

Xunlei Ltd  
Form 20-F  
April 20, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (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, 2016.

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

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

Commission file number: 001-35224

Xunlei Limited  
(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)

7/F Block 11, Shenzhen Software Park

Ke Ji Zhong 2nd Road, Nanshan District

Shenzhen, 518057

The People's Republic of China

(Address of principal executive offices)

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Shenzhen, 518057

The People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

<b><u>Title of each class</u></b>	<b><u>Name of each exchange on which registered</u></b>
<b>American depositary shares, each representing five common shares</b>	<b>The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)</b>
<b>Common shares, par value US\$0.00025 per share*</b>	<b>The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)</b>

\*Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American depositary shares.

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

NONE

(Title of Class)

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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: 330,545,000 common shares as of December 31, 2016.

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

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer," "large 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

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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<sup>†</sup> provided pursuant to Section 13(a) of the Securities Act. Yes x No "

<sup>†</sup> 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:

US GAAP  International Financial Reporting Standards as issued  Other   
by the International Accounting Standards Board

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

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

“we,” “us,” “our company,” “our,” or “Xunlei” refers to Xunlei Limited, a Cayman Islands company, its subsidiaries, its variable interest entity, or VIE, and the VIE’s subsidiaries;

“China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;

- “daily active user”, refers to a user who accessed to Mobile Xunlei through a mobile device, on a given day;
- “digital media content” refers to videos, music, games, software and documents transmitted in digital form;

“monthly unique visitors,” in relation to our platform, refers to the number of different individual visitors who accessed Xunlei products (including websites and software) on our platform from the same computer at least once within a month; under this method, a user who accessed Xunlei products from two different computers would count as two unique visitors;

- “shares” or “common shares” refers to our common shares, par value US\$0.00025 per share;

“subscriber,” refers to users who can access our premium acceleration services, including accounts temporarily suspended, but excluding sub-accounts and accounts on a trial basis.

“ADSs” refers to our American depositary shares, each representing five common shares, and “ADRs” refers to any American depositary receipts that evidence our ADSs;

- “RMB” or “Renminbi” refers to the legal currency of China; and

- “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States.

We use U.S. dollar as reporting currency in our financial statements and in this annual report. Transactions in Renminbi are recorded at the rates of exchange prevailing when the transactions occur. On December 30, 2016, the

noon buying rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.9430 to US\$1.00.

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by words or phrases such as “may,” “could,” “should,” “would,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” “project,” “continue,” and 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 business strategies, including the strategies to streamline our business and continue moving toward mobile internet;

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

- our ability to maintain and strengthen our market position in China;



- our ability to retain subscribers for our premium acceleration and other services;
- our ability to develop new products and services and attract, maintain and monetize user traffic;
- trends and competition in the internet industry in China;
- rules and regulations governing the internet industry in China;
- our ability to handle intellectual property rights-related matters; and
- general economic and business conditions in China.

You should not place undue reliance on these forward-looking statements and you should read these statements in conjunction other sections of this annual report, in particular the risk factors disclosed in “Item 3. Key Information—D. Risk Factors.” 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. Moreover, we operate in a rapidly evolving environment. New risks emerge from time to time and it is impossible 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 from those contained in any forward-looking statement. 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 do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

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 of our company. The selected consolidated statements of operations data for the years ended December 31, 2014, 2015 and 2016 and the selected consolidated balance sheets data as of December 31, 2015 and 2016 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of operations data for the years ended December 31, 2012 and 2013 and the selected consolidated balance sheets data as of December 31, 2012, 2013 and 2014 reflect the impact of retrospective adjustments of our divestiture of Xunlei Kankan, which has been classified as discontinued operation. Our audited 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 do not necessarily indicate results expected for any future period. You should read the following selected financial data in conjunction with the consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

	For the Year Ended December 31, (in thousands of US\$, except for share, per share and per ADS data)				
	2012	2013	2014	2015	2016
Revenues, net of rebates and discounts	71,545	122,031	135,812	129,996	156,966
Business tax and surcharges	(5,379 )	(3,904 )	(1,878 )	(361 )	(804 )
Net Revenues	66,166	118,127	133,934	129,635	156,162
Cost of revenues	(31,875 )	(50,258 )	(55,755 )	(60,034 )	(80,319 )
Gross profit	34,291	67,869	78,179	69,601	75,843
Operating expenses(1)					
Research and development expenses	(18,340 )	(21,740 )	(29,252 )	(38,250 )	(64,360 )
Sales and marketing expenses	(15,933 )	(9,848 )	(13,527 )	(15,042 )	(18,782 )
General and administrative expenses	(2,675 )	(18,663 )	(26,945 )	(28,774 )	(26,168 )
Total operating expenses	(36,948 )	(50,251 )	(69,724 )	(82,066 )	(109,310 )
Operating (loss)/income	(2,657 )	17,618	8,455	(12,465 )	(33,467 )
Interest income	1,377	1,189	6,733	5,833	2,158
Interest expense	(1,400 )	—	(163 )	(239 )	(239 )
Other income, net	564	4,679	13,966	3,627	6,503
Shares of (loss)/income from equity investees	(45 )	25	(259 )	(12 )	(195 )
(Loss)/income from continuing operations before income tax	(2,161 )	23,511	28,732	(3,256 )	(25,240 )
Income tax benefit/(expense)	(2,111 )	(560 )	(463 )	886	1,264
Net (loss)/income from continuing operations	(4,272 )	22,951	28,269	(2,370 )	(23,976 )
Discontinued operations					
Income/(Loss) from discontinued operations	4,782	(13,779 )	(20,330 )	(10,048 )	(243 )
Income tax (expense)/benefit	(128 )	1,207	1,923	(2,048 )	36
Net income/(loss) from discontinued operations	4,654	(12,572 )	(18,407 )	(12,096 )	(207 )
Net (loss)/income	382	10,379	9,862	(14,466 )	(24,183 )
Less: net loss attributable to the non-controlling interest	(121 )	(283 )	(950 )	1,299	(72 )
Net (loss)/income attributable to Xunlei Limited	503	10,662	10,812	(13,167 )	(24,111 )
Beneficial conversion feature of series C convertible preferred shares from their modification	(286 )	—	—	—	—
Deemed contribution from series C preferred shareholders	2,979	—	—	—	—
Contingent beneficial conversion feature of series C to a series C shareholder	—	—	(57 )	—	—
Deemed dividend to series D shareholder from its modification	—	—	(279 )	—	—
Accretion of series D to convertible redeemable preferred shares redemption value	(3,509 )	(4,300 )	(1,870 )	—	—

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Accretion of series E to convertible redeemable preferred shares redemption value	—	—	(12,754	)	—	—	
Amortization of beneficial conversion feature of series E	—	—	(4,139	)	—	—	
Acceleration of amortization of beneficial conversion feature of Series E upon initial public offering	—	—	(49,346	)	—	—	
Deemed dividend to certain shareholders from repurchase of shares	—	—	(14,926	)	—	—	
Deemed dividend to preferred shareholders upon initial public offering	—	—	(32,807	)	—	—	
Allocation of net income to participating preferred shareholders	—	(4,094	)	—	—	—	
Net (loss)/income attributable to Xunlei Limited's common shareholders	(313	)	2,268	(105,366	)	(13,167	) (24,111
Weighted average number of common shares outstanding							
Basic	61,447,372	61,447,372	194,711,227	335,987,595	334,155,668		
Diluted	61,447,372	76,065,898	194,711,227	335,987,595	334,155,668		
Net (loss)/income per share attributable to Xunlei Limited from continuing operations							
Basic	(0.13	)	0.24				