

YY Inc.
Form 20-F
April 26, 2018

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
^x1934**

For the fiscal year ended December 31, 2017.

OR

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

OR

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

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

For the transition period from to

Commission file number: 001-35729

YY INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road,

Nancun Town, Panyu District

Guangzhou 511442

The People's Republic of China

(Address of principal executive offices)

Bing Jin,

Chief Financial Officer,

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Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road,

Nancun Town, Panyu District

Guangzhou 511442

The People's Republic of China

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

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

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

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

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

None
(Title of Class)

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

None
(Title of Class)

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

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

Yes x No "

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

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

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

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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

TABLE OF CONTENTS

	Page
<u>INTRODUCTION</u>	<u>1</u>
<u>FORWARD-LOOKING STATEMENTS</u>	<u>1</u>
<u>PART</u>	
<u>I</u>	<u>3</u>
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u>	<u>3</u>
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	<u>3</u>
<u>ITEM 3. KEY INFORMATION</u>	<u>3</u>
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	<u>48</u>
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	<u>78</u>
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	<u>78</u>
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	<u>104</u>
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	<u>116</u>
<u>ITEM 8. FINANCIAL INFORMATION</u>	<u>122</u>
<u>ITEM 9. THE OFFER AND LISTING</u>	<u>123</u>
<u>ITEM 10. ADDITIONAL INFORMATION</u>	<u>124</u>
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>135</u>
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	<u>136</u>
<u>PART</u>	
<u>II</u>	<u>139</u>
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	<u>139</u>
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	<u>139</u>

<u>ITEM</u> <u>15.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>139</u>
<u>ITEM</u> <u>16.</u>	<u>RESERVED</u>	<u>140</u>
<u>ITEM</u> <u>16A.</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	<u>140</u>
<u>ITEM</u> <u>16B.</u>	<u>CODE OF ETHICS</u>	<u>140</u>
<u>ITEM</u> <u>16C.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>140</u>
<u>ITEM</u> <u>16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	<u>141</u>
<u>ITEM</u> <u>16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	<u>141</u>
<u>ITEM</u> <u>16F.</u>	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	<u>141</u>
<u>ITEM</u> <u>16G.</u>	<u>CORPORATE GOVERNANCE</u>	<u>141</u>
<u>ITEM</u> <u>16H.</u>	<u>MINE SAFETY DISCLOSURE</u>	<u>141</u>
<u>PART</u> <u>III</u>		<u>142</u>
<u>ITEM</u> <u>17.</u>	<u>FINANCIAL STATEMENTS</u>	<u>142</u>
<u>ITEM</u> <u>18.</u>	<u>FINANCIAL STATEMENTS</u>	<u>142</u>
<u>ITEM</u> <u>19.</u>	<u>EXHIBITS</u>	<u>142</u>

INTRODUCTION

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

“we,” “us,” “our company” and “our” refer to YY Inc., a Cayman Islands company, its subsidiaries and consolidated affiliated entities (also referred to as variable interest entities) and the subsidiaries of its consolidated affiliated entities, as the context may require;

“active user” for any period means a registered user account that has logged onto our platforms at least once during such relevant period;

“concurrent users” for any point in time means the total number of YY users that are simultaneously logged onto our platforms at such point in time;

“paying user” for any period means a registered user account that has purchased virtual items or other products and services on our platforms at least once during the relevant period. A paying user is not necessarily a unique user, however, as a unique user may set up multiple paying user accounts on our platforms; thus, the number of paying users referred to in this annual report may be higher than the number of unique users who are purchasing virtual items or other products and services;

“registered user account” means a user account that has downloaded, registered and logged onto our platforms at least once since registration. We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have logged onto our platforms at least once after registration. Each individual user may have more than one registered user account, and consequently, the number of registered user accounts we present in this annual report may overstate the number of unique individuals who are our registered users; and

“unique visitor” to Duowan.com means a visitor to Duowan.com from a specific IP address. No subsequent visits from the same IP address during a relevant period are added to our total unique visitors count for that period. An individual who accesses Duowan.com from more than one IP address is counted as a unique visitor for each IP address he or she uses.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

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

- our growth strategies;

- our ability to retain and increase our user base and expand our product and service offerings;

- our ability to monetize our platforms;

- our future business development, results of operations and financial condition;

- competition from companies in a number of industries, including internet companies that provide online voice and video communications services, social networking services and online games;

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

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

You should not rely upon forward-looking statements we make as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

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

For the Year Ended December 31,					
2013	2014	2015	2016	2017	
RMB	RMB	RMB	RMB	RMB	US\$
(All amounts in thousands, except share, ADS, per share and per ADS data)					

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Selected Consolidated
Statements of Operations Data:

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