediately available funds sufficient to pay such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) or accrued and unpaid interest and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of any failure to take such action; *provided* that such deposit must be received by the Paying Agent by 10:00 a.m., New York City time, on the relevant due date.

(b) If the Company shall act as its own Paying Agent, it will, on or before each due date of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, and accrued and unpaid interest on, the Notes, set aside, segregate and hold in trust for the benefit of the Holders of the Notes a sum sufficient to pay such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) and accrued and unpaid interest so becoming due and will promptly notify the Trustee in writing of any failure to take such action and of any failure by the Company to make any payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if

applicable) of, or accrued and unpaid interest on, the Notes when the same shall become due and payable.

(c) Anything in this Section 4.04 to the contrary notwithstanding, the Company may, at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture, or for any other reason, pay, cause to be paid or deliver to the Trustee all sums or amounts held in trust by the Company or by any Paying Agent as required by this Section 4.04, such sums or amounts to be held by the Trustee upon the trusts herein contained and upon such payment or delivery by the Company or any Paying Agent to the Trustee, the Company or such Paying Agent shall be released from all further liability but only with respect to such sums or amounts. Upon the occurrence of any event specified in Section 6.01(i) or Section 6.01(j), the Trustee or one of its affiliates shall automatically become the Paying Agent.

(d) Any money and ADSs deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, accrued and unpaid interest on and the consideration due upon conversion of, any Note and remaining unclaimed for two years after such principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), interest or consideration due upon conversion has become due and payable, shall be paid or delivered, as the case may be, to the Company on request of the Company contained in an Officers' Certificate, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money and ADSs, and all liability of the Company as trustee thereof, shall thereupon cease.

Section 4.05. *Existence.* Subject to Article 11, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

Section 4.06. *Rule 144A Information Requirement and Annual Reports.* (a) At any time the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company shall, so long as any of the Notes or any ADSs (including the Class A Common Shares represented thereby) deliverable upon conversion thereof shall, at such time, constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Notes or any ADSs deliverable upon conversion of such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of such Notes or ADSs pursuant to Rule 144A. The Company shall take such further action as any Holder or beneficial owner of such Notes or such ADSs may reasonably request to the extent from time to time required to enable such Holder or beneficial owner to sell such Notes or ADSs in accordance with Rule 144A, as such rule may be amended from time to time.

(b) The Company shall provide to the Trustee, within 15 days after the same are required to be filed with the Commission, copies of any documents or reports that the Company is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any applicable grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that the Company files with the Commission via the Commission's

EDGAR system or any successor thereof shall be deemed to be provided to the Trustee for purposes of this Section 4.06(b) at the time such documents are filed via the EDGAR system or any successor thereof, it being understood that the Trustee shall not be responsible for determining whether such filings have been made. If the Notes become convertible into Reference Property consisting in whole or in part of shares of Capital Stock of any parent company of the Company pursuant to the terms of this Indenture described under Section 14.07 and such parent company provides a full and unconditional guarantee of the notes, the U.S. Securities and Exchange Commission reports of such parent company shall be deemed to satisfy the foregoing reporting requirements.

(c) Delivery of the reports and documents described in this Section 4.06 to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

(d) If, at any time during the six-month period beginning on, and including, the date that is six months after the last date of original issuance of the Notes, the Company fails to timely file any document or report that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act, as applicable (after giving effect to all applicable grace periods thereunder and other than reports on Form 6-K), or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (as a result of restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes), the Company shall pay Additional Interest on the Notes. Such Additional Interest shall accrue on the Notes at the rate of 0.50% per annum of the principal amount of the Notes outstanding for each day during such period for which the Company's failure to file has occurred and is continuing or the period during which the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately preceding) as described above, as the case may be. As used in this Section 4.06(d), documents or reports that the Company is required to "file" with the Commission pursuant to Section 13 or 15(d) of the Exchange Act do not include documents or reports that the Company furnishes to the Commission pursuant to Section 13 or 15(d) of the Exchange Act.

(e) If, and for so long as, the restrictive legend on the Notes specified in Section 2.05(c) has not been removed, the Notes are assigned a restricted CUSIP number or the Notes are not otherwise freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates or Holders that were the Company's Affiliates at any time during the three months immediately preceding (without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes) as of the 375th day after the last date of original issuance of the Notes, the Company shall pay Additional Interest on the Notes at a rate equal to 0.50% per annum of the principal amount of the Notes outstanding until the restrictive legend on the Notes has been removed in accordance with Section 2.05(c), the Notes are assigned an unrestricted CUSIP number and the Notes are freely tradable pursuant to Rule 144 by Holders other than the Company's Affiliates (or Holders that were the Company's Affiliates at any time during the three months immediately

preceding) without restrictions pursuant to U.S. securities laws or the terms of this Indenture or the Notes.

(f) Additional Interest will be payable in arrears on each Interest Payment Date following accrual in the same manner as regular interest on the Notes.

(g) Additional Interest that is payable in accordance with Section 4.06(d) or Section 4.06(e) shall be in addition to, and not in lieu of, any Additional Interest that may be payable as a result of the Company's election pursuant to Section 6.03. In no event shall Additional Interest accrue on any day under the terms of this Indenture (including any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e) together with any Additional Interest payable pursuant to Section 6.03) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations.

(h) If Additional Interest is payable by the Company pursuant to Section 4.06(d) or Section 4.06(e), the Company shall deliver to the Trustee an Officers' Certificate to that effect stating (i) the amount of such Additional Interest that is payable and (ii) the date on which such Additional Interest is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that no such Additional Interest is payable. If the Company has paid such Additional Interest directly to the Persons entitled to it, the Company shall deliver to the Trustee an Officers' Certificate setting forth the particulars of such payment.

Section 4.07. *Additional Amounts.* (a) All payments and deliveries made by, or on behalf of, the Company or any successor to the Company under or with respect to this Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price), payments of interest and payments of cash and/or deliveries of ADSs (together with payments of cash in lieu of any fractional ADS) upon conversion of the Notes, shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company or any successor to the Company is, for tax purposes, organized or resident or doing business or through which payment is made or deemed made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company or any successor to the Company shall pay to the Holder of each Note such additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received by the Holders after such withholding or deduction (and after deducting any taxes on the Additional Amounts) shall equal the amounts that would have been received by such Holders had no such withholding or deduction been required; *provided* that that no Additional Amounts shall be payable:

(i) for or on account of:

- (A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
- (1) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or the payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of such Note became due and payable pursuant to the terms thereof or was made or duly provided for, unless the Holder would have been entitled to such Additional Amounts on the last day of the 30-day period;
 - (3) the failure of the Holder or beneficial owner to comply with a timely request from the Company or any successor of the Company, addressed to the Holder, to provide certification, information, documents or other evidence concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, or to make any declaration or satisfy any other reporting requirement relating to such matters, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Taxing Jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable; or
 - (4) the presentation of such Notes (in cases in which presentation is required) for payment in the Relevant Taxing Jurisdiction, unless such Notes could not have been presented for payment elsewhere;
- (B) any estate, inheritance, gift, sale, transfer, excise, personal property or similar tax, assessment or other governmental charge;
- (C) any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments or deliveries under or with respect to the Notes;

(D) any tax, assessment, withholding or deduction required by FATCA, any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, including any agreement pursuant to Section 1471(b) of the Code, or any law enacted by such other jurisdiction to give effect to such agreement, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(E) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A), (B), (C) or (D); or

(ii) with respect to any payment of the principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on such Note or payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of such Note to a Holder, if the Holder is a fiduciary, partnership or Person other than the sole beneficial owner of that payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a partner or member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, member or beneficial owner been the Holder thereof.

(b) If the Company becomes obligated to pay Additional Amounts with respect to any payment or delivery under or with respect to the Notes, the Company shall deliver to the Trustee and the Paying Agent, if other than the Trustee, on a date that is at least 30 days prior to the date of that payment or delivery (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company shall notify the Trustee and the Paying Agent promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts shall be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agent or the Conversion Agent, as the case may be, to pay Additional Amounts to Holders on the relevant payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Company shall provide the Trustee and the Paying Agent with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(c) Any reference in this Indenture or the Notes in any context to the payment of cash and/or the delivery of ADSs (together with payment of cash in lieu of any fractional ADS) upon conversion of the Notes or the payment of principal of (including the Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) and interest on, any Note or any other amount payable with respect to such Note, shall be deemed to include any Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect to that amount pursuant to this Section 4.07.

(d) The Company or its successor shall make all withholdings and deductions required by law and shall remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. If the Company or its successor is required to make any deduction or withholding from any payments or deliveries with respect to the Notes, it shall deliver to the Trustee and the Paying Agent for the benefit of any Holders or beneficial owners official tax receipts evidencing the remittance to the relevant tax authorities of the amounts so withheld or deducted or, if official receipts are not obtainable, an Officers' Certificate evidencing the payment of any applicable taxes so deducted or withheld. Copies of those receipts or other documentation, as the case may be, shall be made available by the Trustee to the Holders or beneficial owners of the Notes.

(e) The Trustee shall have no obligation to determine whether any Additional Amounts are payable under this Indenture or the amount thereof. The Trustee and the Paying Agent shall be entitled to make any withholding or deduction pursuant to an agreement described in section 1471 of the Code or otherwise imposed pursuant to FATCA and any regulations or agreements thereunder or official interpretations thereof.

(f) The foregoing obligations shall survive termination or discharge of this Indenture.

Section 4.08. *Stay, Extension and Usury Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Company from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture; and the Company (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.09. *Compliance Certificate; Statements as to Defaults.* The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2019) an Officers' Certificate stating that a review has been conducted of the Company's activities under this Indenture and whether the Company has fulfilled its obligations hereunder, and whether the authorized Officers thereof have knowledge of any Default by the Company that occurred during the previous year that is then continuing and, if so, specifying each such Default and the nature thereof.

In addition, the Company shall deliver to the Trustee, as soon as possible, and in any event within 30 days after the occurrence of any Default if such Default is then continuing, an Officers' Certificate setting forth the details of such Default, its status and the action that the Company is taking or proposing to take in respect thereof.

Section 4.10. *Further Instruments and Acts.* Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

ARTICLE 5
LISTS OF HOLDERS AND REPORTS BY THE COMPANY AND THE TRUSTEE

Section 5.01. *Lists of Holders.* The Company covenants and agrees that it will furnish or cause to be furnished to the Trustee, semi-annually, not more than 5 days after each June 1 and December 1 in each year beginning with December 1, 2019, and at such other times as the Trustee may request in writing, within 5 days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form as the Trustee may reasonably require of the names and addresses of the Holders as of a date not more than 15 days (or such other date as the Trustee may reasonably request in order to so provide any such notices) prior to the time such information is furnished, except that no such list need be furnished so long as the Trustee is acting as Note Registrar.

Section 5.02. *Preservation and Disclosure of Lists.* The Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Holders contained in the most recent list furnished to it as provided in Section 5.01 or maintained by the Trustee in its capacity as Note Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 5.01 upon receipt of a new list so furnished.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01. *Events of Default.* The following events shall be “**Events of Default**” with respect to the Notes:

- (a) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable and the default continues for a period of 30 days;
- (b) default in the payment of principal of any Note when due and payable on the Maturity Date, upon any required repurchase or redemption, upon declaration of acceleration or otherwise;
- (c) failure by the Company to comply with its obligation to convert the Notes in accordance with this Indenture upon exercise of a Holder’s conversion right and such failure continues for a period of five Business Days;
- (d) failure by the Company to issue a Fundamental Change Company Notice in accordance with Section 15.02(c), notice of a Make-Whole Fundamental Change in accordance with Section 14.03(a) or notice of a specified corporate event in accordance with Section 14.01(b)(ii) or 14.01(b)(iii), in each case, when due and such failure continues for a period of five Business Days;
- (e) failure by the Company to comply with its obligations under Article 11;
- (f) failure by the Company for 60 days after written notice from the Trustee or by the Trustee at the request of the Holders of at least 25% in aggregate principal amount of the Notes

then outstanding has been received by the Company to comply with any of its other agreements contained in the Notes or this Indenture;

(g) default by the Company or any Significant Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any indebtedness for money borrowed in excess of US\$40 million (or the foreign currency equivalent thereof) in the aggregate of the Company and/or any such Significant Subsidiary, whether such indebtedness now exists or shall hereafter be created (i) resulting in such indebtedness becoming or being declared due and payable prior to its stated maturity or (ii) constituting a failure to pay the principal or interest of any such debt when due and payable (following any applicable grace periods) at its stated maturity, upon required repurchase, upon declaration of acceleration or otherwise;

(h) a final judgment for the payment of US\$40 million (or the foreign currency equivalent thereof) or more (excluding any amounts covered by insurance) rendered against the Company or any Significant Subsidiary of the Company, which judgment is not paid, bonded or otherwise discharged or stayed within 60 days after (i) the date on which the right to appeal thereof has expired if no such appeal has commenced, or (ii) the date on which all rights to appeal have been extinguished;

(i) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any such Significant Subsidiary or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(j) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to the Company or such Significant Subsidiary or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or such Significant Subsidiary or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 30 consecutive days.

Section 6.02. *Acceleration; Rescission and Annulment.* If one or more Events of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body), then, and in each and every such case (other than an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries), unless the principal of all of the Notes shall have already become due and payable, the Trustee may by notice in writing to the Company, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with

Section 8.04, by notice in writing to the Company and to the Trustee may, and the Trustee at the request of such Holders accompanied by security and/or indemnity satisfactory to the Trustee shall, declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately, and upon any such declaration the same shall become and shall automatically be immediately due and payable, notwithstanding anything contained in this Indenture or in the Notes to the contrary. If an Event of Default specified in Section 6.01(i) or Section 6.01(j) with respect to the Company or any of its Significant Subsidiaries occurs and is continuing, 100% of the principal of, and accrued and unpaid interest on, all Notes shall become and shall automatically be immediately due and payable without any action on the part of the Trustee. If an Event of Default occurs and is continuing, the Agents and any other agents of the Company appointed under this Indenture will be required to act on the direction of the Trustee.

The immediately preceding paragraph, however, is subject to the conditions that if, at any time after the principal of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum in immediately available funds sufficient to pay installments of accrued and unpaid interest upon all Notes and the principal of any and all Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of accrued and unpaid interest to the extent that payment of such interest is enforceable under applicable law, and on such principal at the rate per annum borne by the Notes at such time, *plus* one percent) and amounts due to the Trustee pursuant to Section 7.06, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all existing Events of Default under this Indenture, other than the nonpayment of the principal of and accrued and unpaid interest on Notes that shall have become due solely by such acceleration, shall have been cured pursuant to Section 6.01 or waived pursuant to Section 6.09, then and in every such case (except as provided in the immediately succeeding sentence) the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon. Notwithstanding anything to the contrary herein, no such waiver or rescission and annulment shall extend to or shall affect any Default or Event of Default resulting from (i) the nonpayment of the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of, or accrued and unpaid interest on, any Notes, (ii) a failure to repurchase any Notes when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon conversion of the Notes.

Section 6.03. *Additional Interest.* Notwithstanding anything in this Indenture or in the Notes to the contrary, to the extent the Company elects, the sole remedy for an Event of Default relating to the Company's failure to comply with its obligations as set forth in Section 4.06(b) shall after the occurrence of such an Event of Default (which, with respect to an Event of Default described in Section 6.01(f), shall be the 60th day after written notice is provided to the

Company in accordance with Section 6.01(f)) consist exclusively of the right to receive Additional Interest on the Notes at a rate equal to:

(a) 0.25% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the date on which such an Event of Default first occurs and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 180th day immediately following, and including, the date on which such Event of Default first occurred; and

(b) if such Event of Default has not been cured or validly waived prior to the 181st day immediately following, and including, the date on which such Event of Default first occurred, 0.50% per annum of the principal amount of the Notes outstanding for each day during the period beginning on, and including, the 181st day immediately following, and including, the date on which such an Event of Default first occurred and ending on the earlier of (i) the date on which such Event of Default is cured or validly waived and (ii) the 360th day immediately following, and including, the date on which such Event of Default first occurred.

Additional Interest payable pursuant to this Section 6.03 shall be in addition to, not in lieu of, any Additional Interest payable pursuant to Section 4.06(d) or Section 4.06(e). In no event shall Additional Interest accrue on the Notes on any day under this Indenture (including any Additional Interest payable pursuant to this Section 6.03 together with any Additional Interest payable pursuant to Section 4.06(d) and Section 4.06(e)) at an annual rate in excess of 0.50%, in the aggregate, for any violation or Default caused by the Company's failure to be current in respect of its Exchange Act reporting obligations. If the Company so elects, such Additional Interest shall be payable in the same manner and on the same dates as the stated interest payable on the Notes. On the 361st day after such Event of Default (if the Event of Default with respect to the Company's obligations under Section 4.06(b) is not cured or waived prior to such 361st day), the Notes shall be subject to acceleration as provided in Section 6.02. The provisions of this paragraph will not affect the rights of Holders of Notes in the event of the occurrence of any Event of Default other than the Company's failure to comply with its obligations as set forth in Section 4.06(b). In the event the Company does not elect to pay Additional Interest following an Event of Default in accordance with this Section 6.03 or the Company elected to make such payment but does not pay the Additional Interest when due, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

In order to elect to pay Additional Interest as the sole remedy during the first 360 days after the occurrence of any Event of Default described in the immediately preceding paragraph, the Company must notify in writing all Holders of the Notes, the Trustee and the Paying Agent of such election prior to the beginning of such 360-day period. Upon the Company's failure to timely give such notice, the Notes shall be immediately subject to acceleration as provided in Section 6.02.

Section 6.04. *Payments of Notes on Default; Suit Therefor.* If an Event of Default described in clause (a) or (b) of Section 6.01 shall have occurred, the Company shall, upon demand of the Trustee or at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding determined in accordance with Section 8.04 and subject to pre-funding, indemnity and/or security satisfactory to the Trustee, pay to the Trustee, for the benefit

of the Holders of the Notes, the whole amount then due and payable on the Notes for principal and interest, if any, with interest on any overdue principal and interest, if any, at the rate per annum borne by the Notes at such time, *plus* one percent, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 7.06. If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may at its sole and absolute discretion and without further notice institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

In the event there shall be pending proceedings for the bankruptcy or for the reorganization of the Company or any other obligor on the Notes under Title 11 of the United States Code, or any other applicable law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Company or such other obligor, the property of the Company or such other obligor, or in the event of any other judicial proceedings relative to the Company or such other obligor upon the Notes, or to the creditors or property of the Company or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 6.04, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal and accrued and unpaid interest, if any, in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents and to take such other actions as it may deem necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceedings relative to the Company or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute the same after the deduction of any amounts due to the Trustee under Section 7.06; and any receiver, assignee or trustee in bankruptcy or reorganization, liquidator, custodian or similar official is hereby authorized by each of the Holders to make such payments to the Trustee, as administrative expenses, and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for reasonable compensation, expenses, advances and disbursements, including agents and counsel fees, and including any other amounts due to the Trustee under Section 7.06, incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses, advances and disbursements out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, monies,

securities and other property that the Holders of the Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting such Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes.

In any proceedings brought by the Trustee (and in any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Notes, and it shall not be necessary to make any Holders of the Notes parties to any such proceedings.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of any waiver pursuant to Section 6.09 or any rescission and annulment pursuant to Section 6.02 or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Holders, and the Trustee shall, subject to any determination in such proceeding, be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company, the Holders, and the Trustee shall continue as though no such proceeding had been instituted.

Section 6.05. *Application of Monies Collected by Trustee.* Any monies or property collected by the Trustee pursuant to this Article 6 with respect to the Notes shall be applied in the following order, at the date or dates fixed by the Trustee for the distribution of such monies, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First, to the payment of all amounts due the Trustee under Section 7.06 and any payments due to the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar (if other than the Company acting in any such capacity);

Second, in case the principal of the outstanding Notes shall not have become due and be unpaid, to the payment of interest on, and any cash due upon conversion of, the Notes in default in the order of the date due of the payments of such interest and cash due upon conversion, as the case may be, with interest (to the extent that such interest has been collected by the Trustee) upon such overdue payments at the rate per annum borne by the Notes at such time, *plus* one percent, such payments to be made ratably to the Persons entitled thereto;

Third, in case the principal of the outstanding Notes shall have become due, by declaration or otherwise, and be unpaid to the payment of the whole amount (including, if applicable, the payment of the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) then owing and unpaid upon the Notes for principal and interest, if any, with interest on the overdue principal and, to the extent that such interest has been collected by the Trustee, upon overdue installments of interest at the rate per annum borne by the Notes at such time, *plus* one percent, and in case such monies shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) and interest without preference or priority of principal over interest, or of interest over principal or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price and any cash due upon conversion) and accrued and unpaid interest; and

Fourth, to the payment of the remainder, if any, to the Company.

Section 6.06. *Proceedings by Holders*. Except to enforce the right to receive payment of principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) or interest when due, or the right to receive payment or delivery of the consideration due upon conversion, no Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture, or for the appointment of a receiver, trustee, liquidator, custodian or other similar official, or for any other remedy hereunder, unless:

- (a) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof, as herein provided;
- (b) Holders of at least 25% in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to pursue the remedy;
- (c) such Holders shall have offered to the Trustee such security, pre-funding and/or indemnity satisfactory to it against any loss, liability or expense to be incurred therein or thereby;
- (d) the Trustee for 60 days after its receipt of such notice, request and offer of such security, pre-funding and/or indemnity, shall have neglected or refused to institute any such action, suit or proceeding; and
- (e) no direction that, in the opinion of the Trustee, is inconsistent with such written request shall have been given to the Trustee by the Holders of a majority of the aggregate principal amount of the Notes then outstanding within such 60-day period pursuant to Section 6.09,

it being understood and intended, and being expressly covenanted by the taker and Holder of every Note with every other taker and Holder and the Trustee that no one or more Holders shall have any right in any manner whatever by virtue of or by availing of any provision of this

Indenture to affect, disturb or prejudice the rights of any other Holder (it being further understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders (except as otherwise provided herein). For the protection and enforcement of this Section 6.06, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of this Indenture and any provision of any Note, each Holder shall have the right to receive payment or delivery, as the case may be, of (x) (i) the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of and (ii) accrued and unpaid interest on, or (y) the consideration due upon conversion of, such Note, on or after the respective due dates expressed or provided for in such Note or in this Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, and such right to receive such payment or delivery, as the case may be, on or after such respective dates shall not be impaired or affected without the consent of such Holder.

Section 6.07. *Proceedings by Trustee.* In case of an Event of Default, the Trustee in its discretion may proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as are necessary to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law; *provided* that the Trustee will not be bound to make any such proceeding unless (i) it shall have been so directed by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, (ii) it shall have been indemnified, pre-funded and/or secured to its satisfaction and (iii) the Trustee is satisfied that the act or exercise of any of the rights or powers vested in it by this Indenture will not result in any of its directors, officers, employees or agents incurring personal liability.

Section 6.08. *Remedies Cumulative and Continuing.* Except as provided in the last paragraph of Section 2.06, all powers and remedies given by this Article 6 to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power, or shall be construed to be a waiver of any such Default or Event of Default or any acquiescence therein; and, subject to the provisions of Section 6.06, every power and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 6.09. *Direction of Proceedings and Waiver of Defaults by Majority of Holders.* The Holders of a majority of the aggregate principal amount of the Notes at the time outstanding

determined in accordance with Section 8.04 shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that (a) such direction shall not be in conflict with any rule of law or with this Indenture, and (b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. The Trustee may refuse to follow any direction that it determines is unduly prejudicial to the rights of any other Holder (it being understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other Holder), that would involve the Trustee in personal liability, or for which the Trustee is not provided with security, pre-funding and/or indemnity to its satisfaction. In addition, the Trustee will not be required to expend its own funds under any circumstances. The Holders of a majority in aggregate principal amount of the Notes at the time outstanding determined in accordance with Section 8.04 may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences except (i) a default in the payment of accrued and unpaid interest on, or the principal (including, if applicable, the Repurchase Price, Tax Redemption Price or Fundamental Change Repurchase Price) of, the Notes when due that has not been cured pursuant to the provisions of Section 6.01, (ii) a failure by the Company to pay or deliver, as the case may be, the consideration due upon conversion of the Notes or (iii) a default in respect of a covenant or provision hereof which under Article 10 cannot be modified or amended without the consent of each Holder of an outstanding Note affected. Upon any such waiver the Company, the Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 6.09, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.10. *Notice of Defaults and Events of Default.* If a Default or Event of Default occurs and is continuing and is notified in writing to a Responsible Officer of the Trustee, the Trustee shall, within 90 days after the Responsible Officer of the Trustee it receives written notice or obtains knowledge of such Default or Event of Default, mail to all Holders (at the Company's expense) as the names and addresses of such Holders appear upon the Note Register, notice of all such Defaults known to a Responsible Officer, unless such Defaults shall have been cured or waived before the giving of such notice; *provided* that the Trustee shall not be deemed to have knowledge of any occurrence of a Default or an Event of Default unless a Responsible Officer of the Trustee has received written notice of such Event of Default describing the circumstances of such, and identifying the circumstances constituting such Event of Default. Except in the case of a Default in the payment of the principal of (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable), or accrued and unpaid interest on, any of the Notes or a Default in the payment or delivery of the consideration due upon conversion, the Trustee shall be protected in withholding such notice if and so long as the Trustee's board of directors, an executive committee or a committee of Responsible Officers of the Trustee (in its sole discretion) in good faith determines that the withholding of such notice is in the interests of the Holders.

Section 6.11. *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section 6.11 (to the extent permitted by law) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes at the time outstanding determined in accordance with Section 8.04, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or accrued and unpaid interest on any Note (including, but not limited to, the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) on or after the due date expressed or provided for in such Note or to any suit for the enforcement of the right to convert any Note, or receive the consideration due upon conversion, in accordance with the provisions of Article 14.

ARTICLE 7
CONCERNING THE TRUSTEE

Section 7.01. *Duties and Responsibilities of Trustee.* The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In the event an Event of Default has occurred and is continuing, and if a Responsible Officer of the Trustee has written notice or actual knowledge of such event, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs; *provided* that if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any of the Holders unless such Holders have offered (and, if requested, provided) to the Trustee indemnity, pre-funding and/or security satisfactory to it against, any loss, liability or expense that might be incurred by it in compliance with such request or direction.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default of which a Responsible Officer of the Trustee has written notice or actual knowledge of and after the curing or waiving of all Events of Default that may have occurred:

(i) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture

and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee and each Agent may conclusively and without liability rely, and will be protected in acting, or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, security, bond, debenture, note, other evidence of indebtedness or other paper or document (whether in original, email or any other form of electronic communication or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee and each Agent need not investigate any fact or matter stated in the document, but, in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein);

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be determined by a decision of a court component jurisdiction that the Trustee was fraudulent or grossly negligent in ascertaining the pertinent facts;

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority of the aggregate principal amount of the Notes at the time outstanding determined as provided in Section 8.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture;

(d) whether or not therein provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Section;

(e) the Trustee shall not be liable in respect of any payment (as to the correctness of amount, entitlement to receive or any other matters relating to payment) or notice effected by the Company or any Paying Agent or any records maintained by any co-Note Registrar with respect to the Notes;

(f) if any party fails to deliver a notice relating to an event the fact of which, pursuant to this Indenture, requires notice to be sent to the Trustee, the Trustee may conclusively and without liability rely on its failure to receive such notice as reason to act as if no such event occurred, unless a Responsible Officer of the Trustee had actual knowledge of such event;

(g) in the absence of written investment direction from the Company, all cash received by the Trustee shall be placed in a non-interest bearing trust account, and in no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon or for losses incurred as a result of the liquidation of any such investment prior to its maturity date or

the failure of the party directing such investments prior to its maturity date or the failure of the party directing such investment to provide timely written investment direction, and the Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction from the Company;

(h) in the event that the Trustee or any of its affiliates is also acting as ADS Custodian, Note Registrar, Paying Agent, Conversion Agent, Bid Solicitation Agent or Transfer Agent hereunder, the rights and protections afforded to the Trustee pursuant to this Article 7 shall also be afforded to such ADS Custodian, Note Registrar, Paying Agent, Conversion Agent, Bid Solicitation Agent or Transfer Agent; and

(i) under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Notes.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 7.02. *Reliance on Documents, Opinions, Etc.* Except as otherwise provided in Section 7.01:

(a) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Board Resolution may be evidenced to the Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of the Company;

(b) the Trustee may consult with counsel or other professional advisors of its selection and require an Opinion of Counsel and any written or verbal advice of such counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(c) the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the expense of the Company and shall incur no liability of any kind by reason of such inquiry or investigation;

(d) in connection with the exercise by it of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorization or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers, authorities or discretions for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any country, state or territory and a Holder shall not be entitled to require, nor shall any Holder be entitled to claim, from the Company, the

Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided in Section 4.07 or Section 14.02(e) and/or any undertaking given in addition to, or in substitution for, Section 4.07 or Section 14.02(e) pursuant to this Indenture;

(e) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, delegates, custodians, nominees or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, delegate, representative, custodian, nominee or attorney appointed by it with due care hereunder;

(f) the permissive rights of the Trustee enumerated herein shall not be construed as duties.

(g) the Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder;

(h) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture;

(i) in no event shall the Trustee be liable for any consequential, punitive, special or indirect loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(j) neither the Trustee nor any Agent shall be charged with knowledge of any Default or Event of Default with respect to the Notes, unless either (1) in the case of the Trustee, a Responsible Officer shall have actual knowledge of such Default or Event of Default or (2) it has received express written notice of such Default or Event of Default;

(k) the Trustee shall treat information provided hereunder as confidential, but (unless consent is prohibited by law) the Company hereby consents to the processing, transfer and disclosure by the Trustee of any information relating to it provided hereunder to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee solely in connection with the discharge of the Trustee's trusts, powers, authorities, duties and obligations under this Indenture, wherever situated, for confidential use (including to service providers selected by the Trustee with due care for data processing, statistical and risk analysis purposes and for compliance with applicable law). The Trustee and any such branch, subsidiary, representative office, affiliate, agent or third party may transfer and disclose any such information only to the extent required or requested by any applicable law, regulatory authority, court or legal process, including any auditor of the Company and including any payor or payee as required by applicable law, and may use (and its performance will be subject to the rules of) any communications, clearing or payment systems, intermediary bank or other system. The Company acknowledges that the transfers permitted by this Section 7.02(k) may include transfers to jurisdictions which do not have strict data protection or data privacy laws;

(l) the Company hereby irrevocably waives, in favor of the Trustee and the Agents, any conflict of interest that may arise by virtue of the Trustee and/or the Agents acting in various capacities under the Notes or this Indenture or for other customers of the Trustee and the Agents. The Company acknowledges that the Trustee and the Agents and their respective affiliates (together, the “**Agent Parties**”) may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which the Company may regard as conflicting with its interests and may possess information (whether or not material to the Company) other than as a result of the Trustee and/or the Agents acting as the Trustee and/or the Agents hereunder, that the Trustee and/or the Agents may not be entitled to share with the Company. The Trustee and the Agents will not disclose confidential information obtained from the Company (without its consent) to any of the Trustee and/or the Agents’ other customers or affiliates nor will it use on behalf of the Company any confidential information obtained from any other customer. Without prejudice to the foregoing, the Company agrees that the Agent Parties may deal (whether for its own or its customers’ account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of the Notes or this Indenture;

(m) the Trustee shall be entitled to take any action or to refuse to take any action which the Trustee regards as necessary for the Trustee to comply with any applicable law, regulation or fiscal requirement, court order, or the rules, operating procedures or market practice of any relevant stock exchange or other market or clearing system;

(n) notwithstanding anything else contained in this Indenture, each of the Trustee and the Agents may refrain without liability from (i) doing anything which would or might in its opinion acting reasonably be illegal or contrary to, or would result in the Trustee or any Agent being in breach of, any law of any jurisdiction or any directive, rule, regulation, request, direction, notice, announcement or similar action of any agency, regulatory authority, stock exchange or self-regulatory organization of any jurisdiction (including, without limitation, Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation or (ii) doing anything which may cause the Trustee to be considered a sponsor of a covered fund under Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any regulations promulgated thereunder. Furthermore, the Trustee may also refrain from taking any action if, in its opinion based upon advice of counsel, it would not have the power to do the relevant thing in the relevant jurisdiction by virtue of any applicable law in such jurisdiction or if it is determined by any court or other competent authority in such jurisdiction that it does not have such power; and

(o) in the event the Trustee receives inconsistent or conflicting requests and indemnity, security and/or pre-funding from two or more groups of Holders, each representing less than a majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole and absolute discretion, may determine what action, if any, will be taken.

Section 7.03. *No Responsibility for Recitals, Etc.* The recitals, statements, warranties and representations contained herein and in the Notes (except in the Trustee’s certificate of

authentication) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the accuracy or correctness of the same or the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Indenture or of the Notes. The Trustee shall not be accountable for the use or application by the Company of any Notes or the proceeds of any Notes authenticated and delivered by the Trustee in conformity with the provisions of this Indenture. Notwithstanding the generality of the foregoing, each Holder shall be solely responsible for making its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Company, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

Section 7.04. *Trustee, Paying Agents, Conversion Agents, Bid Solicitation Agent, Transfer Agent or Note Registrar May Own Notes.* The Trustee, any Paying Agent, any Conversion Agent, Bid Solicitation Agent (if other than the Company or any Affiliate thereof), Transfer Agent or Note Registrar, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Trustee, Paying Agent, Conversion Agent, Bid Solicitation Agent, Transfer Agent or Note Registrar, and nothing herein shall obligate any of them to account for any profits earned from any business or transactional relationship.

Section 7.05. *Monies and ADSs to Be Held in Trust.* All monies and ADSs received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Money and ADSs held by the Trustee in trust or by the Paying Agent hereunder need not be segregated from other funds or property except to the extent required by law. Neither the Trustee nor the Paying Agent shall be under any liability for interest on any money or ADSs received by it hereunder.

Section 7.06. *Compensation and Expenses of Trustee.* (a) The Company covenants and agrees to pay to the Trustee, in any capacity under this Indenture, from time to time, and the Trustee shall be entitled to, compensation for all services rendered by it hereunder in any capacity (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) as mutually agreed to in writing between the Trustee and the Company, and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture in any capacity thereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel and of all Persons not regularly in its employ) except any such expense, disbursement or advance as shall have been caused by its gross negligence or willful misconduct as determined by a final, non-appealable decision of a court of competent jurisdiction. The Company also covenants to indemnify the Trustee in any capacity under this Indenture and any other document or transaction entered into in connection herewith and its officers, directors, attorneys, employees and agents, and to hold them harmless against, any loss, claim (provided that the Company need not pay for settlement of any such claim made without its consent, which consent shall not be unreasonably withheld), damage, liability or expense incurred without gross negligence or willful misconduct on the part of the Trustee, its officers, directors, agents, attorneys or employees, as the case may be, as determined by a final, non-appealable decision of a court of competent jurisdiction, and arising

out of or in connection with the acceptance or administration of this Indenture or in any other capacity hereunder, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 7.06 to compensate or indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall be secured by a senior lien to which the Notes are hereby made subordinate on all money or property held or collected by the Trustee, except, subject to the effect of Section 6.05, funds held in trust herewith for the benefit of the Holders of particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.06 shall not be subordinate to any other liability or indebtedness of the Company. The indemnity under this Section 7.06(a) is payable upon demand by the Trustee. The obligation of the Company under this Section 7.06(a) shall survive the satisfaction and discharge of this Indenture and payment of the Notes, the termination of this Indenture and the resignation or removal of the Trustee. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld. The indemnification provided in this Section 7.06(a) shall extend to the officers, directors, attorneys, agents and employees of the Trustee. Subject to Section 7.02(e), any negligence or misconduct of any agent, delegate, attorney or representative, in each case, of the Trustee, shall not affect indemnification of the Trustee.

Without prejudice to any other rights available to the Trustee under applicable law, when the Trustee and its agents incur expenses or render services after an Event of Default specified in Section 6.01(i) or Section 6.01(j) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any bankruptcy, insolvency or similar laws. If a Default or Event of Default shall have occurred or if the Trustee finds it expedient or necessary or is requested by the Company and/or the Holders to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture, the Company will pay such additional remuneration as the Company and the Trustee have separately agreed in writing.

(b) The Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar shall be entitled to the compensation to be agreed upon in writing with the Company for all services rendered by it under this Indenture, and the Company agrees promptly to pay such compensation and to reimburse the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar for its out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by it in connection with the services rendered by it under this Indenture. The Company hereby agrees to indemnify the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar and their respective officers, directors, agents and employees and any successors thereto for, and to hold it harmless against, any loss, liability or expense (including reasonable fees and expenses of counsel) incurred without gross negligence or willful misconduct on its part, as determined by a final, non-appealable decision of a court of competent jurisdiction, arising out of or in connection with its acting as the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar hereunder. The obligations of the Company under this paragraph (b) shall survive the payment of the Notes, the termination of this Indenture and the resignation or removal of the Paying Agent, the Transfer Agent, the Conversion Agent and the Note Registrar.

Section 7.07. *Officers' Certificate as Evidence.* Except as otherwise provided in Section 7.01, whenever in the administration of the provisions of this Indenture the Trustee shall deem it

necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Officers' Certificate, in the absence of gross negligence, willful misconduct, recklessness and bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 7.08. *Eligibility of Trustee.* There shall at all times be a Trustee hereunder which shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least US\$50,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 7.09. *Resignation or Removal of Trustee.* (a) The Trustee may at any time resign by giving 30 days written notice of such resignation to the Company and by delivering notice thereof to the Holders. Upon receiving such notice of resignation, the Company shall promptly appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation to the Holders, the resigning Trustee may appoint a successor trustee on behalf of and at the expense of the Company or it may, upon ten Business Days' notice to the Company and the Holders, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, subject to the provisions of Section 6.11, on behalf of himself or herself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall cease to be eligible in accordance with the provisions of Section 7.08 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(ii) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in either case, the Company may by a Board Resolution remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 6.11, any Holder who has been a bona fide holder of a Note or Notes for at least six months (or since the date of this Indenture) may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the Notes at the time outstanding, as determined in accordance with Section 8.04, may remove the Trustee by giving 30 days written notice to the Trustee and nominate a successor trustee that shall be deemed appointed as successor trustee unless within ten days after notice to the Company of such nomination the Company objects thereto, in which case the Trustee so removed or any Holder, upon the terms and conditions and otherwise as in Section 7.09(a) provided, may petition any court of competent jurisdiction for an appointment of a successor trustee.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 7.09 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 7.10.

Section 7.10. *Acceptance by Successor Trustee.* Any successor trustee appointed as provided in Section 7.09 shall execute, acknowledge and deliver to the Company and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Company or of the successor trustee, the trustee ceasing to act shall, upon payment of any amounts then due to it pursuant to the provisions of Section 7.06, execute and deliver an instrument transferring to such successor trustee all the rights and powers of the trustee so ceasing to act. Upon request of any such successor trustee, the Company shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a senior claim to which the Notes are hereby made subordinate on all money or property held or collected by such trustee as such, except for funds held in trust for the benefit of Holders of particular Notes, to secure any amounts then due to it pursuant to the provisions of Section 7.06.

No successor trustee shall accept appointment as provided in this Section 7.10 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 7.08.

Upon acceptance of appointment by a successor trustee as provided in this Section 7.10, each of the Company and the successor trustee, at the written direction and at the expense of the Company shall deliver or cause to be delivered notice of the succession of such trustee hereunder to the Holders. If the Company fails to deliver such notice within ten days after acceptance of

appointment by the successor trustee, the successor trustee shall cause such notice to be delivered at the expense of the Company.

Section 7.11. *Succession by Merger, Etc.* Any corporation or other entity into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee (including the administration of this Indenture), shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto; *provided* that in the case of any corporation or other entity succeeding to all or substantially all of the corporate trust business of the Trustee such corporation or other entity shall be eligible under the provisions of Section 7.08.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor trustee hereunder or in the name of the successor trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have; *provided, however*, that the right to adopt the certificate of authentication of any predecessor trustee or to authenticate Notes in the name of any predecessor trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.12. *Trustee's Application for Instructions from the Company.* Any application by the Trustee for written instructions from the Company (other than with regard to any action proposed to be taken or omitted to be taken by the Trustee that affects the rights of the Holders of the Notes under this Indenture) may, at the option of the Trustee, set forth in writing any action proposed to be taken or omitted by the Trustee under this Indenture and the date on and/or after which such action shall be taken or such omission shall be effective. The Trustee shall not be liable for any action taken by, or omission of, the Trustee in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than three Business Days after the date such application is deemed to have been given to any Officer of the Company pursuant to Section 17.03, unless any such Officer shall have consented in writing to any earlier date), unless, prior to taking any such action (or the effective date in the case of any omission), the Trustee shall have received written instructions in accordance with this Indenture in response to such application specifying the action to be taken or omitted.

ARTICLE 8
CONCERNING THE HOLDERS

Section 8.01. *Action by Holders.* Whenever in this Indenture it is provided that the Holders of a specified percentage of the aggregate principal amount of the Notes may take any action (including the making of any demand or request, the giving of any notice, consent or

waiver or the taking of any other action), the fact that at the time of taking any such action, the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by Holders in person or by agent or proxy appointed in writing, or (b) by the record of the Holders voting in favor thereof at any meeting of Holders duly called and held in accordance with the provisions of Article 9, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Whenever the Company or the Trustee solicits the taking of any action by the Holders of the Notes, the Company or the Trustee may fix, but shall not be required to, in advance of such solicitation, a date as the record date for determining Holders entitled to take such action.

The record date if one is selected shall be not more than fifteen days prior to the date of commencement of solicitation of such action.

Section 8.02. *Proof of Execution by Holders.* Subject to the provisions of Section 7.01, Section 7.02 and Section 9.05, proof of the execution of any instrument by a Holder or its agent or proxy shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The holding of Notes shall be proved by the Note Register or by a certificate of the Note Registrar. The record of any Holders' meeting shall be proved in the manner provided in Section 9.06.

Section 8.03. *Who Are Deemed Absolute Owners.* The Company, the Trustee, any Paying Agent, any Transfer Agent, any Conversion Agent and any Note Registrar will deem the Person in whose name a Note shall be registered upon the Note Register to be, and will treat it as, the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by any Person other than the Company or any Note Registrar) for the purpose of receiving payment of or on account of the principal (including any Repurchase Price, Tax Redemption Price and Fundamental Change Repurchase Price, if applicable) of and (subject to Section 2.03) accrued and unpaid interest on such Note, for conversion of such Note and for all other purposes; and neither the Company nor the Trustee nor any Paying Agent nor any Transfer Agent nor any Conversion Agent nor any Note Registrar shall be affected by any notice to the contrary. All such payments or deliveries so made to any Holder for the time being, or upon its order, shall be valid, and, to the extent of the sums or ADSs so paid or delivered, effectual to satisfy and discharge the liability for monies payable or ADSs deliverable upon any such Note. Notwithstanding anything to the contrary in this Indenture or the Notes following an Event of Default, any holder of a beneficial interest in a Global Note may directly enforce against the Company, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such holder's right to exchange such beneficial interest for a Physical Note in accordance with the provisions of this Indenture.

Section 8.04. *Company-Owned Notes Disregarded.* In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any direction, consent, waiver or other action under this Indenture, Notes that are owned by the Company, by any Subsidiary or Consolidated Affiliated Entity thereof or by any Affiliate of the Company or any Subsidiary or Consolidated Affiliated Entity thereof shall be disregarded and deemed not to be outstanding for the purpose of any such determination; *provided* that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent, waiver or other action only Notes in respect of which a Responsible Officer is notified in writing

shall be so disregarded. Notwithstanding the foregoing, Notes so owned that have been pledged in good faith may be regarded as outstanding for the purposes of this Section 8.04 if the pledgee shall establish its right to so act with respect to such Notes and that the pledgee is not the Company, a Subsidiary or Consolidated Affiliated Entity thereof or an Affiliate of the Company or a Subsidiary or Consolidated Affiliated Entity thereof. Within five days of acquisition of the Notes by any of the above described persons or entities, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 7.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are outstanding for the purpose of any such determination.

Section 8.05. *Revocation of Consents; Future Holders Bound.* At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 8.01, of the taking of any action by the Holders of the percentage of the aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note that is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its Corporate Trust Office and upon proof of holding as provided in Section 8.02, revoke such action so far as concerns such Note. Except as aforesaid, any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor or upon registration of transfer thereof, irrespective of whether any notation in regard thereto is made upon such Note or any Note issued in exchange or substitution therefor or upon registration of transfer thereof.

ARTICLE 9 HOLDERS' MEETINGS

Section 9.01. *Purpose of Meetings.* A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article 9 for any of the following purposes:

- (a) to give any notice to the Company or to the Trustee or to give any directions to the Trustee permitted under this Indenture, or to consent to the waiving of any Default or Event of Default hereunder (in each case, as permitted under this Indenture) and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article 6;
- (b) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article 7;
- (c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 10.02; or
- (d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes under any other provision of this Indenture or under applicable law.

Section 9.02. *Call of Meetings by Trustee.* The Trustee may at any time call a meeting of Holders to take any action specified in Section 9.01, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date pursuant to Section 8.01, shall be delivered to Holders of such Notes. Such notice shall also be delivered to the Company. Such notices shall be delivered not less than 20 nor more than 90 days prior to the date fixed for the meeting.

Any meeting of Holders shall be valid without notice if the Holders of all Notes then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the Holders of all Notes then outstanding, and if the Company and the Trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

Section 9.03. *Call of Meetings by Company or Holders.* In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% of the aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have delivered the notice of such meeting within 20 days after receipt of such request, then the Company or such Holders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 9.01, by delivering notice thereof as provided in Section 9.02.

Section 9.04. *Qualifications for Voting.* To be entitled to vote at any meeting of Holders a Person shall (a) be a Holder of one or more Notes on the record date pertaining to such meeting or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more Notes on the record date pertaining to such meeting. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

Section 9.05. *Regulations.* Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders, in regard to proof of the holding of Notes and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders as provided in Section 9.03, in which case the Company or the Holders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in aggregate principal amount of the Notes represented at the meeting and entitled to vote at the meeting.

Subject to the provisions of Section 8.04, at any meeting of Holders each Holder or proxy-holder shall be entitled to one vote for each US\$1,000 principal amount of Notes held or represented by him or her; *provided, however,* that no vote shall be cast or counted at any

meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by it or instruments in writing as aforesaid duly designating it as the proxy to vote on behalf of other Holders. Any meeting of Holders duly called pursuant to the provisions of Section 9.02 or Section 9.03 may be adjourned from time to time by the Holders of a majority of the aggregate principal amount of Notes represented at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting of Holders of the Notes, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Section 9.06. *Voting.* The vote upon any resolution submitted to any meeting of Holders shall be by written ballot on which shall be subscribed the signatures of the Holders or of their representatives by proxy and the outstanding aggregate principal amount of the Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was delivered as provided in Section 9.02. The record shall show the aggregate principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.07. *No Delay of Rights by Meeting.* Nothing contained in this Article 9 shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Notes.

ARTICLE 10 SUPPLEMENTAL INDENTURES

Section 10.01. *Supplemental Indentures Without Consent of Holders.* The Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's

expense and direction, may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to provide for the assumption by a Successor Company of the obligations of the Company under this Indenture and the Notes pursuant to Article 11;
- (c) to add guarantees with respect to the Notes;
- (d) to secure the Notes;
- (e) to add to the covenants or Events of Default of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;
- (f) upon the occurrence of any Merger Event, to provide that the Notes are convertible into Reference Property, subject to the provisions of Section 14.02, and effect the related changes to the terms of the Notes described under Section 14.07, in each case, in accordance with Section 14.07;
- (g) to make any change that does not adversely affect the rights or interests of any Holder; or
- (h) to conform the provisions of this Indenture or the Notes to the "Description of the Notes" section of the Offering Memorandum.

Upon the written request of the Company, the Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to, but may in its discretion, enter into any supplemental indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise. Any supplemental indenture authorized by the provisions of this Section 10.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time outstanding, notwithstanding any of the provisions of Section 10.02.

Section 10.02. *Supplemental Indentures with Consent of Holders.* With the consent (evidenced as provided in Article 8) of the Holders of at least a majority of the aggregate principal amount of the Notes then outstanding (determined in accordance with Article 8 and including, without limitation, consents obtained in connection with a repurchase of, or tender or exchange offer for, Notes), the Company, when authorized by the resolutions of the Board of Directors, and the Trustee, at the Company's expense, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders; *provided, however,* that, without the consent of each Holder of an outstanding Note affected, no such supplemental indenture shall:

- (a) reduce the amount of Notes whose Holders must consent to an amendment;

- (b) reduce the rate of or extend the stated time for payment of interest on any Note;
- (c) reduce the principal of or extend the Maturity Date of any Note;
- (d) make any change that adversely affects the conversion rights of any Notes;
- (e) reduce the Repurchase Price payable on the Repurchase Date, the Tax Redemption Price or the Fundamental Change Repurchase Price of any Note or amend or modify in any manner adverse to the Holders the Company's obligation to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (f) make any Note payable in a currency other than U.S. dollars;
- (g) change the ranking of the Notes;
- (h) impair the right of any Holder to receive payment of principal and interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Note;
- (i) change the Company's obligation to pay Additional Amounts on any Note; or
- (j) make any change in this Article 10 that requires each Holder's consent or in the waiver provisions in Section 6.02 or Section 6.09.

Upon the written request of the Company, and upon the filing with the Trustee of evidence of the consent of the requisite Holders as aforesaid and subject to Section 10.05, the Trustee shall join with the Company in the execution of such supplemental indenture unless (i) the Trustee has not received an Opinion of Counsel stating that such supplemental indenture is authorized and permitted by the terms of this Indenture and not contrary to law or (ii) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

Holdings do not need under this Section 10.02 to approve the particular form of any proposed supplemental indenture. It shall be sufficient if such Holders approve the substance thereof. After any such supplemental indenture becomes effective, the Company shall deliver to the Holders (with a copy to the Trustee) a notice briefly describing such supplemental indenture. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the supplemental indenture.

Section 10.03. *Effect of Supplemental Indentures.* Upon the execution of any supplemental indenture pursuant to the provisions of this Article 10, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.04. *Notation on Notes.* Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 10 may, at the Company's expense, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may, at the Company's expense, be prepared and executed by the Company, authenticated upon receipt of a Company Order, by the Trustee and delivered in exchange for the Notes then outstanding, upon surrender of such Notes then outstanding.

Section 10.05. *Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee.* In addition to the documents required by Section 17.06, the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 10 and is permitted or authorized by this Indenture and with respect to such Opinion of Counsel, that such supplemental indenture is the valid and binding obligation of the Company enforceable in accordance with its terms, subject to customary exceptions and qualifications.

ARTICLE 11
CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 11.01. *Company May Consolidate, Etc. on Certain Terms.* Subject to the provisions of Section 11.02, the Company shall not consolidate with, merge with or into, or sell, convey, transfer or lease all or substantially all of its properties and assets to another Person, unless:

(a) the resulting, surviving or transferee Person (the "**Successor Company**"), if not the Company, shall be a corporation organized and existing under the laws of the United States of America, any State thereof, the District of Columbia, the Cayman Islands, the British Virgin Islands, Bermuda or Hong Kong and the Successor Company (if not the Company) shall expressly assume by supplemental indenture all of the obligations of the Company under the Notes and this Indenture (including, for the avoidance of doubt, the obligation to pay Additional Amounts pursuant to Section 4.07); and

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing under this Indenture.

For purposes of this Section 11.01, the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries or Consolidated Affiliated Entities of the Company to another Person, which properties and assets, if held by the Company instead of such Subsidiaries or Consolidated Affiliated Entities, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Company to another Person.

Section 11.02. *Successor Corporation to Be Substituted.* In case of any such consolidation, merger, sale, conveyance, transfer or lease and upon the assumption by the

Successor Company, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the due and punctual payment of the principal of and accrued and unpaid interest on all of the Notes (including, for the avoidance of doubt, any Additional Amounts), the due and punctual delivery or payment, as the case may be, of any consideration due upon conversion of the Notes (including, for the avoidance of doubt, any Additional Amounts) and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Company, such Successor Company (if not the Company) shall succeed to and, except in the case of a lease of all or substantially all of the Company's properties and assets, shall be substituted for the Company, with the same effect as if it had been named herein as the party of the first part. Such Successor Company thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such Successor Company instead of the Company and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver, or cause to be authenticated and delivered, any Notes that previously shall have been signed and delivered by the Officers of the Company to the Trustee for authentication, and any Notes that such Successor Company thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof. In the event of any such consolidation, merger, sale, conveyance or transfer (but not in the case of a lease), upon compliance with this Article 11 the Person named as the "Company" in the first paragraph of this Indenture (or any successor that shall thereafter have become such in the manner prescribed in this Article 11) may be dissolved, wound up and liquidated at any time thereafter and, except in the case of a lease, such Person shall be released from its liabilities as obligor and maker of the Notes and from its obligations under this Indenture and the Notes.

In case of any such consolidation, merger, sale, conveyance, transfer or lease, such changes in phraseology and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate.

Section 11.03. *Opinion of Counsel to Be Given to Trustee.* No consolidation, merger, sale, conveyance, transfer or lease shall be effective unless the Trustee shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance, transfer or lease and any such assumption and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the provisions of this Article 11.

ARTICLE 12 IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

Section 12.01. *Indenture and Notes Solely Corporate Obligations.* No recourse for the payment of the principal of or accrued and unpaid interest on any Note, nor for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or in any supplemental indenture or in any Note,

nor because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, Officer or director or Subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE 13
INTENTIONALLY OMITTED

ARTICLE 14
CONVERSION OF NOTES

Section 14.01. *Conversion Privilege*

(a) Subject to and upon compliance with the provisions of this Article 14, each Holder of a Note shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is US\$1,000 principal amount or an integral multiple thereof) of such Note (i) subject to satisfaction of the conditions described in Section 14.01(b), at any time prior to the close of business on the Business Day immediately preceding December 15, 2025 under the circumstances and during the periods set forth in Section 14.01(b), and (ii) regardless of the conditions described in Section 14.01(b), on or after December 15, 2025 and prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, in each case, at an initial conversion rate of 10.4271 ADSs (subject to adjustment as provided in this Article 14, the "**Conversion Rate**") per US\$1,000 principal amount of Notes (subject to, and in accordance with, the settlement provisions of Section 14.02, the "**Conversion Obligation**").

(b) (i) Prior to the close of business on the Business Day immediately preceding December 15, 2025, a Holder may surrender all or any portion of its Notes for conversion at any time during the five Business Day period immediately after any ten consecutive Trading Day period (the "**Measurement Period**") in which the Trading Price per US\$1,000 principal amount of Notes, as determined following a request by a Holder of Notes in accordance with this subsection (b)(i), for each Trading Day of the Measurement Period was less than 98% of the product of the Last Reported Sale Price of the ADSs on each such Trading Day and the Conversion Rate on each such Trading Day. The Trading Prices shall be determined by the Bid Solicitation Agent pursuant to this subsection (b)(i) and the definition of Trading Price set forth in this Indenture. The Bid Solicitation Agent (if other than the Company) shall have no obligation to determine the Trading Price per US\$1,000 principal amount of Notes unless the Company has requested such determination in writing, and the Company shall have no obligation to make such request (or, if the Company is acting as Bid Solicitation Agent, the Company shall have no obligation to determine the Trading Price per US\$1,000 principal amount of Notes) unless a Holder provides the Company with reasonable evidence that the Trading Price per US\$1,000 principal amount of Notes on any Trading Day would be less than 98% of the product of the Last Reported Sale Price of the ADSs on such Trading Day and the Conversion Rate on such Trading Day, at which time the Company shall instruct the Bid Solicitation Agent (if other

than the Company) in writing to determine, or if the Company is acting as Bid Solicitation Agent, the Company shall determine, the Trading Price per US\$1,000 principal amount of Notes beginning on the next Trading Day and on each successive Trading Day until the Trading Price per US\$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate. At such time as the Company directs the Bid Solicitation Agent (if other than the Company) in writing to solicit bid quotations, the Company shall provide the Bid Solicitation Agent with the names and contact details of the three independent nationally recognized securities dealers the Company selects, and the Company shall direct those securities dealers to provide bids to the Bid Solicitation Agent. If (x) the Company is not acting as Bid Solicitation Agent, and the Company does not, when the Company is required to, instruct the Bid Solicitation Agent to determine the Trading Price per US\$1,000 principal amount of Notes when obligated as provided in the preceding sentence, or if the Company instructs the Bid Solicitation Agent in writing to obtain bids and the Bid Solicitation Agent fails to make such determination, or (y) the Company is acting as Bid Solicitation Agent and the Company fails to make such determination when obligated as provided in the preceding sentence, then, in either case, the Trading Price per US\$1,000 principal amount of Notes shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate on each Trading Day of such failure. If the Trading Price condition set forth above has been met, the Company shall so notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing. If, at any time after the Trading Price condition set forth above has been met, the Trading Price per US\$1,000 principal amount of Notes is greater than or equal to 98% of the product of the Last Reported Sale Price of the ADSs and the Conversion Rate for such date, the Company shall so notify in writing the Holders, the Trustee and the Conversion Agent (if other than the Trustee).

(ii) If, prior to the close of business on the Business Day immediately preceding December 15, 2025, the Company elects to:

(A) issue to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per share that is less than the average of the Last Reported Sale Prices of the ADSs, *divided by* the number of Class A Common Shares then represented by one ADS, for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance; or

(B) distribute to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) the Company's assets, securities or rights to purchase securities of the Company, which distribution has a per share value, as determined by the Board of Directors, exceeding 10% of (i) the Last Reported Sale Price of the ADSs on the Trading Day preceding the date of announcement for such distribution, *divided by* (ii) the number of Class A Common Shares then represented by one ADS,

then, in either case, the Company shall notify all Holders of the Notes, the Trustee and the Conversion Agent (if other than the Trustee) in writing at least 50 Scheduled Trading Days prior to the Ex-Dividend Date for such issuance or distribution. Once the Company has given such notice, a Holder may surrender all or any portion of its Notes for conversion at any time until the earlier of (1) the close of business on the Business Day immediately preceding the Ex-Dividend Date for such issuance or distribution and (2) the Company's announcement that such issuance or distribution will not take place, in each case, even if the Notes are not otherwise convertible at such time.

(iii) If a transaction or event that constitutes a Fundamental Change or a Make-Whole Fundamental Change occurs prior to the close of business on the Business Day immediately preceding December 15, 2025, regardless of whether a Holder has the right to require the Company to repurchase the Notes pursuant to Section 15.02, or if the Company is a party to a Merger Event that occurs prior to the close of business on the Business Day immediately preceding December 15, 2025, all or any portion of a Holder's Notes may be surrendered for conversion at any time from or after the actual effective date of such transaction until 35 Trading Days after the actual effective date of such transaction or, if such transaction also constitutes a Fundamental Change, until the related Fundamental Change Repurchase Date. The Company shall notify Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing as promptly as practicable following the date the Company publicly announces such transaction.

(iv) Prior to the close of business on the Business Day immediately preceding December 15, 2025, a Holder may surrender all or any portion of its Notes for conversion at any time during any calendar quarter commencing after the calendar quarter ending on September 30, 2019 (and only during such calendar quarter), if the Last Reported Sale Price of the ADSs for at least 20 Trading Days (whether or not consecutive) during the period of 30 consecutive Trading Days ending on, and including, the last Trading Day of the immediately preceding calendar quarter is greater than or equal to 130% of the Conversion Price on each applicable Trading Day. The Company shall determine at the beginning of each calendar quarter commencing after September 30, 2019 whether the Notes may be surrendered for conversion in accordance with this clause (iv) and shall notify the Holders, the Trustee and the Conversion Agent (if other than the Trustee) in writing if the Notes become convertible in accordance with this clause (iv).

(v) If the Company calls all of the Notes upon a Tax Redemption pursuant to Article 16, a Holder may surrender any or all of its Notes for conversion at any time prior to the close of business on the second Business Day prior to the Tax Redemption Date, even if the Notes are not otherwise convertible at such time. After that time, the right to convert the Notes on account of the Company's delivery of a Tax Redemption Notice shall expire under this clause (v), unless the Company defaults in the payment of the Tax Redemption Price, in which case a Holder may convert any or all of its Notes until the Tax Redemption Price has been paid or duly provided for.

Section 14.02. *Conversion Procedure; Settlement Upon Conversion.*

(a) Subject to this Section 14.02, Section 14.03(b) and Section 14.07(a), upon conversion of any Note, the Company shall pay or deliver, as the case may be, to the converting Holder, in respect of each US\$1,000 principal amount of Notes being converted, cash (“**Cash Settlement**”), ADSs, together with cash, if applicable, in lieu of delivering any fractional ADSs in accordance with subsection (j) of this Section 14.02 (“**Physical Settlement**”) or a combination of cash and ADSs, together with cash, if applicable, in lieu of delivering any fractional ADS in accordance with subsection (j) of this Section 14.02 (“**Combination Settlement**”), at its election, as set forth in this Section 14.02.

(i) All conversions for which the relevant Conversion Date occurs after the Company’s issuance of a Tax Redemption Notice with respect to the Notes and prior to the related Tax Redemption Date shall be settled using the same Settlement Method, and all conversions for which the relevant Conversion Date occurs on or after December 15, 2025 shall be settled using the same Settlement Method.

(ii) Except for any conversions for which the relevant Conversion Date occurs after the Company’s issuance of a Tax Redemption Notice with respect to the Notes but prior to the related Tax Redemption Date, and any conversions for which the relevant Conversion Date occurs on or after December 15, 2025, the Company shall use the same Settlement Method for all conversions with the same Conversion Date, but the Company shall not have any obligation to use the same Settlement Method with respect to conversions with different Conversion Dates.

(iii) If, in respect of any Conversion Date (or one of the periods described in the fourth immediately succeeding set of parentheses, as the case may be), the Company elects a Settlement Method, the Company shall deliver a written notice (the “**Settlement Notice**”) of the relevant Settlement Method in respect of such Conversion Date (or such period, as the case may be) to converting Holders, the Trustee and the Conversion Agent (if other than the Trustee) no later than the close of business on the Trading Day immediately following the relevant Conversion Date (or, in the case of any conversions for which the relevant Conversion Date occurs (x) after the date of issuance of a Tax Redemption Notice with respect to the Notes and prior to the related Tax Redemption Date, in such Tax Redemption Notice or (y) on or after December 15, 2025, no later than December 15, 2025). If the Company does not elect a Settlement Method prior to the deadline set forth in the immediately preceding sentence, the Company shall no longer have the right to elect Cash Settlement or Physical Settlement and the Company shall be deemed to have elected Combination Settlement in respect of its Conversion Obligation, and the Specified Dollar Amount per US\$1,000 principal amount of Notes shall be equal to US\$1,000. Such Settlement Notice shall specify the relevant Settlement Method and in the case of an election of Combination Settlement, the relevant Settlement Notice shall indicate the Specified Dollar Amount per US\$1,000 principal amount of Notes. If the Company delivers a Settlement Notice electing Combination Settlement in respect of its Conversion Obligation but does not indicate a Specified Dollar Amount per US\$1,000 principal amount of Notes in such Settlement Notice, the Specified Dollar Amount per US\$1,000 principal amount of Notes shall be deemed to be US\$1,000.

(iv) The cash, ADSs or a combination of cash and ADSs in respect of any conversion of Notes (the “**Settlement Amount**”) shall be computed as follows:

(A) if the Company elects to satisfy its Conversion Obligation in respect of such conversion by Physical Settlement, the Company shall deliver to the converting Holder in respect of each US\$1,000 principal amount of Notes being converted a number of ADSs equal to the Conversion Rate in effect on the Conversion Date;

(B) if the Company elects to satisfy its Conversion Obligation in respect of such conversion by Cash Settlement, the Company shall pay to the converting Holder in respect of each US\$1,000 principal amount of Notes being converted cash in an amount equal to the sum of the Daily Conversion Values for each of the 40 consecutive Trading Days during the related Observation Period; and

(C) if the Company elects (or is deemed to have elected) to satisfy its Conversion Obligation in respect of such conversion by Combination Settlement, the Company shall pay or deliver, as the case may be, in respect of each US\$1,000 principal amount of Notes being converted, a Settlement Amount equal to the sum of the Daily Settlement Amounts for each of the 40 consecutive Trading Days during the related Observation Period.

(v) The Daily Settlement Amounts (if applicable) and the Daily Conversion Values (if applicable) shall be determined by the Company promptly following the last day of the Observation Period. Promptly after such determination of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering any fractional ADS, the Company shall notify the Trustee and the Conversion Agent (if other than the Trustee) in writing of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering fractional ADSs. The Trustee and the Conversion Agent (if other than the Trustee) shall have no responsibility for any such determination.

(b) Subject to Section 14.02(e), before any Holder of a Note shall be entitled to convert a Note as set forth above, such Holder shall (i) in the case of a Global Note, comply with the procedures of the Depository in effect at that time and, if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in Section 14.02(h) and (ii) in the case of a Physical Note (1) complete, manually sign and deliver a duly completed irrevocable notice to the Conversion Agent as set forth in the Form of Notice of Conversion (or a facsimile thereof) (a “**Notice of Conversion**”) at the office of the Conversion Agent and state in writing therein the principal amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any ADSs to be delivered upon settlement of the Conversion Obligation to be registered, (2) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (3) if required, furnish appropriate endorsements and transfer documents and (4) if required, pay funds equal to interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in

Section 14.02(h). The Trustee (and if different, the Conversion Agent) shall notify the Company of any conversion pursuant to this Article 14 on the Conversion Date for such conversion. No Notice of Conversion with respect to any Notes may be delivered, and no Notes may be surrendered for conversion, by a Holder thereof if such Holder has also delivered a Fundamental Change Repurchase Notice or Repurchase Notice to the Company in respect of such Notes and has not validly withdrawn such Fundamental Change Repurchase Notice or Repurchase Notice, as the case may be, in accordance with Section 15.03.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes shall be computed on the basis of the aggregate principal amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) A Note shall be deemed to have been converted immediately prior to the close of business on the date (the “**Conversion Date**”) that the Holder has complied with the requirements set forth in subsection (b) above. Except as set forth in Section 14.03(b) and Section 14.07(a), the Company shall pay or deliver, as the case may be, the consideration due in respect of the Conversion Obligation on the second Business Day immediately following the relevant Conversion Date, if the Company elects Physical Settlement, or on the second Business Day immediately following the last Trading Day of the relevant Observation Period, in the case of any other Settlement Method. If any ADSs are due to a converting Holder, the Company shall issue or cause to be issued, and deliver (if applicable) to such Holder, or such Holder’s nominee or nominees, the full number of ADSs to which such Holder shall be entitled, in book-entry format through the Depository, in satisfaction of the Company’s Conversion Obligation.

(d) In case any certificated Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Note so surrendered a new Note or Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Note, without payment of any service charge by the converting Holder but, if required by the Company or Trustee, with payment of a sum sufficient to cover any documentary, stamp or similar issue or transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such conversion being different from the name of the Holder of the old Notes surrendered for such conversion.

(e) If a Holder submits a Note for conversion, the Company shall pay any documentary, stamp, issue, transfer or similar tax due on the issue of any ADSs upon conversion of the Notes or the issuance of the underlying Class A Common Shares, unless the tax is due because the Holder requests such ADSs to be issued in a name other than the Holder’s name, in which case the Holder shall pay that tax. The Company shall pay the ADS Depository’s fees for the issuance of the ADSs.

(f) Except as provided in Section 14.04, no adjustment shall be made for dividends on any ADSs delivered upon the conversion of any Note as provided in this Article 14.

(g) Upon the conversion of an interest in a Global Note, the Trustee shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(h) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth below. The Company's settlement of the full Conversion Obligation shall be deemed to satisfy in full its obligation to pay the principal amount of the Note and accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date. As a result, accrued and unpaid interest, if any, to, but not including, the relevant Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon a conversion of Notes into a combination of cash and ADSs, accrued and unpaid interest will be deemed to be paid first out of the cash paid upon such conversion. Notwithstanding the foregoing, if Notes are converted after the close of business on a Regular Record Date and prior to the open of business on the immediately following Interest Payment Date, Holders of such Notes as of the close of business on such Regular Record Date will receive the full amount of interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. However, Notes surrendered for conversion during the period from the close of business on any Regular Record Date to the open of business on the immediately following Interest Payment Date must be accompanied by an amount in U.S. dollars equal to the amount of interest payable on the Notes so converted; *provided* that no such payment shall be required (1) for conversions following the Regular Record Date immediately preceding the Maturity Date; (2) if the Company has specified a Tax Redemption Date that is after a Regular Record Date and on or prior to the Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date); (3) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately succeeding the corresponding Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date); or (4) to the extent of any Defaulted Amounts, if any Defaulted Amounts exists at the time of conversion with respect to such Note. Therefore, for the avoidance of doubt, all Holders of record on the Regular Record Date immediately preceding the Maturity Date shall receive the full interest payment due on the Maturity Date in cash regardless of whether their Notes have been converted following such Regular Record Date. Neither the Trustee nor the Conversion Agent (if other than the Trustee) will have any duty to determine or verify determination by the Company of whether any of the conditions to conversion have been satisfied.

(i) The Person in whose name any ADSs shall be deliverable upon conversion shall be treated as a holder of record as of the close of business on the relevant Conversion Date (if the Company elects to satisfy the related Conversion Obligation by Physical Settlement) or the last Trading Day of the relevant Observation Period (if the Company elects to satisfy the related Conversion Obligation by Combination Settlement), as the case may be. Upon a conversion of Notes, such Person shall no longer be a Holder of such Notes surrendered for conversion.

(j) The Company shall not issue any fractional ADSs upon conversion of the Notes and shall instead pay cash in lieu of delivering any fractional ADS deliverable upon conversion

based on the Daily VWAP for the relevant Conversion Date (in the case of Physical Settlement) or based on the Daily VWAP for the last Trading Day of the relevant Observation Period (in the case of Combination Settlement). For each Note surrendered for conversion, if the Company has elected (or is deemed to have elected) Combination Settlement, the full number of ADSs that shall be deliverable upon conversion thereof shall be computed on the basis of the aggregate Daily Settlement Amounts for the relevant Observation Period and any fractional shares remaining after such computation shall be paid in cash.

Section 14.03. *Increased Conversion Rate Applicable to Certain Notes Surrendered in Connection with Make-Whole Fundamental Changes or Tax Redemptions.*

(a) If (i) a Make- Whole Fundamental Change occurs prior to the Maturity Date or (ii) the Company delivers a Tax Redemption Notice and, in each case, a Holder elects to convert its Notes in connection with such Make-Whole Fundamental Change or such Tax Redemption, as the case may be, the Company shall, under the circumstances described below, increase the Conversion Rate for the Notes so surrendered for conversion by a number of additional ADSs (the “**Additional ADSs**”), as described below. A conversion of Notes shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the second Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make- Whole Fundamental Change). A conversion of Notes shall be deemed for these purposes to be “in connection with” a Tax Redemption if the relevant Notice of Conversion is received by the Conversion Agent from, and including, the date the Company delivers the Tax Redemption Notice in respect of such Tax Redemption to, and including, the second Business Day immediately prior to the related Tax Redemption Date. The Company shall provide written notification to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

(b) Upon surrender of Notes for conversion in connection with a Make-Whole Fundamental Change or a Tax Redemption, the Company shall, at its option, satisfy the related Conversion Obligation by Physical Settlement, Cash Settlement or Combination Settlement, in accordance with Section 14.02; *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any conversion of Notes following the Effective Date of such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based solely on the ADS Price for the transaction and shall be deemed to be an amount of cash per US\$1,000 principal amount of converted Notes equal to the Conversion Rate (including any adjustment for Additional ADSs), *multiplied by* such ADS Price. In such event, the Conversion Obligation shall be paid to Holders in cash on the second Business Day following the Conversion Date.

(c) The number of Additional ADSs, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on (i) the date on which the Make-Whole Fundamental Change occurs or becomes effective or, in the case of a Tax

Redemption, the date on which the Company delivers a Tax Redemption Notice (in each case, the “Effective Date”) and (ii) the price paid (or deemed to be paid) per ADS in the Make-Whole Fundamental Change or, in the case of a Tax Redemption, the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the date the Company delivers such Tax Redemption Notice, as the case may be (in each case, the “ADS Price”). If the holders of the ADSs receive in exchange for their ADSs only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the ADS Price shall be the cash amount paid per ADS. Otherwise, the ADS Price shall be the average of the Last Reported Sale Prices of the ADSs over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change. The Board of Directors shall make appropriate adjustments to the ADS Price, in its good faith determination, to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date (as such term is used in Section 14.04) or expiration date of the event occurs during such five consecutive Trading Day period.

(d) The ADS Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate of the Notes is otherwise adjusted. The adjusted ADS Prices shall equal the ADS Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the ADS Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional ADSs set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 14.04.

(e) The following table sets forth the number of Additional ADSs by which the Conversion Rate shall be increased per US\$1,000 principal amount of Notes pursuant to this Section 14.03 for each ADS Price and Effective Date set forth below:

Effective Date	ADS Price											
	US\$71.04	US\$80	US\$90	US\$95.90	US\$100	US\$125	US\$150	US\$200	US\$250	US\$300	US\$400	US\$500
June 24, 2019	3.6494	2.9830	2.4276	2.1669	2.0087	1.3231	0.9242	0.5037	0.2980	0.1815	0.0590	0.0000
June 15, 2020	3.6494	2.9830	2.4276	2.1669	2.0042	1.2827	0.8751	0.4610	0.2671	0.1608	0.0523	0.0000
June 15, 2021	3.6494	2.9830	2.4267	2.1272	1.9479	1.1998	0.7934	0.3996	0.2252	0.1334	0.0428	0.0000
June 15, 2022	3.6494	2.9830	2.3501	2.0309	1.8419	1.0769	0.6832	0.3251	0.1773	0.1032	0.0326	0.0000
June 15, 2023	3.6494	2.9830	2.1837	1.8482	1.6534	0.9007	0.5417	0.2402	0.1263	0.0723	0.0228	0.0000
June 15, 2024	3.6494	2.5400	1.8372	1.5296	1.3313	0.6754	0.3743	0.1496	0.0760	0.0436	0.0141	0.0000
June 15, 2025	3.6494	2.3500	1.5271	1.1871	0.9992	0.3811	0.1757	0.0620	0.0324	0.0196	0.0070	0.0000
June 15, 2026	3.6494	2.0729	0.6840	0.0004	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact ADS Price and Effective Date may not be set forth in the table above, in which case:

(i) if the ADS Price is between two ADS Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional ADSs shall be determined by a straight-line interpolation between the number of

Additional ADSs set forth for the higher and lower ADS Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year;

(ii) if the ADS Price is greater than US\$ 500.00 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate; and

(iii) if the ADS Price is less than US\$71.04 per ADS (subject to adjustment in the same manner as the ADS Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional ADSs shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per US\$1,000 principal amount of the Notes exceed 14.0765 ADSs, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.04.

(f) Nothing in this Section 14.03 shall prevent an adjustment to the Conversion Rate pursuant to Section 14.04.

Section 14.04. *Adjustment of Conversion Rate.* If the number of Class A Common Shares represented by the ADSs is changed, after the date of this Indenture, for any reason other than one or more of the events described in this Section 14.04, the Company shall make an appropriate adjustment to the Conversion Rate such that the number of Class A Common Shares represented by the ADSs upon which conversion of the Notes is based remains the same.

Notwithstanding the adjustment provisions described in this Section 14.04, if the Company distributes to holders of the Class A Common Shares any cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company (but excluding Expiring Rights) and a corresponding distribution is not made to holders of the ADSs, but, instead, the ADSs shall represent, in addition to Class A Common Shares, such cash, rights, options, warrants, shares of Capital Stock or similar equity interest, evidences of indebtedness or other assets or property of the Company, then an adjustment to the Conversion Rate described in this Section 14.04 shall not be made until and unless a corresponding distribution (if any) is made to holders of the ADSs, and such adjustment to the Conversion Rate shall be based on the distribution made to the holders of the ADSs and not on the distribution made to the holders of the Class A Common Shares. However, in the event that the Company issues or distributes to all holders of the Class A Common Shares any Expiring Rights, notwithstanding the immediately preceding sentence, the Company shall adjust the Conversion Rate pursuant to Section 14.04(b) (in the case of Expiring Rights described in clause (b) below entitling holders of the Class A Common Shares for a period of not more than 45 calendar days after the announcement date of such issuance to subscribe for or purchase Class A Common Shares or ADSs) or Section 14.04(c) (in the case of all other Expiring Rights).

For the avoidance of doubt, if any event described in this Section 14.04 results in a change to the number of Class A Common Shares represented by the ADSs, then such a change

shall be deemed to satisfy the Company's obligation to effect the relevant adjustment to the Conversion Rate on account of such event to the extent to which such change produces the same economic result as the adjustment to the Conversion Rate that would otherwise have been made on account of such event.

Subject to the foregoing, the Conversion Rate shall be adjusted from time to time by the Company if any of the following events occurs, except that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (other than in the case of (x) a share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the ADSs and solely as a result of holding the Notes, in any of the transactions described in this Section 14.04, without having to convert their Notes, as if they held a number of ADSs equal to the Conversion Rate, *multiplied by* the principal amount (expressed in thousands) of Notes held by such Holder. Neither the Trustee nor the Conversion Agent shall have any responsibility to monitor the accuracy of the calculation of any adjustment to the Conversion Rate, and the same shall be conclusive and binding on the Holders, absent manifest error. Notice of such adjustment to the Conversion Rate shall be given by the Company promptly to the Holders, the Trustee and the Paying Agent and Conversion Agent and shall be conclusive and binding on the Holders, absent manifest error.

(a) If the Company exclusively issues Class A Common Shares as a dividend or distribution on the Class A Common Shares, or if the Company effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date or Effective Date, as applicable;

OS₀ = the number of Class A Common Shares outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date, as applicable (before giving effect to any such dividend, distribution, share split or share combination); and

OS₁ = the number of Class A Common Shares outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 14.04(a) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution, or immediately after the open of business on the Effective Date for such share split or share combination, as

applicable. If any dividend or distribution of the type described in this Section 14.04(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Company issues to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs) any rights (other than in connection with a stockholders rights plan), options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per Class A Common Share that is less than the average of the Last Reported Sale Prices of the Class A Common Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex- Dividend Date for such issuance;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex- Dividend Date;

OS₀ = the number of Class A Common Shares outstanding immediately prior to the open of business on such Ex-Dividend Date;

X = the total number of Class A Common Shares (directly or in the form of ADSs) deliverable pursuant to such rights, options or warrants; and

Y = the number of Class A Common Shares equal to (i) the aggregate price payable to exercise such rights, options or warrants, *divided by* (ii) the quotient of (a) the average of the Last Reported Sale Prices of the ADSs over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants *divided by* (b) the number of Class A Common Shares then represented by one ADS.

Any increase made under this Section 14.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the Ex-Dividend Date for such issuance. To the extent that Class A Common Shares or ADSs are not delivered after the expiration of such rights, options or warrants, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with

respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Class A Common Shares actually delivered (directly or in the form of ADSs). If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if the Ex-Dividend Date for such issuance had not occurred.

For purposes of this Section 14.04(b) and Section 14.01(b)(ii)(A), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Class A Common Shares (directly or in the form of ADSs) at a price per Class A Common Share that is less than such average of the Last Reported Sale Prices of the Class A Common Shares or the ADSs, as the case may be (*divided by*, in the case of the ADSs, the number of Class A Common Shares then represented by one ADS), for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement for such issuance, and in determining the aggregate offering price of such Class A Common Shares or ADSs, there shall be taken into account any consideration received by the Company for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property of the Company or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs), excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 14.04(a) or Section 14.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 14.04(d), and (iii) Spin-Offs as to which the provisions set forth below in this Section 14.04(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities, the “**Distributed Property**”), then the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such distribution;

CR₁ = the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;

SP₀ = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and

FMV = the fair market value (as determined by the Board of Directors) of the Distributed Property with respect to each outstanding Class A Common Share (directly or in the form of ADSs) on the Ex-Dividend Date for such distribution.

Any increase made under the portion of this Section 14.04(c) above shall become effective immediately after the open of business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP₀” (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, in respect of each US\$1,000 principal amount thereof, at the same time and upon the same terms as holders of the ADSs receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate in effect on the Record Date for the distribution.

With respect to an adjustment pursuant to this Section 14.04(c) where there has been a payment of a dividend or other distribution on the Class A Common Shares (directly or in the form of ADSs) of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Company, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “Spin-Off”), the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the end of the Valuation Period;

CR₁ = the Conversion Rate in effect immediately after the end of the Valuation Period;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Common Shares (directly or in the form of ADSs) applicable to one Class A Common Share (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to the ADSs were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the Ex- Dividend Date of the Spin-Off (the “Valuation Period”); and

MP₀ = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall occur at the close of business on the last Trading Day of the Valuation Period; *provided* that (x) in respect of any conversion of Notes for which Physical Settlement is applicable, if the relevant Conversion Date occurs during the Valuation Period, references in the preceding paragraph with respect to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have

elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, the Conversion Date in determining the Conversion Rate and (y) in respect of any conversion of Notes for which Cash Settlement or Combination Settlement is applicable, for any Trading Day that falls within the relevant Observation Period for such conversion and within the Valuation Period, references in the preceding paragraph with respect to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date of such Spin-Off to, and including, such Trading Day in determining the Conversion Rate as of such Trading Day.

For purposes of this Section 14.04(c) (and subject in all respect to Section 14.11), rights, options or warrants distributed by the Company to all holders of the Class A Common Shares (directly or in the form of ADSs) entitling them to subscribe for or purchase shares of the Company's Capital Stock, including Class A Common Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events ("**Trigger Event**"): (i) are deemed to be transferred with such Class A Common Shares (directly or in the form of ADSs); (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Class A Common Shares (directly or in the form of ADSs), shall be deemed not to have been distributed for purposes of this Section 14.04(c) (and no adjustment to the Conversion Rate under this Section 14.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 14.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of this Indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Ex-Dividend Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 14.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Class A Common Shares (directly or in the form of ADSs) with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Class A Common Shares (directly or in the form of ADSs) as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 14.04(a), Section 14.04(b) and this Section 14.04(c), if any dividend or distribution to which this Section 14.04(c) is applicable also includes one or both of:

(A) a dividend or distribution of Class A Common Shares (directly or in the form of ADSs) to which Section 14.04(a) is applicable (the “**Clause A Distribution**”); or

(B) a dividend or distribution of rights, options or warrants to which Section 14.04(b) is applicable (the “**Clause B Distribution**”),

then, in either case, (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 14.04(c) is applicable (the “**Clause C Distribution**”) and any Conversion Rate adjustment required by this Section 14.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 14.04(a) and Section 14.04(b) with respect thereto shall then be made, except that, if determined by the Company (I) the “Ex-Dividend Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Ex-Dividend Date of the Clause C Distribution and (II) any Class A Common Shares (directly or in the form of ADSs) included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date” within the meaning of Section 14.04(a) or “outstanding immediately prior to the open of business on such Ex-Dividend Date” within the meaning of Section 14.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such dividend or distribution;

CR₁ = the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such dividend or distribution;

SP₀ = the Last Reported Sale Price of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and

C = the amount in cash per Class A Common Share the Company distributes to all or substantially all holders of the Class A Common Shares (directly or in the form of ADSs).

Any increase pursuant to this Section 14.04(d) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each Holder of a Note shall receive, for each US\$1,000 principal amount of Notes, at the same time and upon the same terms as holders of the ADSs, the amount of cash that such Holder would have received if such Holder owned a number of ADSs equal to the Conversion Rate on the Record Date for such cash dividend or distribution.

(e) If the Company or any of its Subsidiaries or Consolidated Affiliated Entities make a payment in respect of a tender or exchange offer for the Class A Common Shares (directly or in the form of ADSs), to the extent that the cash and value of any other consideration included in the payment per Class A Common Share exceeds the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires, the Conversion Rate shall be increased based on the following formula:

$$CR_1 = CR_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

- CR₀ = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- CR₁ = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors) paid or payable for Class A Common Shares or ADSs, as the case may be, purchased in such tender or exchange offer;
- OS₀ = the number of Class A Common Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all Class A Common Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of Class A Common Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all Class A Common Shares or ADSs, as the case may be, accepted for purchase or exchange in such tender or exchange offer); and

SP1 = the average of the Last Reported Sale Prices of the ADSs (*divided by* the number of Class A Common Shares then represented by one ADS) over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The increase to the Conversion Rate under this Section 14.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that (x) in respect of any conversion of Notes for which Physical Settlement is applicable, if the relevant Conversion Date occurs during the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references to “10” or “10th” in the preceding paragraph shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the date that such tender or exchange offer expires to, and including, the Conversion Date in determining the Conversion Rate and (y) in respect of any conversion of Notes for which Cash Settlement or Combination Settlement is applicable, for any Trading Day that falls within the relevant Observation Period for such conversion and within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references to “10” or “10th” in the preceding paragraph shall be deemed to be replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the expiration date of such tender or exchange offer to, and including, and such Trading Day in determining the Conversion Rate as of such Trading Day.

(f) Notwithstanding this Section 14.04 or any other provision of this Indenture or the Notes, if a Conversion Rate adjustment becomes effective on any Ex-Dividend Date, and a Holder that has converted its Notes on or after such Ex-Dividend Date and on or prior to the related Record Date would be treated as the record holder of the ADSs as of the related Conversion Date as described under Section 14.02(i) based on an adjusted Conversion Rate for such Ex-Dividend Date, then, notwithstanding the Conversion Rate adjustment provisions in this Section 14.04, the Conversion Rate adjustment relating to such Ex-Dividend Date shall not be made for such converting Holder. Instead, such Holder shall be treated as if such Holder were the record owner of the ADSs on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

(g) Except as stated herein, the Company shall not adjust the Conversion Rate for the issuance of Class A Common Shares or ADSs or any securities convertible into or exchangeable for Class A Common Shares or ADSs or the right to purchase Class A Common Shares or ADSs or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 14.04, and to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq Global Select Market and any other securities exchange on which any of the Company’s securities are then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company’s best interest. In addition, to the extent permitted by applicable law and subject to the applicable rules of The Nasdaq Global Select Market and any other securities exchange on which any of the Company’s securities are

then listed, the Company may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of the Class A Common Shares or the ADSs or rights to purchase Class A Common Shares or ADSs in connection with a dividend or distribution of Class A Common Shares or ADSs (or rights to acquire Class A Common Shares or ADSs) or similar event. Whenever the Conversion Rate is increased pursuant to either of the preceding two sentences, the Company shall deliver to the Holder of each Note a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(i) Notwithstanding anything to the contrary in this Article 14, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any Class A Common Shares or ADSs pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in Class A Common Shares or ADSs under any plan;

(ii) upon the issuance of any Class A Common Shares or ADSs or options or rights to purchase those Class A Common Shares or ADSs pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of the Company's Subsidiaries and Consolidated Affiliated Entities;

(iii) upon the repurchase of any Class A Common Shares pursuant to an open-market share repurchase program or other buyback transaction that is not a tender offer or exchange offer of the nature described in clause (e) of this Section 14.04 above;

(iv) upon the issuance of any Class A Common Shares or ADSs pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the date the Notes were first issued (other than any rights under a rights plan);

(v) solely for a change in the par value of the Class A Common Shares or ADSs; or

(vi) for accrued and unpaid interest, if any.

(j) All calculations and other determinations under this Article 14 shall be made by the Company and shall be made to the nearest one-ten thousandth (1/10,000th) of an ADS.

(k) Notwithstanding this Section 14.04 or any other provision of this Indenture or the Notes, the Company will not be required to adjust the Conversion Rate unless such adjustment would require an increase or decrease of at least one percent of the Conversion Rate prior to giving effect to such adjustment; *provided, however*, that any such minor adjustments that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and *provided, further*, that any such adjustment of less than one percent that has not been made shall be made upon the occurrence of (i) the Effective Date for any Fundamental Change or Make-Whole Fundamental Change, (ii) in the case of any Note to which Physical Settlement

applies, the relevant Conversion Date, and, in the case of any Note to which Cash Settlement or Combination Settlement applies, each Trading Day of the applicable Observation Period and (iii) every one year anniversary of the first date of original issuance of the Notes. In addition, the Company shall not account for such deferrals when determining whether any of the conditions to conversion have been satisfied or what number of ADSs a Holder would have held on a given day had it converted its Notes.

(l) Whenever the Conversion Rate is adjusted as herein provided, the Company shall promptly deliver to the Trustee (and the Conversion Agent if not the Trustee) an Officers' Certificate setting forth (i) the adjusted Conversion Rate, (ii) the subsection of this Section 14.04 pursuant to which after such adjustment has been made, showing in reasonable detail the facts upon which such adjustment is based, and (iii) the date as of which such adjustment is effective. Unless and until a Responsible Officer of the Trustee shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Conversion Rate and may assume without inquiry that the last Conversion Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate and the date on which each adjustment becomes effective and shall deliver such notice of such adjustment of the Conversion Rate to each Holder. Failure to deliver such notice shall not affect the legality or validity of any such adjustment. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate or the information and calculations contained therein.

(m) For purposes of this Section 14.04, the number of Class A Common Shares at any time outstanding shall not include Class A Common Shares held in the treasury of the Company (directly or in the form of ADSs) so long as the Company does not pay any dividend or make any distribution on Class A Common Shares held in the treasury of the Company (directly or in the form of ADSs), but shall include Class A Common Shares issuable in respect of scrip certificates issued in lieu of fractions of Class A Common Shares.

Section 14.05. *Adjustments of Prices.* Whenever any provision of this Indenture requires the Company to calculate the Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts or the ADS Prices for purposes of a Make- Whole Fundamental Change or a Tax Redemption over a span of multiple days, the Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date or expiration date, as the case may be, of the event occurs, at any time during the period when such Last Reported Sale Prices, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts or ADS Prices are to be calculated.

Section 14.06. *Class A Common Shares to Be Fully Paid.* The Company shall provide, free from preemptive rights, out of its authorized but unissued Class A Common Shares or Class A Common Shares held in treasury, a sufficient number of Class A Common Shares that corresponds to the number of ADSs due upon conversion of the Notes from time to time as such Notes are presented for conversion (assuming delivery of the maximum number of Additional ADSs pursuant to Section 14.03 and that at the time of computation of such number of Class A

Common Shares, all such Notes would be converted by a single Holder and that Physical Settlement were applicable).

Section 14.07. *Effect of Recapitalizations, Reclassifications and Changes of the Class A Common Shares.*

(a) In the case of:

- (i) any recapitalization, reclassification or change of the ADSs or the Class A Common Shares (other than changes resulting from a subdivision or combination),
- (ii) any consolidation, merger, combination or similar transaction involving the Company,
- (iii) any sale, lease or other transfer to a third party of the consolidated assets of the Company and the Company's Subsidiaries and Consolidated Affiliated Entities substantially as an entirety, or
- (iv) any statutory share exchange,

in each case, as a result of which the ADSs or the Class A Common Shares would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Merger Event**"), then, prior to or at the effective time of such Merger Event, the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee a supplemental indenture permitted under Section 10.01(f) providing that, at and after the effective time of such Merger Event, the right to convert each US\$1,000 principal amount of Notes shall be changed into a right to convert such principal amount of Notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of ADSs equal to the Conversion Rate immediately prior to such Merger Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one ADS is entitled to receive) upon such Merger Event; *provided, however*, that at and after the effective time of the Merger Event, (A) the Company shall continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion of the Notes in accordance with Section 14.02 and (B)(I) any amount payable in cash upon conversion of the Notes in accordance with Section 14.02 shall continue to be payable in cash, (II) any ADSs that the Company would have been required to deliver upon conversion of the Notes in accordance with Section 14.02 shall instead be deliverable in the amount and type of Reference Property that a holder of that number of ADSs would have been entitled to receive in such Merger Event and (III) the Daily VWAP shall be calculated based on the value of a unit of Reference Property that a holder of one ADS would have received in such Merger Event.

If the Merger Event causes the ADSs or Class A Common Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of holder election), then (i) the Reference Property into which the Notes will be convertible shall be deemed to be the weighted average of the types and amounts of

consideration actually received by the holders of the ADSs, and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one ADS. If the holders of the ADSs or Class A Common Shares receive only cash in such Merger Event, then for all conversions for which the relevant Conversion Date occurs after the effective date of such Merger Event (A) the consideration due upon conversion of each US\$1,000 principal amount of Notes shall be solely cash in an amount equal to the Conversion Rate in effect on the Conversion Date (as may be increased by any Additional ADSs pursuant to Section 14.03), *multiplied by* the price paid per ADS or Class A Common Share, as applicable, in such Merger Event and (B) the Company shall satisfy the Conversion Obligation by paying cash to converting Holders on the second Business Day immediately following the relevant Conversion Date. The Company shall provide written notice to Holders, the Trustee and the Conversion Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

Such supplemental indenture described in the second immediately preceding paragraph shall provide for anti-dilution and other adjustments that shall be as nearly equivalent as is practicable to the adjustments provided for in this Article 14 (it being understood that no such adjustments shall be required with respect to any portion of the Reference Property that does not consist of shares of Common Equity (however evidenced) or depositary receipts in respect thereof). If, in the case of any Merger Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than the Company or the successor or purchasing Person, as the case may be, in such Merger Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such additional provisions to protect the interests of the Holders of the Notes, including the right of Holders to require the Company to repurchase their Notes upon a Fundamental Change pursuant to Section 15.02 and the right of Holders to require the Company to repurchase their Notes on June 15, 2024 pursuant to Section 15.01, as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

(b) When the Company executes a supplemental indenture pursuant to subsection (a) of this Section 14.07, the Company shall promptly file with the Trustee an Officers' Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or property or asset that will comprise a unit of Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly deliver notice thereof to all Holders. The Company shall cause notice of the execution of such supplemental indenture to be delivered to each Holder within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(c) The Company shall not become a party to any Merger Event unless its terms are consistent with this Section 14.07. None of the foregoing provisions shall affect the right of a Holder of Notes to convert its Notes into cash, ADSs or a combination of cash and ADSs, as applicable, as set forth in Section 14.01 and Section 14.02 prior to the effective date of such Merger Event.

(d) The above provisions of this Section shall similarly apply to successive Merger Events.

Section 14.08. *Certain Covenants.* (a) The Company covenants that all ADSs delivered upon conversion of Notes, and all Class A Common Shares represented by such ADSs, will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

(b) The Company covenants that, if any ADSs to be provided for the purpose of conversion of Notes hereunder, or any Class A Common Shares represented by such ADSs, require registration with or approval of any governmental authority under any federal or state law before such ADSs may be validly issued upon conversion, the Company will, to the extent then permitted by the rules and interpretations of the Commission, secure such registration or approval, as the case may be.

(c) The Company further covenants that if at any time the ADSs shall be listed on any national securities exchange or automated quotation system the Company will list and keep listed, so long as the ADSs shall be so listed on such exchange or automated quotation system, any ADSs deliverable upon conversion of the Notes.

(d) The Company further covenants to take all actions and obtain all approvals and registrations required with respect to the conversion of the Notes into ADSs and the issuance, and deposit into the ADS facility, of the Class A Common Shares represented by such ADSs. Subject to Section 14.12, the Company also undertakes to maintain, as long as any Notes are outstanding, the effectiveness of a registration statement on Form F-6 relating to the ADSs and an adequate number of ADSs available for issuance thereunder such that ADSs can be delivered in accordance with the terms of this Indenture, the Notes and the Deposit Agreement upon conversion of the Notes. In addition, subject to Section 14.12, the Company further covenants to provide Holders with a reasonably detailed description of the mechanics for the delivery of ADSs upon conversion of Notes as set forth in the Deposit Agreement upon request.

Section 14.09. *Responsibility of Trustee.* The Trustee and any other Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine the Conversion Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Conversion Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any other Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any ADSs, or of any securities, property or cash that may at any time be issued or delivered upon the conversion of any Note; and the Trustee and any other Conversion Agent make no representations with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to issue, transfer or deliver any ADSs or stock certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion, the accuracy or inaccuracy of any mathematical calculation or formulae under this Indenture, whether by the Company or any Person so authorized by the Company for such purpose under this Indenture or the failure by the Company to comply with any of the duties, responsibilities or covenants of the Company contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Conversion Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 14.07 relating either to the kind or

amount of shares of stock or securities or property (including cash) receivable by Holders upon the conversion of their Notes after any event referred to in such Section 14.07 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto. Neither the Trustee nor the Conversion Agent shall be responsible for determining whether any event contemplated by Section 14.01(b) has occurred that makes the Notes eligible for conversion or no longer eligible therefor until the Company has delivered to the Trustee and the Conversion Agent the notices referred to in Section 14.01(b) with respect to the commencement or termination of such conversion rights, on which notices the Trustee and the Conversion Agent may conclusively rely, and the Company agrees to deliver such notices to the Trustee and the Conversion Agent as promptly as practicable after the occurrence of any such event or at such other times as shall be provided for in Section 14.01(b). Except as otherwise expressly provided herein, neither the Trustee nor any other agent acting under this Indenture (other than the Company, if acting in such capacity) shall have any obligation to make any calculation or to determine whether the Notes may be surrendered for conversion pursuant to this Indenture, or to notify the Company or the Depository or any of the Holders if the Notes have become convertible pursuant to the terms of this Indenture.

Section 14.10. *Notice to Holders Prior to Certain Actions.* In case of any:

- (a) action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities that would require an adjustment in the Conversion Rate pursuant to Section 14.04 or Section 14.11;
- (b) Merger Event; or
- (c) voluntary or involuntary dissolution, liquidation or winding-up of the Company or any of its Subsidiaries or Consolidated Affiliated Entities;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of this Indenture), the Company shall cause to be filed with the Trustee and the Conversion Agent (if other than the Trustee) and to be delivered to each Holder at its address appearing on the Note Register, as promptly as possible but in any event at least 20 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities or, if a record is not to be taken, the date as of which the holders of Class A Common Shares or ADSs, as the case may be, of record are to be determined for the purposes of such action by the Company or one of its Subsidiaries or Consolidated Affiliated Entities, or (ii) the date on which such Merger Event, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Class A Common Shares or ADSs, as the case may be, of record shall be entitled to exchange their Class A Common Shares or ADSs, as the case may be, for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by the Company or one of its

Section 14.11. *Stockholder Rights Plans.* If the Company has a stockholder rights plan in effect upon conversion of the Notes, each ADS, if any, issued upon such conversion shall be entitled to receive (either directly or in respect of the Class A Common Shares underlying such ADSs) the appropriate number of rights, if any, and the certificates representing the ADSs delivered upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. However, if, prior to any conversion of the Notes, the rights have separated from the Class A Common Shares underlying the ADSs in accordance with the provisions of the applicable stockholder rights plan, the Conversion Rate shall be adjusted at the time of separation as if the Company distributed to all holders of the Class A Common Shares Distributed Property as provided in Section 14.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 14.12. *Termination of Depositary Receipt Program.* If the Class A Common Shares cease to be represented by ADSs issued under a depositary receipt program sponsored by the Company, all references in this Indenture to the ADSs shall be deemed to have been replaced by a reference to the number of Class A Common Shares (and other property, if any) represented by the ADSs on the last day on which the ADSs represented the Class A Common Shares and as if the Class A Common Shares and the other property had been distributed to holders of the ADSs on that day. In addition, all references to the Last Reported Sale Price of the ADSs will be deemed to refer to the Last Reported Sale Price of the Class A Common Shares, and other appropriate adjustments, including adjustments to the Conversion Rate, will be made to reflect such change. In making such adjustments, where currency translations between U.S. dollars and any other currency are required, the exchange rate in effect on the date of determination will apply. The Company shall provide written notice to the Holders, the Trustee and the Conversion Agent (if other than the Trustee) upon the occurrence of the foregoing.

Section 14.13. *Exchange In Lieu Of Conversion.* (a) When a Holder surrenders its Notes for conversion, the Company may, at its election (an “**Exchange Election**”), direct the Conversion Agent to deliver, on or prior to the Business Day immediately following the Conversion Date, such Notes to one or more financial institutions designated by the Company (each, a “**Designated Financial Institution**”) for exchange in lieu of conversion. In order to accept any Notes surrendered for conversion, the Designated Financial Institution(s) must agree to timely pay and/or deliver, as the case may be, in exchange for such Notes, the cash, ADSs or a combination thereof, at the Company’s election, that would otherwise be due upon conversion pursuant to Section 14.02 or such other amount agreed to by the Holder of such Notes and the Designated Financial Institution(s) (the “**Conversion Consideration**”). If the Company makes an Exchange Election, the Company shall, by the close of business on the Business Day following the relevant Conversion Date, notify in writing the Trustee, the Conversion Agent (if other than the Trustee) and the Holder surrendering Notes for conversion that the Company has made the Exchange Election and the Company shall promptly notify the Designated Financial Institution(s) of the relevant deadline for delivery of the Conversion Consideration and the type of Conversion Consideration to be paid and/or delivered, as the case may be.

(b) Any Notes delivered to the Designated Financial Institution(s) shall remain outstanding, subject to the applicable procedures of the Depository. If the Designated Financial Institution(s) agree(s) to accept any Notes for exchange but does not timely pay and/or deliver, as the case may be, the related Conversion Consideration, or if such Designated Financial Institution(s) does not accept the Notes for exchange, the Company shall pay and/or deliver, as the case may be, the relevant Conversion Consideration, as, and at the time, required pursuant to this Indenture as if the Company had not made the Exchange Election.

(c) The Company's designation of any Designated Financial Institution(s) to which the Notes may be submitted for exchange does not require such Designated Financial Institution(s) to accept any Notes.

ARTICLE 15
REPURCHASE OF NOTES AT OPTION OF HOLDERS

Section 15.01. *Repurchase at Option of Holders.*

(a) Each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash on June 15, 2024 (the "**Repurchase Date**"), all of such Holder's Notes, or any portion thereof that is an integral multiple of US\$1,000 principal amount, at a repurchase price (the "**Repurchase Price**") that is equal to 100% of the principal amount of the Notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the Repurchase Date; *provided* that any such accrued and unpaid interest shall be paid not to the Holders submitting the Notes for repurchase on the Repurchase Date but instead to the Holders of such Notes at the close of business on the Regular Record Date immediately preceding the Repurchase Date. Not later than 20 Business Days prior to the Repurchase Date, the Company shall deliver a notice (the "**Company Notice**") to the Trustee, to the Paying Agent and to each Holder (and to beneficial owners as required by applicable law). The Company Notice shall include a form of Repurchase Notice to be completed by a holder and shall state:

- (i) the last date on which a Holder may exercise its repurchase right pursuant to this Section 15.01;
- (ii) the Repurchase Price;
- (iii) the Repurchase Date;
- (iv) the name and address of the Conversion Agent and Paying Agent;
- (v) that the Notes with respect to which a Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Repurchase Notice in accordance with the terms of this Indenture;
- (vi) that the Holder shall have the right to withdraw any Notes surrendered prior to the Repurchase Expiration Time; and

(vii) the procedures a Holder must follow to exercise its repurchase rights under this Section 15.01 and a brief description of those rights.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Simultaneously with providing the Company Notice, the Company shall publish a notice containing the information included in the Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.01.

Repurchases of Notes under this Section 15.01 shall be made, at the option of the Holder thereof, upon:

(A) delivery to the Paying Agent by the Holder of a duly completed notice (the "**Repurchase Notice**") in the form set forth in Attachment 3 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository's procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case during the period beginning at any time from the open of business on the date that is 20 Business Days prior to the Repurchase Date until the Repurchase Expiration Time; and

(B) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Repurchase Notice (together with all necessary endorsements) at the Paying Agent Office, or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Repurchase Price therefor.

Each Repurchase Notice shall state:

- (A) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (B) the portion of the principal amount of the Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof; and
- (C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 15.01 shall have the right to withdraw, in whole or in part, such Repurchase Notice at any time prior to the Repurchase Expiration Time by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

No Repurchase Notice with respect to any Notes may be surrendered by a Holder thereof if such Holder has also surrendered a Fundamental Change Repurchase Notice and has not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 15.03.

(b) Notwithstanding the foregoing, no Notes may be repurchased by the Company at the option of the Holders on the Repurchase Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such Repurchase Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 15.02. *Repurchase at Option of Holders Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time, each Holder shall have the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes, or any portion thereof that is equal to US\$1,000 or an integral multiple of US\$1,000, on the date (the "**Fundamental Change Repurchase Date**") notified in writing by the Company as set forth in Section 15.02(c) that is not less than 20 Business Days or more than 35 Business Days following the date of the Fundamental Change Company Notice at a repurchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless the Fundamental Change Repurchase Date falls after a Regular Record Date but on or prior to the Business Day immediately succeeding the Interest Payment Date to which such Regular Record Date relates (or if such Interest Payment Date is not a Business Day, the second Business Day immediately succeeding such Interest Payment Date), in which case the Company shall instead pay the full amount of accrued and unpaid interest to Holders of record as of such Regular Record Date, and the Fundamental Change Repurchase Price shall be equal to 100% of the principal amount of Notes to be repurchased pursuant to this Article 15. The Trustee and any other Conversion Agent shall have no responsibility to determine the Fundamental Change Repurchase Price.

(b) Repurchases of Notes under this Section 15.02 shall be made, at the option of the Holder thereof, upon:

(i) delivery to the Paying Agent by a Holder of a duly completed notice (the “**Fundamental Change Repurchase Notice**”) in the form set forth in Attachment 2 to the Form of Note attached hereto as Exhibit A, if the Notes are Physical Notes, or in compliance with the Depository’s procedures for surrendering interests in Global Notes, if the Notes are Global Notes, in each case on or before the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Notes, if the Notes are Physical Notes, to the Paying Agent at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer), or book-entry transfer of the Notes, if the Notes are Global Notes, in compliance with the procedures of the Depository, in each case such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor.

The Fundamental Change Repurchase Notice in respect of any Notes to be repurchased shall state:

- (i) in the case of Physical Notes, the certificate numbers of the Notes to be delivered for repurchase;
- (ii) the portion of the principal amount of Notes to be repurchased, which must be US\$1,000 or an integral multiple thereof; and
- (iii) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Indenture;

provided, however, that if the Notes are Global Notes, the Fundamental Change Repurchase Notice must comply with appropriate Depository procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Fundamental Change Repurchase Notice contemplated by this Section 15.02 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a duly completed written notice of withdrawal to the Paying Agent in accordance with Section 15.03.

The Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

No Fundamental Change Repurchase Notice with respect to any Notes may be surrendered by a Holder thereof if such Holder has also surrendered a Repurchase Notice and has not validly withdrawn such Repurchase Notice in accordance with Section 15.03.

(c) On or before the 20th calendar day after the occurrence of the effective date of a Fundamental Change, the Company shall provide to all Holders, the Trustee and the Paying Agent (if other than the Trustee) a written notice (the “**Fundamental Change Company**”

Notice) of the occurrence of the effective date of the Fundamental Change and of the repurchase right at the option of the Holders arising as a result thereof. In the case of Physical Notes, such notice shall be by first class mail or, in the case of Global Notes, such notice shall be delivered in accordance with the applicable procedures of the Depository. Simultaneously with providing such notice, the Company shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on the Company's website or through such other public medium as the Company may use at that time. Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right pursuant to this Article 15;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the Paying Agent;
- (vii) if applicable, the Conversion Rate and any adjustments to the Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Indenture; and
- (ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 15.02.

At the Company's request, the Trustee shall give such notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Company and delivered to the Trustee no later than 2 Business Days (or such shorter period as is acceptable to the Trustee) prior to the date the Fundamental Change Company Notice is to be sent.

(d) Notwithstanding the foregoing, no Notes may be repurchased by the Company on any date at the option of the Holders upon a Fundamental Change if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a Default by the Company in the

payment of the Fundamental Change Repurchase Price with respect to such Notes). The Paying Agent will promptly return to the respective Holders thereof any Physical Notes held by it during the acceleration of the Notes (except in the case of an acceleration resulting from a Default by the Company in the payment of the Fundamental Change Repurchase Price with respect to such Notes), or any instructions for book-entry transfer of the Notes in compliance with the procedures of the Depositary shall be deemed to have been cancelled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

(e) The Company shall not be required to purchase, or to make an offer to purchase, the Notes upon a Fundamental Change if a third party makes such an offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.02 and such third party purchases all Notes properly surrendered and not validly withdrawn under its offer in the same manner, at the same time, for the same or greater price and otherwise in compliance with the requirements for an offer made by the Company as set forth above in this Section 15.02.

(f) Notwithstanding anything to the contrary in this Indenture, to the extent that the provisions of any federal or state securities laws or other applicable laws or regulations adopted after the date on which the Notes are first issued conflict with the provisions of this Indenture relating to the Company's obligations to repurchase the Notes upon a Fundamental Change, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under such provisions of this Indenture by virtue of such conflict.

Section 15.03. *Withdrawal of Repurchase Notice or Fundamental Change Repurchase Notice.* (a) A Repurchase Notice or Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a duly completed written notice of withdrawal delivered to the Paying Agent in accordance with this Section 15.03 at any time prior to the Repurchase Expiration Time or prior to the close of business on the second Business Day immediately preceding the Fundamental Change Repurchase Date, as the case may be, specifying:

- (i) the principal amount of the Notes with respect to which such notice of withdrawal is being submitted,
- (ii) if Physical Notes have been issued, the certificate number of the Note in respect of which such notice of withdrawal is being submitted, and
- (iii) the principal amount, if any, of such Note that remains subject to the original Repurchase Notice or Fundamental Change Repurchase Notice, as the case may be, which portion must be in principal amounts of US\$1,000 or an integral multiple of US\$1,000;

provided, however, that if the Notes are Global Notes, the notice must comply with appropriate procedures of the Depositary.

Section 15.04. *Deposit of Repurchase Price or Fundamental Change Repurchase Price.*

(a) The Company will deposit with the Paying Agent, or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 4.04 at or prior to 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, an amount of money sufficient to repurchase all of the Notes to be repurchased at the appropriate Repurchase Price or Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Paying Agent, payment for Notes surrendered for repurchase (and not withdrawn in accordance with Section 15.03) will be made on the later of (i) the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (*provided* the Holder has satisfied the conditions in Section 15.01 or Section 15.02, as the case may be) and (ii) the time of book-entry transfer or the delivery of such Note to the Paying Agent) by the Holder thereof in the manner required by Section 15.01 or Section 15.02, as applicable, by mailing checks for the amount payable to the Holders of such Notes entitled thereto as they shall appear in the Note Register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Paying Agent shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Repurchase Price or Fundamental Change Repurchase Price, as the case may be.

(b) If by 10:00 a.m., New York City time, on the Repurchase Date or Fundamental Change Repurchase Date, as the case may be, the Paying Agent holds money sufficient to make payment on all the Notes or portions thereof that are to be repurchased on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, then, with respect to the Notes that have been properly surrendered for repurchase and have not been validly withdrawn, on such Repurchase Date or Fundamental Change Repurchase Date, as the case may be, (i) such Notes will cease to be outstanding, (ii) interest will cease to accrue on such Notes (whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Paying Agent) and (iii) all other rights of the Holders of such Notes will terminate (other than the right to receive the Repurchase Price or Fundamental Change Repurchase Price, as the case may be, and, if applicable, accrued and unpaid interest).

(c) Upon surrender of a Note that is to be repurchased in part pursuant to Section 15.01 or Section 15.02, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Note in an authorized denomination equal in principal amount to the unreurchased portion of the Note surrendered.

Section 15.05. *Covenant to Comply with Applicable Laws Upon Repurchase of Notes.* In connection with any repurchase offer, the Company will, if required:

- (a) comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act;
- (b) file a Schedule TO or any other required schedule under the Exchange Act, if required by applicable law; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Company to repurchase the Notes;

ARTICLE 16
REDEMPTION ONLY FOR TAXATION REASONS

Section 16.01. *No Redemption Except for Taxation Reasons.* The Notes shall not be redeemable by the Company prior to the Maturity Date, except as described in this Article 16, and no sinking fund is provided for the Notes. The Notes may be redeemed, for cash, at the Company's option, as a whole but not in part (a "**Tax Redemption**"), at the Tax Redemption Price, if (x) on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts, (y) the Company cannot avoid any such payment obligation by taking reasonable measures available to it (provided that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure) and (z) the requirement arises as a result of:

- (a) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective on or after June 19, 2019 (or, if the applicable taxing jurisdiction becomes a Relevant Taxing Jurisdiction on a date after June 19, 2019, such later date); or
- (b) any amendment to, or change in, an official written interpretation or application or administration of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice), which amendment or change is publicly announced and becomes effective on or after June 19, 2019 (or, if the applicable taxing jurisdiction becomes a Relevant Taxing Jurisdiction on a date after June 19, 2019, such later date) (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**").

Section 16.02. *Notice of Tax Redemption.*

(a) In the event that the Company exercises its Tax Redemption right pursuant to Section 16.01, it shall fix a date for redemption (the "**Tax Redemption Date**") and it or, at its written request received by the Trustee not less than 60 Scheduled Trading Days prior to the Tax Redemption Date (or such shorter period of time as may be acceptable to the Trustee), the Trustee, in the name of and at the expense of the Company, shall deliver a notice of such Tax Redemption (a "**Tax Redemption Notice**") not less than 50 nor more than 60 Scheduled Trading Days prior to the Tax Redemption Date to each Holder of Notes so to be redeemed at its last address as the same appears on the Note Register; *provided, however*, that, if the Company shall give such notice, it shall also give a written notice of the Tax Redemption Date to the Trustee. The Tax Redemption Date must be a Business Day. For the avoidance of doubt, if the Tax Redemption Date falls after a Regular Record Date but on or prior to the immediately succeeding Interest Payment Date, interest accrued to the Interest Payment Date shall be paid on the Interest Payment Date to Holders of record on such Regular Record Date corresponding to such Interest Payment Date.

(b) The Company shall not give any Tax Redemption Notice earlier than 90 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such Tax Redemption Notice is given. Prior to the publication or, where relevant, mailing of any Tax Redemption Notice pursuant to the foregoing, the Company shall deliver to the Trustee (a) an Officers' Certificate stating that such change or amendment referred to in Section 16.01 has occurred, describing the facts related thereto and stating that the obligation to pay such Additional Amounts cannot be avoided by the Company taking reasonable measures available to it (provided that changing the jurisdiction of incorporation of the Company shall be deemed not to be a reasonable measure); and (b) a written opinion of independent tax counsel or tax advisor of recognized standing in the Relevant Taxing Jurisdiction to the effect that the Company has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law. The Trustee shall accept and rely upon such certificate and opinion (without further investigation or enquiry) and it shall be conclusive and binding on the Holders of the Notes to be redeemed. Notwithstanding anything to the contrary herein, neither the Company nor any successor Person may redeem any of the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at the Applicable PRC Rate or less solely as a result of the Company or its successor Person being considered a PRC tax resident.

(c) The Tax Redemption Notice, if delivered in the manner herein provided, shall be conclusively presumed to have been given duly, whether or not the Holder receives such notice. In any case, failure to deliver such Tax Redemption Notice or any defect in the Tax Redemption Notice to the Holder of any Note designated for redemption shall not affect the validity of the proceedings for the redemption of any other Note.

(d) Each Tax Redemption Notice shall specify:

(i) the Tax Redemption Date;

(ii) the Tax Redemption Price;

(iii) the place or places where such Notes are to be surrendered for payment of the Tax Redemption Price;

(iv) that on the Tax Redemption Date, the Tax Redemption Price will become due and payable upon each Note to be redeemed, and that interest thereon, if any, shall cease to accrue on and after the Tax Redemption Date;

(v) that Holders may surrender their Notes for conversion at any time prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date;

(vi) the procedures a converting Holder must follow to convert its Notes and the Settlement Method and Specified Dollar Amount, if applicable;

- (vii) that Holders who wish to elect not to have their Notes redeemed must satisfy the requirements set forth in this Indenture;
- (viii) that Holders who wish to withdraw any election not to have their Notes redeemed must satisfy the requirements set forth in this Indenture;
- (ix) that, if a Holder elects not to be subject to a Tax Redemption, the Company shall not be required to pay Additional Amounts with respect to payments made in respect of such Holder's Notes following the applicable Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of the Relevant Taxing Jurisdiction in respect of such Change in Tax Law;
- (x) the Conversion Rate and, if applicable, the number of Additional ADSs added to the Conversion Rate in accordance with Section 14.03; and
- (xi) the CUSIP, ISIN or other similar numbers, if any, assigned to such Notes.

A Tax Redemption Notice shall be irrevocable. In the case of a Tax Redemption, a Holder may convert its Notes at any time until the close of business on the second Business Day preceding the Tax Redemption Date.

Section 16.03. Payment of Notes Called for Tax Redemption.

(a) If any Tax Redemption Notice has been given in respect of the Notes in accordance with Section 16.02, the Notes shall become due and payable on the Tax Redemption Date at the place or places stated in the Tax Redemption Notice and at the applicable Tax Redemption Price. On presentation and surrender of the Notes at the place or places stated in the Tax Redemption Notice, the Notes shall be paid and redeemed by the Company at the applicable Tax Redemption Price.

(b) Prior to the open of business on the Business Day immediately prior to the Tax Redemption Date, the Company shall deposit with the Paying Agent or, if the Company or a Subsidiary of the Company is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 7.05 an amount of cash (in immediately available funds if deposited on the Tax Redemption Date), sufficient to pay the Tax Redemption Price of all of the Notes to be redeemed on such Tax Redemption Date. Subject to receipt of funds by the Paying Agent, payment for the Notes to be redeemed shall be made on the Tax Redemption Date for such Notes. The Paying Agent shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Tax Redemption Price.

Section 16.04. Holders' Right to Avoid Redemption.

(a) Notwithstanding anything to the contrary in this Article 16, if the Company has given a Tax Redemption Notice pursuant to Section 16.02, each Holder of Notes shall have the

right to elect that such Holder's Notes will not be subject to such Tax Redemption. If a Holder elects not to be subject to a Tax Redemption, the Company shall not be required to pay Additional Amounts with respect to payments made in respect of such Holder's Notes following the applicable Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price), and all subsequent payments in respect of such Holder's Notes will be subject to any tax required to be withheld or deducted under the laws of the Relevant Taxing Jurisdiction in respect of such Change in Tax Law. The obligation to pay Additional Amounts to any electing Holder for periods up to the Tax Redemption Date shall remain subject to the exceptions set forth under Section 4.07.

(b) Subject to the applicable procedures of DTC in the case of Global Notes, a Holder electing to not have its Notes redeemed must deliver to the Company, with a copy to the Paying Agent a written notice of election so as to be received by the Company and the Paying Agent or otherwise by complying with the requirements for conversion in Section 14.02(b) prior to the close of business on the second Business Day immediately preceding the Tax Redemption Date. A Holder may withdraw any notice of election (other than such a deemed notice of election in connection with a conversion) by delivering to the Company and the Paying Agent a written notice of withdrawal prior to the close of business on the Business Day immediately preceding the Tax Redemption Date (or, if the Company fails to pay the Tax Redemption Price on the Tax Redemption Date, such later date on which the Company pays the Tax Redemption Price). If a Holder does not make such election, such Holder's Notes shall be redeemed without any further action on the part of such Holder.

Section 16.05. *Restrictions on Tax Redemption.* The Company may not redeem any Notes on any date if the principal amount of the Notes has been accelerated in accordance with the terms of this Indenture, and such acceleration has not been rescinded, on or prior to the Tax Redemption Date (except in the case of an acceleration resulting from a Default by the Company in the payment of the Tax Redemption Price with respect to such Notes).

ARTICLE 17 MISCELLANEOUS PROVISIONS

Section 17.01. *Provisions Binding on Company's Successors.* All the covenants, stipulations, promises and agreements of the Company contained in this Indenture shall bind its successors and assigns whether so expressed or not.

Section 17.02. *Official Acts by Successor Corporation.* Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or Officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation or other entity that shall at the time be the lawful sole successor of the Company.

Section 17.03. *Addresses for Notices, Etc.* Any notice or demand that by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders on the Company shall be deemed to have been sufficiently given or made, for all purposes if given or served by being delivered in person, transmitted by facsimile, sent via electronic mail

(with portable document format attached) or deposited postage prepaid by registered or certified mail in a post office letter box addressed (until another address is filed by the Company with the Trustee) to:

YY Inc.
Building 3-08
Yangchang Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China
Attention: *****
E-mail: *****
Facsimile: *****

Any notice, direction, request or demand hereunder to or upon the Paying Agent shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Paying Agent Office or sent electronically in PDF format. Any notice, direction, request or demand hereunder to or upon the Trustee shall be deemed to have been given or made by being deposited postage prepaid by registered or certified mail in a post office letter box addressed to the Corporate Trust Office or sent electronically in PDF format. Notwithstanding any other provision of this Indenture, notices to the Trustee shall only be deemed received upon actual receipt thereof by a Responsible Officer.

So long as and to the extent that the Notes are represented by Global Notes and such Global Notes are held by DTC, notices to owners of beneficial interests in the Global Notes may be given by delivery of the relevant notice to DTC for communication by it to entitled account holders.

The Trustee, by notice to the Company, may designate additional or different addresses for subsequent notices or communications.

All notices and other communications under this Indenture shall be in writing in English.

Any notice or communication delivered or to be delivered to a Holder of Physical Notes shall be mailed to it by first class mail, postage prepaid, at its address as it appears on the Note Register and shall be sufficiently given to it if so mailed within the time prescribed. Notwithstanding anything to the contrary in this Indenture, any notice or communication delivered or to be delivered to a Holder of Global Notes shall be delivered in accordance with the applicable procedures of the Depository and shall be sufficiently given to it if so delivered within the time prescribed.

Failure to mail or deliver a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed or delivered, as the case may be, in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 17.04. *Governing Law; Jurisdiction.* THIS INDENTURE AND EACH NOTE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS INDENTURE AND EACH NOTE, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company irrevocably consents and agrees, for the benefit of the Holders from time to time of the Notes and the Trustee, that any legal action, suit or proceeding against it with respect to obligations, liabilities or any other matter arising out of or in connection with this Indenture or the Notes may be brought in the courts of the State of New York or the courts of the United States, in each case, located in the Borough of Manhattan, New York City, New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court *in personam*, generally and unconditionally with respect to any action, suit or proceeding for itself in respect of its properties, assets and revenues.

The Company irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Indenture brought in the courts of the State of New York or the courts of the United States located in the Borough of Manhattan, New York City, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 17.05. *Submission to Jurisdiction; Service of Process.* The Company irrevocably appoints Law Debenture Corporate Service, Inc., 801 2nd Avenue, Suite 403, New York, NY 10017 as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to:

YY Inc.
Building 3-08
Yangchang Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China
Attention: Chief Financial Officer
Facsimile: +86(20)2916-2080

shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of seven years from the date of this Indenture. If for any reason such agent shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Holder and the Trustee a copy of the new agent's acceptance of that appointment within ten Business Days of such acceptance. Nothing herein shall affect the right of the Trustee, any Agent or any Holder to

serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction. To the extent that the Company has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company irrevocably waives such immunity in respect of its obligations hereunder or under any Note.

Section 17.06. *Evidence of Compliance with Conditions Precedent; Certificates and Opinions of Counsel to Trustee.* Upon any application or demand by the Company to the Trustee to take any action under any of the provisions of this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee an Officer's Certificate and an Opinion of Counsel stating that such action is permitted by the terms of this Indenture. Each Officer's Certificate and Opinion of Counsel provided for, by or on behalf of the Company in this Indenture and delivered to the Trustee with respect to compliance with this Indenture (other than the Officer's Certificates provided for in Section 4.09) shall include (a) a statement that the person signing such certificate is familiar with the requested action and this Indenture; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement contained in such certificate is based; (c) a statement that, in the judgment of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed judgment as to whether or not such action is permitted by this Indenture; and (d) a statement as to whether or not, in the judgment of such person, such action is permitted by this Indenture and that all covenants and conditions precedent in this Indenture have been complied with.

Notwithstanding anything to the contrary in this Section 17.06, if any provision in this Indenture specifically provides that the Trustee shall or may receive an Opinion of Counsel in connection with any action to be taken by the Trustee or the Company hereunder, the Trustee shall be entitled to such Opinion of Counsel.

Section 17.07. *Legal Holidays.* In any case where any Interest Payment Date, any Fundamental Change Repurchase Date, any Repurchase Date, any Tax Redemption Date or Maturity Date is not a Business Day, then any action to be taken on such date need not be taken on such date, but may be taken on the next succeeding Business Day with the same force and effect as if taken on such date, and no interest shall accrue in respect of the delay.

Section 17.08. *No Security Interest Created.* Nothing in this Indenture or in the Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

Section 17.09. *Benefits of Indenture.* Nothing in this Indenture or in the Notes, expressed or implied, shall give to any Person, other than the Holders, the parties hereto, any Paying Agent, any Conversion Agent, any Note Registrar and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 17.10. *Table of Contents, Headings, Etc.* The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of

reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 17.11. *Execution in Counterparts.* This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Indenture as to the parties hereto and may be used in lieu of the original Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 17.12. *Severability.* In the event any provision of this Indenture or in the Notes shall be invalid, illegal or unenforceable, then (to the extent permitted by law) the validity, legality or enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 17.13. *Waiver of Jury Trial.* EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 17.14. *Force Majeure.* In no event shall the Trustee or the Agents be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee or the Agents, as the case may be, shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 17.15. *Calculations.* Except as otherwise provided herein, the Company shall be responsible for making all calculations called for under the Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the ADSs, the Daily VWAPs, the Daily Conversion Values, the Daily Settlement Amounts, accrued interest payable on the Notes and the Conversion Rate of the Notes. The Company shall make all these calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Holders. The Company shall provide a schedule of its calculations to each of the Trustee, the Paying Agent and the Conversion Agent, and each of the Trustee, the Paying Agent and the Conversion Agent has no duty to verify such calculations and is entitled to rely conclusively and without liability upon the accuracy of the Company's calculations without independent verification. The Trustee shall forward the Company's calculations to any Holder of Notes upon the request of that Holder at the sole cost and expense of the Company upon verification of such Holder's identity and noteholdings in a manner satisfactory to the Trustee.

Section 17.16. *USA PATRIOT Act*. The parties hereto acknowledge that in accordance with Section 326 of the USA PATRIOT Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the USA PATRIOT Act.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

YY, INC.

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

[Signature Page to Indenture]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

CITICORP INTERNATIONAL LIMITED,
as Trustee

By: /s/ Terence Yeung
Name: Terence Yeung
Title: Vice President

[Signature Page to Indenture]

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREUNDER IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[INCLUDE FOLLOWING LEGEND IF A RESTRICTED SECURITY]

[THIS SECURITY, THE AMERICAN DEPOSITORY SHARES DELIVERABLE UPON CONVERSION OF THIS SECURITY, IF ANY, AND THE CLASS A COMMON SHARES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (A "QIB") (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS LOCATED OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT AND THAT IT AND ANY SUCH ACCOUNT IS NOT AN AFFILIATE OF YY INC. (THE "COMPANY"), AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE THAT IS THE LATER OF (X) ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THERETO AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, EXCEPT:

- (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) TO A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR
- (D) THROUGH OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO PERSONS WHO ARE NOT U.S. PERSONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE).

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(D) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S.]¹

[PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(C) ABOVE, THE TRANSFEROR SHALL FIRST DELIVER TO THE TRUSTEE AND THE NOTE REGISTRAR A WRITTEN CERTIFICATE STATING THAT THE SECURITIES ARE BEING TRANSFERRED TO A PERSON (1) WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QIB, (2) WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND (3) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.]²

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE 2(E) ABOVE, THE COMPANY, THE DEPOSITARY, THE TRUSTEE AND THE NOTE REGISTRAR RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

¹ Include for a Rule 144A Note.

² Include for a Regulation S Note.

NO AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY OR PERSON THAT HAS BEEN AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY DURING THE THREE IMMEDIATELY PRECEDING MONTHS MAY PURCHASE, OTHERWISE ACQUIRE OR OWN THIS SECURITY OR A BENEFICIAL INTEREST HEREIN.]

No. [_____]

[Initially]³ US\$ _____CUSIP No. [_____] [_____] ⁴

ISIN No. [_____]

YY Inc., a company duly organized and validly existing under the laws of the Cayman Islands (the “**Company**,” which term includes any successor company or corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [CEDE & CO.]⁶ [_____], or registered assigns, the principal sum [as set forth in the “Schedule of Exchanges of Notes” attached hereto]⁸ [of US\$[_____]]⁹, which amount, taken together with the principal amounts of all other outstanding Notes, shall not, unless permitted by the Indenture, exceed US\$500,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on June 15, 2026, and interest thereon as set forth below.

This Note shall bear interest at the rate of 1.375% per year from June 24, 2019, or from the most recent date to which interest had been paid or provided for to, but excluding, the next scheduled Interest Payment Date until June 15, 2026. Interest is payable semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2019, to Holders of record at the close of business on the preceding June 1 and December 1 (whether or not such day is a Business Day), respectively. Additional Interest will be payable as set forth in Section 4.06(d), Section 4.06(e) and Section 6.03 of the within-mentioned Indenture, and any reference to interest on, or in respect of, any Note therein shall be deemed to include Additional Interest if, in such context, Additional Interest is, was or would be payable pursuant to any of such Section 4.06(d), Section 4.06(e) or Section 6.03, and any express mention of the payment of Additional Interest in any provision therein shall not be construed as excluding Additional Interest in those provisions thereof where such express mention is not made.

Any Defaulted Amounts shall accrue interest per annum at the rate borne by the Notes *plus* one percent, subject to the enforceability thereof under applicable law, from, and including, the relevant payment date to, but excluding, the date on which such Defaulted Amounts shall have been paid by the Company, at its election, in accordance with Section 2.03(c) of the Indenture.

³ Include if a Global Note.

⁴ Include for a Rule 144A Note.

⁵ Include for a Regulation S Note.

⁶ Include if a Global Note.

⁷ Include if a Physical Note.

⁸ Include if a Global Note.

⁹ Include if a Physical Note.

The Company shall pay the principal of and interest on this Note, if and so long as such Note is a Global Note, by wire transfer in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Note. As provided in and subject to the provisions of the Indenture, the Company shall pay the principal of any Notes (other than Notes that are Global Notes) at the office or agency designated by the Company for that purpose. The Company has initially designated Citibank, N.A. as its Paying Agent, Conversion Agent and Note Registrar in respect of the Notes and the Paying Agent Office as a place where Notes may be presented for payment or for registration of transfer and exchange.

Reference is made to the further provisions of this Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Note the right to convert this Note into cash, ADSs or a combination of cash and ADSs, as applicable, on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note, and any claim, controversy or dispute arising under or related to this Note, shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to the conflicts of laws provisions thereof).

In the case of any conflict between this Note and the Indenture, the provisions of the Indenture shall control and govern.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed manually or by facsimile by the Trustee under the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

YY INC.

By: _____

Name:
Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

CITICORP INTERNATIONAL LIMITED,
as Trustee, certifies that this is one of the Notes described
in the within-named Indenture.

By: _____

Authorized Officer

YY INC.

1.375% Convertible Senior Note due 2026

This Note is one of a duly authorized issue of Notes of the Company, designated as its 1.375% Convertible Senior Notes due 2026 (the “Notes”), limited to the aggregate principal amount of US\$500,000,000, all issued or to be issued under and pursuant to an Indenture dated as of June 24, 2019 (the “Indenture”), between the Company and Citicorp International Limited, as trustee (the “Trustee”), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Indenture. The Rule 144A Notes and the Regulation S Notes initially have separate CUSIP numbers and will initially not be fungible.

In case certain Events of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of, and interest on, all Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate principal amount of Notes then outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. In the case certain Events of Default relating to a bankruptcy (or similar proceeding) with respect to the Company or a Significant Subsidiary of the Company shall have occurred, the principal of, and interest on, all Notes shall automatically become immediately due and payable, as set forth in the Indenture.

Subject to the terms and conditions of the Indenture, the Company will make all payments and deliveries in respect of the principal amount on the Maturity Date, the Tax Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price, as the case may be, to the Holder who surrenders a Note to the Paying Agent to collect such payments in respect of the Note. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Subject to the terms and conditions of the Indenture, Additional Amounts will be paid in connection with any payments made and deliveries caused to be made by the Company or any successor to the Company under or with respect to the Indenture and the Notes, including, but not limited to, payments of principal (including, if applicable, the Tax Redemption Price, the Repurchase Price and the Fundamental Change Repurchase Price), payments of interest and the payments of cash and/or deliveries of ADSs (together with payments for any fractional ADS) upon conversion of the Notes to ensure that the net amount received by the Holder after any applicable withholding or deduction (and after deducting any taxes on the Additional Amounts) will equal the amount that would have been received by such Holder had no such withholding or deduction been required.

The Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding, evidenced as in the Indenture provided, to execute

supplemental indentures modifying the terms of the Indenture and the Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate principal amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Indenture and its consequences.

Each Holder shall have the right to receive payment or delivery, as the case may be, of (x) (i) the principal (including the Repurchase Price, the Tax Redemption Price and the Fundamental Change Repurchase Price, if applicable) of and (ii) accrued and unpaid interest on, or (y) the consideration due upon conversion of, this Note at the place, at the respective times, at the rate and in the lawful money or ADSs, as the case may be, herein prescribed.

The Notes are issuable in registered form without coupons in denominations of US\$1,000 principal amount and integral multiples thereof. At the office or agency of the Company referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations, without payment of any service charge but, if required by the Company or Trustee, with payment of a sum sufficient to cover any transfer or similar tax that may be imposed in connection therewith as a result of the name of the Holder of the new Notes issued upon such exchange of Notes being different from the name of the Holder of the old Notes surrendered for such exchange.

Under certain circumstances specified in the Indenture, the Notes will be subject to redemption by the Company at the Tax Redemption Price. No sinking fund is provided for the Notes.

The Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Repurchase Date at a price equal to the Repurchase Price.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Company to repurchase for cash all of such Holder's Notes or any portion thereof (in principal amounts of US\$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof that is US\$1,000 or an integral multiple thereof, into cash, ADSs or a combination of cash and ADSs, as applicable, at the Conversion Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

Terms used in this Note and defined in the Indenture are used herein as therein defined.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

[FORM OF NOTICE OF CONVERSION]

YY INC.
1.375% Convertible Senior Notes due 2026CUSIP No. [_____] ¹¹ [_____] ¹²

To: Citibank, N.A., as ADS Depositary
388 Greenwich Street, New York, NY 10013

Citibank, N.A., as Conversion Agent
480 Washington Boulevard, 30th floor, Jersey City, NJ 07310
Attention: Agency and Trust

The undersigned registered owner of this Note hereby exercises the option to convert this Note, or the portion hereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, into cash, ADSs or a combination of cash and ADSs, as applicable, in accordance with the terms of the Indenture referred to in this Note, and directs that any cash payable and any ADSs deliverable upon such conversion, together with any cash payable for any fractional ADS, and any Notes representing any unconverted principal amount hereof, be issued and delivered to the registered Holder hereof unless a different name has been indicated below. If any ADSs or any portion of this Note not converted are to be issued in the name of a Person other than the undersigned, the undersigned will pay all documentary, stamp or similar issue or transfer taxes, if any in accordance with Section 14.02(d) and Section 14.02(e) of the Indenture. Any amount required to be paid to the undersigned on account of interest accompanies this Note. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In connection with the conversion of this Note, or the portion hereof below designated, the undersigned acknowledges, represents to and agrees with the Company that the undersigned is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and has not been an "affiliate" (as defined in Rule 144 under the Securities Act) during the three months immediately preceding the date hereof.

[The undersigned further certifies:

1. The undersigned acknowledges (and if the undersigned is acting for the account of another person, that person has confirmed that it acknowledges) that the Restricted Securities received upon conversion of this Note (or securities represented thereby) have not been and are not expected to be registered under the Securities Act.

¹¹ Include for a Rule 144A Note.

¹² Include for a Regulation S Note.

2. The undersigned further certifies that either:

(a) The undersigned is, and at the time any ADSs are delivered in conversion of its Notes will be, the holder of the ADSs and the Class A Common Shares represented thereby, and (i) the undersigned is not a U.S. person (as defined in Regulation S under the Securities Act) and is located outside the United States (within the meaning of Regulation S) and acquired, or has agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Common Shares represented thereby being delivered in the conversion outside the United States and (ii) the undersigned is not in the business of buying and selling securities or, if the undersigned is in such business, the undersigned did not acquire the Notes being converted from the Company or any Affiliate thereof in the initial distribution of the Notes.

OR

(b) The undersigned is a broker-dealer acting on behalf of its customer; its customer has confirmed to the undersigned that it is, and at the time any ADSs are delivered in conversion of our Notes will be, the holder of the ADSs and the Class A Common Shares represented thereby, and (i) it is not a U.S. person (as defined in Regulation S under the Securities Act) and it is located outside the United States (within the meaning of Regulation S and acquired, or has agreed to acquire and will have acquired, the Notes being converted and the ADSs and the Class A Common Shares represented thereby being delivered in the conversion outside the United States and (ii) it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Notes being converted from the Company or any Affiliate thereof in the initial distribution of the Notes.

OR

(c) The undersigned is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) acting for its own account or for the account of one or more qualified institutional buyers and the undersigned is (or such account or accounts are) the sole beneficial owner(s) of any ADSs to be received upon conversion of the Notes.

3. The undersigned acknowledges that the undersigned (and any such other account) may not continue to hold or retain any interest in Restricted Securities received upon conversion of this Note if the undersigned (or such other account) becomes an Affiliate of the Company.

4. The undersigned agrees (and if the undersigned is acting for the account of another person, that person has confirmed that it agrees) that, unless and until the undersigned (or such other account) is notified by the Depositary that the restrictive legend on such Restricted Security has been removed from such security, the undersigned (and such other account) will not offer, sell, pledge or otherwise transfer the Restricted Security (or securities represented by such Restricted Security) except in accordance with the restrictions set forth in that legend and any applicable securities laws of the United States and any state thereof.¹³

¹³ Include if a Restricted Security.

Dated: _____

Signature(s)

Telephone: _____

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

The undersigned hereby requests that the ADSs issued upon conversion of this note to be delivered to:

(Name of Contact Person)

(Broker Name)

(DTC/Euroclear/Clearstream Participant Number)

(Account Name)

(Account Number)

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)
Please print name and address

Bank Account Details:

Principal amount to be converted (if less than all):
US\$_____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer
Identification Number

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

YY INC.
1.375% Convertible Senior Notes due 2026

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from YY Inc. (the “Company”) as to the occurrence of a Fundamental Change with respect to the Company and specifying the Fundamental Change Repurchase Date and requests and instructs the Company to pay to the registered Holder hereof in accordance with Section 15.02 of the Indenture referred to in this Note (1) the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, and (2) if such Fundamental Change Repurchase Date does not fall during the period after a Regular Record Date and on or prior to the corresponding Interest Payment Date, accrued and unpaid interest thereon to, but excluding, such Fundamental Change Repurchase Date. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of Physical Notes, the certificate numbers of the Notes to be repurchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions)



with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if ADSs are to be issued, or Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of ADSs if to be issued, and Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all):
US\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF REPURCHASE NOTICE]

YY INC.
1.375% Convertible Senior Notes due 2026

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from YY Inc. (the “**Company**”) regarding the right of Holders to elect to require the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated and requests and instructs the Company to repurchase the entire principal amount of this Note, or the portion thereof (that is US\$1,000 principal amount or an integral multiple thereof) below designated, in accordance with the applicable provisions of the Indenture referred to in this Note, at the Repurchase Price from the registered Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture.

In the case of certificated Notes, the certificate numbers of the Notes to be purchased are as set forth below:

Certificate Number(s): _____

Dated: _____

Signature(s)

Social Security or Other Taxpayer
Identification Number

Principal amount to be repaid (if less than all): US\$ _____,000



NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert social security or Taxpayer Identification Number of assignee) the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of the Company, with full power of substitution in the premises.

In connection with any transfer of the within Note occurring prior to the Resale Restriction Termination Date, as defined in the Indenture governing such Note, the undersigned confirms that such Note is being transferred:

- To YY Inc. or a subsidiary thereof; or
- Pursuant to a registration statement that has become or been declared effective under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144A under the Securities Act of 1933, as amended; or
- Outside the United States to a person that is not a U.S. person in accordance with Regulation S under the Securities Act of 1933, as amended; or
- Pursuant to and in compliance with Rule 144 under the Securities Act of 1933, as amended (if available).

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if Notes are to be delivered, other than to and in the name of the registered holder.

NOTICE: The signature on the assignment must correspond with the name as written upon the face of the Note in every particular without alteration or enlargement or any change whatever.

[FORM OF CERTIFICATE RE: EXCHANGE FOR RULE 144A NOTE]

YY INC.
1.375% Convertible Senior Notes due 2026

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

In connection with the requested exchange of the within Note (or a portion thereof) for a Rule 144A Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Rule 144A Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that:

- (1) such exchange occurs in connection with a transfer of such Note (or a beneficial interest therein) under Rule 144A (as defined in the Indenture); and
- (2) such Note (or a beneficial interest therein) is being transferred to a Person:
 - (a) who the undersigned reasonably believes to be a QIB (as defined in the Indenture);
 - (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and
 - (c) in accordance with all securities laws of the states of the United States and other jurisdictions.

¹⁴ To be included for Regulation S Notes.

Dated: _____

Signature(s)

[FORM OF CERTIFICATE RE: EXCHANGE FOR REGULATION S NOTE]

YY INC.
1.375% Convertible Senior Notes due 2026

To: Citicorp International Limited, as Trustee
39th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

In connection with the requested exchange of the within Note (or a portion thereof) for a Regulation S Note with like aggregate principal amount (or an increase in the aggregate principal amount represented by a Global Note that constitutes a Regulation S Note) prior to the Notes Fungibility Date, as defined in the Indenture governing such Note, the undersigned confirms that the Note (or a beneficial interest therein) has been transferred in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended.

¹⁵ To be included for Rule 144A Notes.

Dated: _____

Signature(s)

SHARE TRANSFER AGREEMENT

This SHARE TRANSFER AGREEMENT (this "Agreement"), dated as of April 3, 2020 is entered into by and between (i) JOYY Inc., an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the "Selling Shareholder") and (ii) Linen Investment Limited, an exempted company incorporated with limited liability under the Laws of the British Virgin Islands (the "Purchaser"). The Selling Shareholder and the Purchaser are referred to in this Agreement collectively as the "Parties" and individually as a "Party."

WITNESSETH:

WHEREAS, HUYA Inc. (the "Company") is a company incorporated in the Cayman Islands with limited liability whose American Depositary Shares, each representing one Class A Ordinary Shares, are listed on the New York Stock Exchange under the symbol "HUYA";

WHEREAS, the Selling Shareholder and the Purchaser are parties to that certain amended and restated shareholders agreement of the Company dated as of March 8, 2018 (the "Shareholders Agreement"), pursuant to which the Purchaser has a right (the "Option"), exercisable between March 8, 2020 and March 8, 2021, to purchase additional shares from the Company and/or the Selling Shareholder to reach 50.1% of the Company's total voting power;

WHEREAS, the Selling Shareholder legally and directly owns 84,898,282 Class B ordinary shares with a par value of US\$0.0001 per share (the "Class B Ordinary Shares");

WHEREAS, the Purchaser has delivered a written notice to the Selling Shareholder on April 3, 2020 (the "Option Exercise Date"), pursuant to which the Purchaser intends to exercise the Option to purchase 16,523,819 Class B Ordinary Shares (the "Subject Shares") from the Selling Shareholder;

WHEREAS, the board of directors of the Company (the "Board") has duly convened a board meeting to approve or confirm, among other things, that (A) entries be made in the register of members of the Company to reflect the purchase and sale of the Subject Shares contemplated by this Agreement, (B) a share certificate representing the Subject Shares be issued to the Purchaser, (C) the size of Board be increased from five (5) directors to nine (9) directors, (D) each of four (4) Persons nominated by the Purchaser be appointed as a director of the Company, (E) entries be made in the register of directors of the Company to reflect the appointment of each of four (4) Persons nominated by the Purchaser as a director of the Company and (F) an extraordinary general meeting of the Company (the "EGM") be called to convene on May 15, 2020, the purpose of which is to approve and adopt the Fourth Amended and Restated Memorandum and Articles of Association of the Company (the "Fourth Amended M&AA") in the form attached hereto as Exhibit B, and each of the Selling Shareholder and the Purchaser has received a copy of the Board meeting minutes; and

WHEREAS, on the terms and subject to the conditions set forth herein, the Selling Shareholder desires to sell to the Purchaser, and the Purchaser desires to purchase from the Selling Shareholder, the Subject Shares.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I

Definitions

Section 1.1 Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

“Affiliate” means any other Person that, directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person, including, without limitation, with respect to any Person that is an individual, his or her immediate family members.

“Bulletin 7” means Bulletin No. 7 on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (SAT Bulletin [2015] No. 7) (国家税务总局公告2015年第7号), dated February 3, 2015 and effective as of the same date, including any amendment or implementing rules thereof, including without limitation the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-Resident Enterprise Income Tax at Source, effective as of December 1, 2017, or any successor Law of similar import.

“Business Day” means a day that is not a Saturday or Sunday or any other day on which banks in the PRC, Hong Kong, the Cayman Islands or the British Virgin Islands are required or authorized to be closed.

“Class A Ordinary Shares” means Class A ordinary shares with a par value of US\$0.0001 per share in the share capital of the Company.

“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, which 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 (or similar governing body) of such Person; the term “Controlled” has the meaning correlative to the foregoing.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Governmental Authority” means any federal, national, supranational, state, provincial, local or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

“Group Companies” collectively means the Company and its Subsidiaries, and “Group Company” means any of them.

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“knowledge of the Selling Shareholder” means the knowledge of the Selling Shareholder’s nominee directors on the Board after due inquiry of the management team of the Company.

“knowledge of the Purchaser” means the actual knowledge of the Purchaser after due inquiry.

“Law” means any foreign, federal, state, municipal or local law, statute, code, ordinance, rule, decree, regulation or any common law of any Government Authority or jurisdiction.

“Legal Proceeding” means any judicial, administrative or arbitral actions, suits, proceedings, audit, hearing, mediation or investigations (whether civil or criminal, judicial or administrative, at law or in equity, or public or private) by or before a Government Authority.

“Liability” means any liability, cost, expense (including reasonable attorneys’ fees), debt or obligation of any kind, character or description, and whether known or unknown, accrued, absolute, determined, determinable, contingent or otherwise, and regardless of when asserted or by whom.

“Lien” means any claim, pledge, lien, charge, mortgage, right of first refusal or other option to purchase or otherwise acquire any interest, easement, security interest or other encumbrance or restriction on use, voting, transfer or receipt of income or exercise of any other attribute of ownership.

“Material Adverse Effect” shall mean any event, fact, circumstance or occurrence that, individually or in the aggregate with any other events, facts, circumstances or occurrences, results in or would reasonably be expected to result in a material adverse change in or a material adverse effect on any of the financial condition, assets, liabilities, results of operations, business, or operations of the Group Companies taken as a whole; *provided* that no event, fact, circumstance or occurrence resulting from or arising out of the items enumerated below shall be deemed to constitute, nor shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (a) the execution or delivery of this Agreement, the consummation of the transactions contemplated hereunder or the announcement or other publicity with respect to the foregoing, (b) conditions generally affecting any of the industries, industry sectors or geographic sectors (including, for the avoidance of doubt, the PRC) in which the Group Companies operate, (c) change in applicable Law or accounting standards (including GAAP or equivalent accounting practice in any other jurisdiction) or interpretations or the enforcement thereof applicable to the Group Companies, in each case, after the date hereof, (d) general economic, monetary or financial

conditions globally or in the U.S., PRC or any jurisdiction in which any Group Company operates, including changes in prevailing interest rates, currency exchange rates, credit market, financial market or securities market conditions, (e) general political conditions globally or in the U.S., PRC or any jurisdiction in which any Group Company operates, including the outbreak or escalation of war or acts of terrorism; (f) pandemics or global health crisis, earthquakes, hurricanes, tornados or other natural disasters or severe weather conditions, or (g) any failure by the Group Companies to meet any internal or public projections, budgets, forecasts, plans or guidance (it being understood that the underlying facts and circumstances giving rise or contributing to such failure that are not otherwise excluded from the definition of Material Adverse Effect may be deemed to constitute, or be taken into account in determining whether there is, has been or would reasonably be expected to become a Material Adverse Effect), except, in the case of sub-clauses (b), (c), (d), (e), and (f), to the extent the Group Companies are disproportionately affected thereby as compared with other participants in the industries in which the Group Companies operate in the same geographies.

“Order” means any written order, injunction, judgment, decree, notice, ruling, writ, assessment or arbitration award of a Government Authority.

“Organizational Documents” means, with respect to an entity, its certificate of incorporation, articles of incorporation, by-laws, articles of association, memorandum of association, certificate of trust, trust agreement, partnership agreement, limited partnership agreement, certificate of formation, limited liability company agreement or operating agreement, as applicable.

“Permit” means any approval, authorization, consent, license, variance, clearance, order, exemption, permit or certificate of or issued by a Government Authority.

“Person” means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Government Authority or other entity.

“PRC” or “China” means the People’s Republic of China, excluding, for purposes of this Agreement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

“PRC Tax Authority” means any taxing, fiscal or other authority in the PRC, including the State Administration of Taxation of the PRC and its local Tax bureaus.

“Share” means a share in the capital of the Company.

“Share Incentive Plan” means the Company’s Amended and Restated 2017 Share Incentive Plan, as filed with the SEC as Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-224202), as amended, initially filed with the SEC on April 9, 2018.

“SEC” means the United States Securities and Exchange Commission.

“SEC Report” means all reports, schedules, forms, statements, prospectuses, registration statements and other documents filed or furnished by the Company to the SEC.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Subsidiary” means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person, including, in the case of the Company, any variable interest entity Controlled by and consolidated with the Company and any Subsidiaries of such variable interest entity.

“Tax” or “Taxes” means (a) any federal, national, provincial, municipal, local or foreign and other taxes, duties, imposts, levies, or other like assessments of any kind whatsoever in the nature of a tax, in each case, imposed by any Governmental Authority, including 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, tariffs (including import duty and import value-added tax), and other taxes, (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) other form of transfer liability imposed by any Government Authority in connection with any item described in clauses (a) and (b) above.

“Transfer” means, (i) when used as a verb, to sell, assign, dispose of, transfer, exchange, pledge, encumber, hypothecate or otherwise transfer securities, assets or other property or any participation or interest therein, whether directly or indirectly (including pursuant to a derivative transaction, merger, recapitalization, scheme of arrangement, amalgamation or other transaction or by operation of law), or agree or commit to do any of the foregoing and (ii) when used as a noun, a direct or indirect sale, assignment, disposition, exchange, pledge, encumbrance, hypothecation, or other transfer of such securities, assets or other property or any participation or interest therein or any agreement or commitment to do any of the foregoing.

“U.S.” means the United States of America.

Section 1.2 Interpretation and Rules of Construction.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) the provision of a Table of Contents, the division of this Agreement into articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement;

(ii) any reference in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or a Schedule or Exhibit to, this Agreement, unless otherwise indicated. All Exhibits and Schedules hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein;

(iii) any reference in this Agreement to gender shall include all genders, and words imparting the singular number only shall include the plural and *vice versa*;

(iv) the word “including” or any variation thereof means (unless the context of its usage otherwise requires) “including, without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it;

(v) words such as “herein,” “hereinafter,” “hereof” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires;

(vi) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded;

(vii) the term “non-assessable,” when used with respect to any shares, means that no further sums are required to be paid by the holders thereof in connection with the issue thereof; and

(viii) except as otherwise provided herein, any reference in this Agreement to \$ or US\$ means U.S. dollars, the lawful currency of the U.S.

(b) In the event an ambiguity or question of intent or interpretation arises, no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

ARTICLE II

Sale and Purchase of Shares

Section 2.1 **Sale and Purchase of Shares**. Pursuant to the Purchaser’s exercise of the Option, upon the terms and subject to the conditions set forth herein and at the Closing, the Selling Shareholder shall sell and transfer to the Purchaser, and the Purchaser hereby agrees to purchase from the Selling Shareholder, the Subject Shares and all of the Selling Shareholder’s right, title and interest to the Subject Shares, free and clear of all Liens for an aggregate purchase price of US\$262,563,483.91 (the “**Purchase Price**”) payable by the Purchaser to the Selling Shareholder pursuant to Section 2.4(a).

Section 2.2 **Closing Date**. The sale and purchase of all Subject Shares as contemplated by this Agreement (the “**Closing**”) shall take place remotely via exchange of documents and signature on the date hereof (or at such other place, date or time as the Parties may mutually agree in writing). The date on which the Closing actually takes place is referred to in this Agreement as the “**Closing Date**.”

Section 2.3 **Closing Deliveries by the Selling Shareholder**. At the Closing, the Selling Shareholder shall deliver or cause to be delivered to the Purchaser:

(a) [Reserved]

(b) a certified true copy of the updated register of members of the Company, dated as of the Closing Date and duly certified by the registered office provider of the Company, evidencing the ownership by the Purchaser of the Subject Shares;

(c) an irrevocable instrument of transfer in respect of the Subject Shares being sold by the Selling Shareholder to the Purchaser executed by the Selling Shareholder in the form attached as Exhibit A to this Agreement;

(d) a certified true copy of the updated register of directors of the Company, dated as of the Closing Date and duly certified by the registered office provider of the Company, evidencing the appointment of each of up to four (4) persons nominated by the Purchaser as a director of the Company; and

(e) director indemnification agreements between the Company and up to five (5) persons nominated by the Purchaser as a director of the Company, each in the form attached as Exhibit D to this Agreement, duly executed by the Company.

As soon as practicable after the Closing, the Selling Shareholder shall deliver or cause to be delivered to the Purchaser the original share certificate in the name of the Purchaser, dated as of the Closing Date and duly executed on behalf of the Company, representing the Subject Shares purchased by the Purchaser pursuant to Section 2.1.

Section 2.4 Closing Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered to the Selling Shareholder:

(a) an amount in cash equal to the Purchase Price, by wire transfer in immediately available funds to a bank account designated in writing by the Selling Shareholder at least three Business Days prior to the Closing Date;

(b) an irrevocable instrument of transfer in respect of the Subject Shares being sold by the Selling Shareholder to the Purchaser executed by the Purchaser in the form attached as Exhibit A to this Agreement; and

(c) an executed irrevocable proxy referred to in Section 5.4.

ARTICLE III

Representations and Warranties of the Selling Shareholder

The Selling Shareholder hereby represents and warrants to the Purchaser as of the date hereof and as of the Closing Date, except if a representation or warranty is made as of a specified date, as of such date, each of the representations and warranties contained in this Article III.

Section 3.1 Organization and Good Standing(a) . The Selling Shareholder is duly organized, validly existing and in good standing under the Laws of the place of its incorporation or formation, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 3.2 Title to the Subject Shares. The Selling Shareholder is the sole and exclusive legal record owner of the Subject Shares as of the date hereof and as of the Closing Date, free and clear of any and all Liens. The Selling Shareholder is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any of the Subject Shares, and other than this Agreement and the Shareholders Agreement to which it is a party, there are no outstanding contracts or understandings to which the Selling Shareholder is a party involving the purchase, sale or other acquisition or disposition of the Subject Shares or any interest therein. Upon consummation of the Closing as provided in Article II, the Purchaser will have good and valid title to the Subject Shares, free and clear of all Liens and restrictions on Transfer (except for restrictions on Transfer under applicable securities Laws) and the Subject Shares shall be validly issued, fully paid and non-assessable with the Purchaser being entitled to all rights accorded to a holder of Subject Shares. The sale of the Subject Shares pursuant to this Agreement is not subject to preemptive or other similar rights.

Section 3.3 Authorization. The Selling Shareholder has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by the Selling Shareholder, and the consummation by the Selling Shareholder of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of the Selling Shareholder. This Agreement has been duly executed and delivered by the Selling Shareholder, and assuming due authorization, execution and delivery by the Purchaser, constitutes legal, valid and binding obligations of the Selling Shareholder, enforceable against the Selling Shareholder in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of Law or a court of equity, and by applicable bankruptcy, insolvency and similar Law affecting creditors' rights and remedies generally.

Section 3.4 Non-contravention. The execution, delivery and performance by the Selling Shareholder of this Agreement do not and will not (i) violate, conflict with or result in the breach of any provision of Organizational Documents of the Selling Shareholder, (ii) conflict with or violate any Law or Order applicable to the Selling Shareholder or the assets, properties or businesses of the Selling Shareholder, or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, Permit or other instrument or arrangement to which the Selling Shareholder is a party or result in the creation of any Lien upon any of the properties or assets of the Selling Shareholder, other than, in the case of clauses (ii) and (iii) above, any such conflict, violation, default, termination, amendment, acceleration, suspension, revocation or cancellation that are caused by any Person other than the Selling Shareholder or would not, individually or in the aggregate, reasonably be likely to materially affect the authority or ability of the Selling Shareholder to perform its obligations under this Agreement.

Section 3.5 Consents. The Selling Shareholder is under no obligation to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any Governmental Authority or other Person pursuant to any Law in effect on the date hereof in connection with the execution, delivery and performance by the Selling Shareholder of this Agreement and the consummation by the Selling Shareholder of any of the transactions contemplated hereby, except, in each case, for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to, individually or in the aggregate, materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Selling Shareholder of its obligations hereunder and except for any filing or notification required to be made with the SEC regarding the transactions contemplated under this Agreement.

Section 3.6 Capitalization. To the knowledge of the Selling Shareholder,

(a) The authorized share capital of the Company is US\$100,000 divided into 1,000,000,000 Shares comprising (i) 750,000,000 Class A Ordinary Shares of a par value of US\$0.0001 each, and (ii) 200,000,000 Class B Ordinary Shares of a par value of US\$0.0001 each and (iii) 50,000,000 shares of a par value of US\$0.0001 as the board of directors may determine in accordance with the Company's Organizational Documents. As of immediately prior to the Closing:

(i) 67,135,314 Class A Ordinary Shares are issued and outstanding (excluding 3,904,423 Class A Ordinary Shares issued to the Company's depository bank for bulk issuance of American Depositary Shares reserved for issuance upon the exercise or vesting of Company RSUs and Company Options);

(ii) 152,357,321 Class B Ordinary Shares are issued and outstanding;

(iii) 6,821,147 Class A Ordinary Shares are issuable upon vesting of outstanding restricted share units granted under the Share Incentive Plan (the "Company RSUs"); and

(iv) 15,199,661 Class A Ordinary Shares are issuable upon exercise of outstanding options granted under the Share Incentive Plan (the "Company Options").

(b) All issued and outstanding Shares of the Company are validly issued, fully paid and nonassessable. No Shares are held in treasury and no Shares are reserved for future issuance except for issuance, settlement and allocation upon exercise or vesting of Company Options and Company RSUs, the vesting and exercisability of which shall not accelerate as a result of this Agreement or the Closing (other than 8,343,527 unvested Company Options, the vesting and exercisability of which will accelerate upon the Closing). Except for the Share Incentive Plan, and the outstanding Company RSUs and the outstanding Company Options granted under the Share Incentive Plan, there are no outstanding options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of the Company or any of its Subsidiaries or obligating the Company or any of its Subsidiaries to issue or sell any shares of capital stock of, or other equity interests in, the Company or any of its

Subsidiaries. All Shares subject to issuance as aforesaid, upon issuance on the terms and subject to the conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. Except as otherwise disclosed in the SEC Reports, there are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any capital stock of the Company or any of its Subsidiaries or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary or any other Person of a material amount. All outstanding Shares, all outstanding Company RSUs and Company Options granted under the Share Incentive Plan and all outstanding shares of capital stock of each of the Company's Subsidiaries have been issued and granted in compliance with (i) all applicable securities Laws and other applicable Laws and (ii) in all material respects, all requirements set forth in applicable contracts. Except as otherwise disclosed in the SEC Reports, the Company or any of its Subsidiaries has not issued any notes, bonds or other debt securities, or any option, warrant or other right to acquire the same, of the Company or any of its Subsidiaries.

Section 3.7 SEC Filings; Financial Statements

(a) To the knowledge of the Selling Shareholder, the Company has filed or otherwise furnished (as applicable) all forms, reports and documents required to be filed with, or furnished to, the SEC. To the knowledge of the Selling Shareholder, in each case as of the date of filing or effectiveness (as applicable), in the case of SEC Reports (as filed pursuant to the Exchange Act (and to the extent such SEC Reports were amended, then as of the date of filing of such amendment), and as of the date of effectiveness in the case of SEC Reports filed pursuant to the Securities Act (and to the extent such SEC Reports were amended, then as of the date of effectiveness of such amendment), the SEC Reports (i) complied in all material respects with the requirements of the Securities Act, or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, and (ii) did not, at the time they were filed, or, if amended, as of the date of such amendment, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presents in all material respects the consolidated financial position, results of operations and cash flows of the Company and its Subsidiaries as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to the omission of certain notes, exclusion of cash flow statements in the case of interim financial information and normal year-end adjustments, the effect of which will not, individually or in the aggregate, be material).

(c) To the knowledge of the Selling Shareholder, there are no Liabilities of the Company or any Subsidiary of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a Liability, other than: (i) Liabilities reflected on, reserved against, or disclosed in the Company's audited consolidated financial statements (including the notes thereto) prepared in respect of the fiscal year ended December 31, 2018 filed

with the SEC on Form 20-F filed as of April 26, 2019, (ii) Liabilities reflected on, reserved against, or disclosed in the Company's unaudited consolidated balance sheet as of December 31, 2019, (iii) Liabilities incurred since December 31, 2018, in the ordinary course of business consistent with past practices, which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (iv) any other undisclosed Liabilities that have not materially adversely affected and would not reasonably be expected to materially adversely affect, individually or in the aggregate, the business of the Group Companies as currently conducted, taken as a whole, and (v) any Liabilities incurred under this Agreement. To the knowledge of the Selling Shareholder, there are no unconsolidated Subsidiaries of the Company or any off-balance sheet arrangements of any type (including any off-balance sheet arrangement required to be disclosed pursuant to Item 303(a)(4) of Regulation S-K promulgated under the Securities Act) that have not been so described in the SEC Reports nor any obligations to enter into any such arrangements.

Section 3.8 No Subsequent Events. To the knowledge of the Selling Shareholder, since December 31, 2018, there has not occurred any Material Adverse Effect or any event, fact, circumstance or occurrence that would reasonably be expected to result in a Material Adverse Effect.

Section 3.9 No Litigation.

(a) There are no Legal Proceedings by or against any of the Selling Shareholder or the Subject Shares pending before any Governmental Authority, or, to the knowledge of the Selling Shareholder, threatened to be brought by or before any Governmental Authority (i) which would be reasonably expected to, individually or in the aggregate, result in a material adverse effect on the authority or ability of the Selling Shareholder to perform its obligations under this Agreement or (ii) that relate to or challenge the validity of this Agreement or the transactions contemplated hereby.

(b) To the knowledge of the Selling Shareholder, except as otherwise disclosed in the SEC Reports, there are no material Legal Proceedings by or against the Company or affecting the business or any of the assets of the Company pending before any Government Authority, or threatened to be brought by or before any Government Authority.

Section 3.10 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Selling Shareholder.

Section 3.11 Material Non-Public Information. The Selling Shareholder does not possess any material non-public information regarding the Company and its Subsidiaries that has not been disclosed to the Purchaser.

Section 3.12 Exempt Offering. Assuming the accuracy of the Purchaser's representations and warranties in Section 4.7 and Section 4.8, the offer and sale of the Subject Shares under this Agreement are or will be exempt from the registration requirements and prospectus delivery requirements of the Securities Act, and from the registration or qualification requirements of any other applicable securities Laws and regulations.

ARTICLE IV

Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Selling Shareholder, as of the date hereof and as of the Closing Date, except if a representation or warranty is made as of a specified date, as of such date, each of the representations and warranties contained in this Article IV.

Section 4.1 **Organization and Good Standing**. The Purchaser is duly organized, validly existing and in good standing under the Laws of the place of its incorporation or formation, and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted.

Section 4.2 **Authorization**. The Purchaser has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement by the Purchaser, and the consummation by the Purchaser of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser, and assuming due authorization, execution and delivery by the Selling Shareholder, constitutes legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by general principles of equity, whether applied in a court of Law or a court of equity, and by applicable bankruptcy, insolvency and similar Law affecting creditors' rights and remedies generally.

Section 4.3 **Non-contravention**. The execution, delivery and performance by the Purchaser of this Agreement do not and will not (i) violate, conflict with or result in the breach of any provision of Organizational Documents of the Purchaser, (ii) conflict with or violate any Law or Order applicable to the Purchaser or the assets, properties or businesses of the Purchaser, or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, Permit or other instrument or arrangement to which the Purchaser is a party or result in the creation of any Lien upon any of the properties or assets of the Purchaser other than, in the case of clauses (ii) and (iii) above, any such conflict, violation, default, termination, amendment, acceleration, suspension, revocation or cancellation that are caused by any Person other than the Purchaser or would not affect the Purchaser's ability in material respects to consummate the transactions contemplated herein.

Section 4.4 **Consents**. The Purchaser is under no obligation to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any Governmental Authority or other Person pursuant to any Law in effect on the date hereof in connection with the execution, delivery and performance by the Purchaser of this Agreement and the consummation by the Purchaser of any of the transactions contemplated hereby, except , in each case, for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to, individually or in the aggregate, materially and adversely

affect the consummation of the transactions contemplated in this Agreement or the performance by the Purchaser of its obligations hereunder and except for any filing or notification required to be made with the SEC regarding the transactions contemplated under this Agreement.

Section 4.5 No Litigation. There are no Legal Proceedings by or against the Purchaser, pending before any Governmental Authority or, to the knowledge of the Purchaser, threatened to be brought by or before any Governmental Authority (a) which would be reasonably expected to, individually or in the aggregate, result in a material adverse effect on the authority or ability of the Purchaser to perform its obligations under this Agreement or (b) that relate to or challenge the validity of this Agreement or the transactions contemplated hereby.

Section 4.6 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser.

Section 4.7 Purchase for Own Account; Economic Risk. The Purchaser is acquiring the Subject Shares for investment for its own account and not with a view to the distribution thereof in violation of the Securities Act. The Purchaser acknowledges that it (a) can bear the economic risk of its investment in the Subject Shares, (b) has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Subject Shares and (c) has independently and without reliance upon the Selling Shareholder, and based on such information as it has deemed appropriate, made its own analysis and decision to enter into this Agreement and complete the transactions contemplated hereunder, except that it has relied upon the Selling Shareholder's representations, warranties, covenants and agreements in this Agreement.

Section 4.8 Private Placement; Non-U.S. Person. The Purchaser understands that (a) the Subject Shares have not been registered under the Securities Act or any state securities Laws and (b) the Subject Shares may not be sold unless such disposition is registered under the Securities Act and applicable state securities Laws or is exempt from registration thereunder. Such Purchaser represents that either: (i) it is an institutional "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act) or (ii) it is not a U.S. Person and is located outside of the United States, as such terms are defined in Rule 902 of Regulation S under the Securities Act.

ARTICLE V

Covenants and Additional Agreements

Section 5.1 Further Assurances. Each Party shall take all actions necessary or advisable and do all things (including to execute and deliver documents and other papers) necessary or advisable to consummate the transactions contemplated by this Agreement.

Section 5.2 Confidentiality and Publicity.

(a) Each Party agrees to: (i) treat and hold as confidential (and not disclose or provide access to any Person to) all confidential information with respect to the other Party, or relating to the transactions contemplated hereby, other than to their respective agents,

representatives, Affiliates, employees, existing and potential financing sources and investors, officers and directors who need to know such confidential information, provided that each Party is permitted to disclose information that is required to be disclosed by applicable Law, any Government Authority or applicable securities exchange, including in any filing on or in connection with a Schedule 13D or Schedule 13G, as the case may be, or any amendments thereto (the "Permitted Disclosure"), (ii) in the event that any Party becomes legally compelled to disclose any such information (except for the Permitted Disclosure), provide the other Party with prompt written notice of such requirement so that the other Party may, at its sole cost and expense, seek a protective order or other remedy or waive compliance with this Section 5.2(a), and (iii) in the event that such protective order or other remedy is not obtained, or the other Party waives compliance with this Section 5.2(a), furnish only that portion of such confidential information which is legally required to be provided and exercise its reasonable endeavors to obtain assurances that confidential treatment will be accorded such information; provided, however, that this Section 5.2(a) shall not apply to any information that, at the time of disclosure, is in the public domain and was not disclosed in breach of this Agreement by such Party.

(b) No Party shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the Purchaser (in the case of a proposed release or announcement by the Selling Shareholder) or of the Selling Shareholder (in the case of a proposed release or announcement by the Purchaser), unless otherwise required by Law, any Government Authority or applicable securities exchange.

Section 5.3 Tax Filing.

(a) The Selling Shareholder shall bear and pay any Taxes assessed by the applicable PRC Tax Authority in accordance with the Bulletin 7 for "indirect transfer of PRC taxable assets (□□□□□□□□)" by the Selling Shareholder (the "Bulletin 7 Taxes"), and the Selling Shareholder acknowledges that the Purchaser shall have no obligation to pay any Bulletin 7 Taxes.

(b) The Selling Shareholder shall at its own cost, within thirty (30) days following the Closing Date, engage in discussions with the PRC Tax Authority and provide all information that are required by the PRC Tax Authority in connection therewith. Upon request by the Purchaser, the Selling Shareholder shall provide regular updates to the Purchaser as to the status of such discussions.

(c) Notwithstanding anything in Section 5.3(b), unless the PRC Tax Authority determines otherwise in writing or reasonable documentary evidence proves otherwise, in each case relevant documents shall be provided to the Purchaser as soon as reasonably practicable, the Selling Shareholder shall file, or cause to be filed, with the PRC Tax Authority all such information and Tax returns within such period as are required under Bulletin 7 (the "PRC Tax Returns"), and such PRC Tax Returns shall be true, accurate and complete in all material respects. Subject to applicable Law, the Selling Shareholder shall (i) provide drafts of such PRC Tax Returns to the Purchaser for its review no later than five (5) Business Days prior to filing such PRC Tax Returns, and (ii) consider in good faith any comments made by the Purchaser to the PRC Tax Returns, acting reasonably. Within five (5) days of filing the PRC Tax Returns, the Selling

Shareholder shall provide the Purchaser with final, accurate copies of all such PRC Tax Returns that were filed, along with an acknowledgement or receipt in respect of the filing issued by the appropriate PRC Tax Authority or the original signature of the PRC Tax Authority on the duplicate of the PRC Tax Returns submitted evidencing that the filing has been made.

(d) After such Tax filing, the Selling Shareholder shall promptly submit, or cause to be submitted, all documents supplementally requested by the PRC Tax Authority in connection with such Tax filing. Subject to applicable Law, the Selling Shareholder shall (i) provide drafts of such documents to the Purchaser for its review no later than three (3) Business Days prior to the filing thereof, and (ii) consider in good faith any comments made by the Purchaser thereto, acting reasonably. The Selling Shareholder shall further provide the Purchaser with accurate copies of any official assessments of the PRC Tax Authority with respect to its PRC Tax Returns, if any, within five (5) days of receipt thereof. Upon request by the Purchaser, the Selling Shareholders shall give regular updates to the Purchaser as to the payment status of the Bulletin 7 Taxes.

(e) The Selling Shareholder shall pay the Bulletin 7 Taxes timely and in full in accordance with the requirement of the Tax Authority and shall provide the Purchaser, as soon as reasonably practicable, with evidence that the Bulletin 7 Taxes have been paid in full and in time in the form of a receipt of payment issued by the Relevant PRC Tax Authority.

Section 5.4 Purchaser Voting Undertaking. The Purchaser hereby undertakes and agrees to deliver an irrevocable proxy at the Closing in the form attached hereto as Exhibit C, pursuant to which the Purchaser shall irrevocably grant to, and appoint, the Company, as the exclusive proxy and attorney-in-fact of the Purchaser, for and in the name, place and stead of the Purchaser, to vote all of the Class B Ordinary Shares and other voting securities of the Company then beneficially owned by the Purchaser at the EGM (or at any adjournment thereof) for the approval and adoption of the Fourth Amended M&AA in the form attached hereto as Exhibit B.

ARTICLE VI

Indemnification

Section 6.1 Survival of Representations, Warranties and Covenants. The representations and warranties contained in Article III and Article IV shall survive the Closing until the expiration of the applicable statutory periods of limitations; provided that the representations and warranties contained in Section 3.6, Section 3.7, Section 3.8, and Section 3.9(b) shall survive for eighteen (18) months following the Closing. Notwithstanding the foregoing, any claims asserted by the non-breaching party against the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved. The covenants and other agreements of each Party contained in this Agreement shall survive the Closing until fully discharged in accordance with their terms. Neither the period of survival nor the liability of any Party with respect to their respective representations, warranties, covenants and agreements shall be reduced by any investigation made or any knowledge acquired at any time by any other Party whether before or after the execution and delivery of this Agreement or the Closing Date.

Section 6.2 Indemnification.

(a) Indemnification by the Selling Shareholder. From and after the Closing, the Selling Shareholder shall indemnify, defend and hold harmless the Purchaser, its Affiliates and their respective officers, directors, employees, agents, successors and permitted assigns (collectively, the "Purchaser Indemnitees") from and against, and shall pay to Purchaser Indemnitees the amount of, or reimburse Purchaser Indemnitees for, all Liabilities, losses, damages, claims, causes of action, costs and expenses (including reasonable attorneys' fees and other expenses incurred in connection with the investigation or defense of any of the same, in responding to or cooperating with any governmental investigation or in enforcing any right to indemnification hereunder), interest, awards, judgments, Taxes, fines and penalties (collectively, "Losses") suffered or incurred by, or imposed upon, the Purchaser Indemnitees (in each case, whether absolute, accrued, conditional or otherwise and whether or not resulting from Third Party Claims) arising out of or relating to:

- (i) Any inaccuracy in or breach of any representation or warranty made by the Selling Shareholder in this Agreement; or
- (ii) any breach or violation of, or failure to perform, any covenants or agreements of the Selling Shareholder in this Agreement.

(b) Tax Indemnification. The Selling Shareholder shall indemnify and hold harmless the Purchaser and any Group Company from any Losses of the Purchaser or any of the Group Companies arising out of or relating to the Bulletin 7 Taxes, the failure of the Selling Shareholder to comply with its obligations under Section 5.3 or any claim or determination by the PRC Tax Authority that the Purchaser be responsible for any withholding or deduction in respect of payments of the Purchase Price under this Agreement (and any related penalties, charges, surcharges, fines and interest relating thereto).

(c) Indemnification by the Purchaser. From and after the Closing, the Purchaser shall indemnify, defend and hold harmless the Selling Shareholder, its Affiliates and their respective officers, directors, employees, agents, successors and permitted assigns (collectively, the "Selling Shareholder Indemnitees") from and against all Losses suffered or incurred by the Selling Shareholder Indemnitees (in each case, whether absolute, accrued, conditional or otherwise and whether or not resulting from Third Party Claims) arising out of or relating to:

- (i) any inaccuracy in or breach of any representation or warranty made by the Purchaser in this Agreement; or
- (ii) any breach or violation of, or failure to perform, any covenants or agreements of the Purchaser in this Agreement.

(d) Procedures Relating to Indemnification.

(i) Any Party seeking indemnification under this Section 6.2 (an "Indemnified Party") shall promptly give the Party from whom indemnification is being sought (an "Indemnifying Party") notice of any matter which such Indemnified Party has

determined has given or would reasonably be expected to give rise to a right of indemnification under this Agreement stating in reasonable detail the factual basis of the claim to the extent known by the Indemnified Party, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 6.2 except to the extent the Indemnifying Party is materially prejudiced by such failure. With respect to any recovery or indemnification sought by an Indemnified Party from the Indemnifying Party that does not involve a Third Party Claim, if the Indemnifying Party does not notify the Indemnified Party within thirty (30) days from its receipt of the notice from the Indemnified Party that the Indemnifying Party disputes such claim, the Indemnifying Party shall be deemed to have accepted and agreed with such claim. If the Indemnifying Party has disputed a claim for indemnification (including any Third Party Claim), the Indemnifying Party and the Indemnified Party shall proceed in good faith to negotiate a resolution to such dispute. If the Indemnifying Party and the Indemnified Party cannot resolve such dispute in thirty (30) days after delivery of the dispute notice by the Indemnifying Party, such dispute shall be resolved by arbitration pursuant to Section 7.3.

(ii) If an Indemnified Party shall receive notice of any Legal Proceeding, claim, audit, demand or assessment by any Person who is not a party to this Agreement (each, a "Third Party Claim") against it or which may give rise to a claim for Loss under this Section 6.2, within thirty (30) days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 6.2 except to the extent that the Indemnifying Party is materially prejudiced by such failure. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice reasonably satisfactory to the Indemnified Party if it gives notice of its intention to do so to the Indemnified Party within fifteen (15) days of the receipt of such notice from the Indemnified Party, and the Indemnified Party shall have the right to participate in the defense of such Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof; provided, however, that if there exists or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party in its sole and absolute discretion for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel in each jurisdiction for which the Indemnified Party determines counsel is required, at the Indemnifying Party's expense. In the event that the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in all reasonable respects in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the

Indemnifying Party shall cooperate with the Indemnified Party in all reasonable respects in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party. If the Indemnifying Party does not assume the defense of a Third-Party Claim in the manner and within the period provided in this [Section 6.2\(d\)\(ii\)](#), or if the Indemnifying Party fails to take reasonable steps necessary to diligently conduct the defense of a Third-Party Claim within five (5) days after receiving written notice from the Indemnified Party to the effect that the Indemnifying Party has so failed, the Indemnified Party may conduct the defense of the Third-Party Claim at the expense of the Indemnifying Party and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim, and the Indemnifying Party shall be bound by any determination resulting from such Third-Party Claim or any compromise or settlement effected by the Indemnified Party. Notwithstanding anything to the contrary in this [Section 6.2](#), unless requested by the Indemnified Party, the Indemnifying Party shall not have the right to defend or direct the defense of any Third Party Claim that seeks an injunction or other equitable relief against the Indemnified Party.

(iii) Any Indemnified Party and any Indemnifying Party, as the case may be, shall keep the other Person fully informed of the status of any Third-Party Claim and any related Proceeding at all stages thereof where such Person is not represented by its own counsel.

(iv) Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this [Section 6.2](#), the Indemnifying Party shall indemnify, pay or reimburse such Loss within fifteen (15) days of such agreement or final, non-appealable adjudication by wire transfer of immediately available funds.

Section 6.3 [Certain Limitations](#). The indemnification provided for in [Section 6.2](#) shall be subject to the following limitations:

- (a) The Indemnified Party shall not be entitled to recover under this Agreement or any other agreement or document entered into or delivered concurrent with or in connection with the execution of this Agreement more than once in respect of the same Losses suffered.
- (b) In no event shall any Indemnifying Party be liable to any Indemnified Party for indemnification under [Section 6.2](#) for any punitive damages.
- (c) The aggregate Liability of any Indemnifying Party under or with respect to this Agreement and the transactions contemplated hereby shall in no event exceed the Purchase Price.

(d) Notwithstanding anything in this Agreement to the contrary, the limitations on indemnification and liability set forth in this [Section 6.3](#) shall not apply to a claim for Losses arising out of fraud or willful misconduct by any Party.

Section 6.4 [Tax Treatment of Indemnification Payments](#). All indemnification payments made under this [Article VI](#) shall be treated as adjustments to the aggregate consideration paid to the Selling Shareholder for Tax purposes, unless otherwise required by applicable Law.

Section 6.5 [Indemnification Sole and Exclusive Remedy](#). Following the Closing, indemnification pursuant to this [Article VI](#) shall be the sole and exclusive remedy of the Parties and any parties claiming by or through any Party (including the Indemnified Parties) related to or arising from any breach of any representation, warranty, covenant or agreement contained in, or otherwise pursuant to, this Agreement, except in each case pursuant to [Section 7.5](#) or in the case of fraud or willful misconduct.

ARTICLE VII

Miscellaneous

Section 7.1 [Expenses](#). Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses incurred in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby and thereby.

Section 7.2 [Governing Law](#). This Agreement and any dispute, controversy or claim arising out of or in connection with it or its subject matter shall be governed by, and construed in accordance with, the Laws of the State of New York without regard to its conflicts of laws rules that would mandate the application of the Laws of another jurisdiction.

Section 7.3 [Arbitration](#). Any dispute, controversy or claim arising out of or relating to this Agreement or its subject matter (including a dispute regarding the existence, validity, formation, effect, interpretation, performance or termination of this Agreement) (each a "[Dispute](#)") shall be finally settled by arbitration. The place and seat of arbitration shall be Hong Kong, and the arbitration shall be administered by the Hong Kong International Arbitration Centre (the "[HKIAC](#)") in accordance with the HKIAC Administered Arbitration Rules then in force (the "[HKIAC Rules](#)"). The number of arbitrators shall be three (3). One arbitrator shall be appointed by the Selling Shareholder, and one arbitrator shall be appointed by the Purchaser. The third arbitrator, who shall serve as chairperson of the arbitral tribunal, shall be selected by the mutual agreement of the arbitrators appointed by the first two Parties. Any arbitrator that is not so appointed shall instead be appointed in accordance with the HKIAC Rules. The language to be used in the arbitration proceedings shall be English. The award of the arbitral tribunal shall be final, conclusive and binding upon the Parties. Judgment upon any award may be entered and enforced in any court having jurisdiction over a Party or any of its assets. For the purpose of the enforcement of an award, the Parties irrevocably and unconditionally submit to the jurisdiction of any competent court and waive any defenses to such enforcement, including any defenses based on lack of personal jurisdiction or inconvenient forum.

Section 7.4 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement among the Parties with respect to the subject matter hereof and thereof. This Agreement can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the Purchaser and the Selling Shareholder. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. The waiver by any Party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 7.5 Specific Performance. The Parties acknowledge and agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that, each Party shall be entitled to specific performance of the terms hereof. It is accordingly agreed that, each Party shall be entitled to an injunction or injunctions to prevent such breaches of this Agreement and to enforce specifically (without proof of actual damages or harm, and not subject to any requirement for the securing or posting of any bond in connection therewith) such terms and provisions of this Agreement, this being in addition to any other remedy to which each Party is entitled at law or in equity.

Section 7.6 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed effectively given (i) when delivered personally by hand (with written confirmation of receipt), (ii) when sent to an e-mail address (absent receipt of a failure to deliver notice within the day of such notice or communication being sent (it being understood that an "out of office" reply does not constitute a failure to deliver notice for this purpose)) or (iii) two (2) Business Days following the day sent by international overnight courier (with written confirmation of receipt), in each case at the following addresses and e-mail addresses (or to such other address or e-mail address as a party may have specified by notice given to the other party pursuant to this Section 7.6):

- (a) If to the Selling Shareholder, to:

Attention: *****
Address: *****
Email: *****

With a copy to (which shall not constitute notice):

Attention: *****
Address: *****
Email: *****

- (b) If to the Purchaser, to:

Attention: *****
Address: *****
Email: *****

With a copy to (which shall not constitute notice):

Attention: *****
Address: *****
Email: *****

Section 7.7 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any law or public policy, all other terms or provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 7.8 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No assignment of this Agreement or of any rights or obligations hereunder may be made by (i) the Selling Shareholder, directly or indirectly (by operation of law or otherwise), without the prior written consent of the Purchaser, and (ii) the Purchaser directly or indirectly (by operation of law or otherwise), without the prior written consent of the Selling Shareholder, and any attempted assignment in violation of this Section 7.8 shall be void. The Indemnified Persons (other than the Parties) and the Group Companies, as applicable, are each an express third party beneficiary of the indemnification provided in Article VI of this Agreement.

Section 7.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

** REMAINDER OF PAGE INTENTIONALLY LEFT BLANK **

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

JOYY INC.

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Director

[Signature Page to Share Transfer Agreement]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

LINEN INVESTMENT LIMITED

By: /s/ Huateng Ma
Name: Huateng Ma
Title: Authorized Signatory

[Signature Page to Share Transfer Agreement]

Exhibit A
INSTRUMENT OF TRANSFER

Exhibit B

FORM OF FOURTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

Exhibit C

FORM OF IRREVOCABLE PROXY

EXHIBIT D
FORM INDEMNIFICATION AGREEMENT

List of Principal Subsidiaries and Consolidated Affiliated Entities of JOYY Inc.

Subsidiaries	Place of Incorporation
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
Guangzhou Bilin Changxiang Information Technology Co., Ltd.	PRC
Guangzhou 100-Education Technology Co., Ltd.	PRC
Bigo Inc	Cayman Islands
Beyond Precision Limited	Cayman Islands
Bigo Technology Pte. Ltd.	Singapore
Bigo (Hong Kong) Limited	Hong Kong
Guangzhou BaiGuoYuan Information Technology Co., Ltd.	PRC
Bigo Internet Information Pte. Ltd.	Singapore
Guangzhou Wangxing Information Technology Co., Ltd.	PRC
100Edu Inc.	Cayman Islands
100Edu Limited	Hong Kong
Bigo Technology (UK) Limited	United Kingdom
Singularity IM, Inc.	Delaware
PageBites, Inc.	Delaware
Consolidated Affiliated Entities and their Subsidiaries	Place of Incorporation
Beijing Tuda Science and Technology Co., Ltd.	PRC
Guangzhou Huaduo Network Technology 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 Sanrenxing 100-Education Technology Co., Ltd.	PRC
Guangzhou BaiGuoYuan Network Technology Co., Ltd.	PRC
Shanghai Yilian Equity Investment Partnership (LP)	PRC
Guangzhou Yilian Yixing Equity Investment Partnership (LP)	PRC
Chengdu Yunbu Network Technology Co., Ltd.	PRC
Chengdu Luota Network Technology Co., Ltd.	PRC
Chengdu Jiyue Network Technology Co., Ltd.	PRC

* On April 3, 2020, we transferred 16,523,819 Class B ordinary shares of Huya to Linen Investment Limited, a wholly-owned subsidiary of Tencent. As a result of the closing of the share transfer, we no longer consolidate the operating results of Huya into our financial statements.

**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 JOYY 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 27, 2020

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Chief Executive Officer

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 JOYY 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 27, 2020

By: /s/ Bing Jin

Name: Bing Jin

Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JOYY Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Xueling Li, 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:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2020

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of JOYY Inc. (the "Company") on Form 20-F for the year ended December 31, 2019 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:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 27, 2020

By: /s/ Bing Jin

Name: Bing Jin

Title: Chief Financial Officer

Our ref RHT/741072-000001/16354498v1
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E-mail ray.tso@maples.com
JOYY 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

27 April 2020

Dear Sir

JOYY Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to JOYY 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 2019 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission in the month of April 2020.

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 (File No. 333-187074, File No. 333-215742 and File No. 333-229099) pertaining to JOYY Inc.'s 2009 Employee Equity Incentive Scheme and 2011 Share Incentive Plan, Registration Statement on Form F-3 (File No. 333-219961) and Registration Statement on Form S-8 (File No. 333-234003) pertaining to JOYY Inc.'s 2019 Share Incentive Awards Arrangement 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

方達律師事務所

FANGDA PARTNERS

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To:

JOYY 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 27, 2020

Re: 2019 Annual Report on Form 20-F of JOYY 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 JOYY Inc.’s Annual Report on Form 20-F for the year ended December 31, 2019 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “SEC”) in the month of April 2020, and further consent to the incorporation by reference of the summaries of our opinions under these captions into the Company’s registration statements on Form S-8 (No. 333-187074, No. 333-215742 and No. 333-229099) pertaining to JOYY Inc.’s 2009 Employee Equity Incentive Scheme and 2011 Share Incentive Plan, the Company’s registration statement on Form F-3 (No. 333-219961) and the Company’s registration statement on Form S-8 (File No.333-234003) pertaining to JOYY Inc.’s 2019 Share Incentive Awards Arrangement. 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, 2019.

Yours sincerely,

/s/ Fangda Partners
Fangda Partners

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, No. 333-215742, No. 333-229099 and No. 333-234003) and Form F-3 (No. 333-219961) of JOYY Inc. of our report dated April 27, 2020 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 27, 2020
