The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountant's Report in Appendix IA and in "Business." 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 out under "Risk Factors" and elsewhere in this document. We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our fiscal year ends on December 31 and references to fiscal years 2018, 2019 and 2020 are to the fiscal years ended December 31, 2018, 2019 and 2020, respectively.

OVERVIEW

As a leading social media platform for people to create, discover and distribute content in China and the global Chinese communities, Weibo combines the means of public self-expression in real time with a powerful platform for social interaction, content creation and distribution. Since our inception in August 2009, we have achieved significant scale. In June 2021, we had 566 million MAUs and 246 million average DAUs. Approximately 94% of our MAUs in June 2021 accessed Weibo through mobile devices at least once during the month.

We offer a wide range of advertising and marketing solutions to our customers, ranging from key accounts, which are mostly large brand advertisers, to small medium-sized enterprises, enabling them to promote their brands, products and services to our users. Advertising and marketing services contribute to the majority of our revenues, mainly including the sale of social display advertisements and promoted feeds. We have developed and are continuously refining our interest-based recommendation engine, which enables our customers to perform social marketing and target audiences based on user demographics, social relationships and interests to achieve greater relevance, engagement and marketing effectiveness on Weibo.

The value we create for our users and customers is enhanced by our platform partners, which include content creators such as KOLs, media outlets and other organizations with media rights, MCNs, which are professional agencies for influencers, self-medias and app developers. Our platform partners contribute a vast amount of content to Weibo, which generates user engagement and is virally distributed across the platform, enriching user experience and increasing Weibo's monetization opportunities. We have revenue-sharing arrangements with some of our platform partners, such as live streaming agencies, influencers, MCNs and game developers.

Weibo began monetization in 2012 primarily through the sale of advertising and marketing services and, to a lesser extent, through value added services, mainly including VIP membership, live streaming, and game related services. We place great emphasis on product innovation and our steady stream of introductions of new advertisement products has led to solid and healthy revenue growth since our IPO, despite the adverse impact from COVID-19 in 2020. Our revenues in 2018, 2019 and 2020 were US$1,718.5 million, US$1,766.9 million and US$1,689.9 million, respectively. Our revenues increased from US$710.8 million for the six months ended June 30, 2020 to US$1,033.4 million for the six months ended June 30, 2021. We had a net income attributable to Weibo's shareholders of US$571.8 million in 2018, US$494.7 million in 2019 and US$313.4 million in 2020. We had a net income attributable to Weibo's shareholders of US$250.5 million for the six months ended June 30, 2020 and US$130.8 million for the six months ended June 30, 2021.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and operating results are affected by general factors affecting the social media industry in China, which include:

- the extent to which social media continues to grow in popularity and becomes further integrated into people's everyday lives in China;
- the intensity of competition both for the time and attention of internet users and for the advertising and marketing spending of brands and businesses that market to consumers;
- the changes in China's or global economies, policies, and regulatory environment; and
- continued mobile internet penetration and infrastructure development.

Unfavorable changes in any of these general factors could negatively affect demand for our products and services and adversely affect the results of our operations. In addition to the general factors affecting the social media industry in China, the specific factors affecting our results of operations include the following:

Scale and Engagement of Our User Base. Our revenues are ultimately affected by the scale of our user base, and the strategies we pursue to achieve user growth may affect our costs and expenses and results of operations. We have experienced solid user growth since our inception in 2009. As the size of our user base increases to an even larger scale and as we become more penetrated in China, our user growth rate may decrease. Due to the media nature of our platform, the growth of our users may not be linear. In general, the penetration of Weibo among internet users in the more economically developed tier 1 and tier 2 cities in China who use Weibo is higher than in other parts of China. Our ability to grow our active user base will depend in part on the success of our strategies to attract additional users from lower-tier cities and towns in China while maintaining or growing our user base in tier 1 and tier 2 cities.

Changes in user engagement could affect our results of operations, especially since we began adding monetization features to our social platform. We need to motivate our users to engage actively on our platform to secure an abundant supply of user-generated content, to entice content creators to share even more content, and to ensure that we have a broad audience for our advertising and marketing services. Video, particularly in the form of short video and live streaming, is gaining more popularity in China and has become an important way for our users to engage and interact on Weibo. Our ability to provide an easy-to-use infrastructure for our users to create and share video as well as consume video will largely impact our user experience.

We plan to continue to enhance Weibo's user experience and engagement by improving our product features, offering new products, expanding our content offerings through collaboration with platform partners, developing and integrating with applications and continuing to refine Weibo's SIG recommendation engine to improve content relevancy and advertisement targeting capabilities.

Products and Services Innovation. Social media is an innovative and fast-changing field, and we must develop innovative products and services that meet the disparate needs of users, advertising and marketing customers and platform partners and roll them out on a timely basis while controlling our product development expenses. We plan to continue to make significant investments in product development and refining the capabilities of Weibo's SIG recommendation engine, and we may invest in or acquire businesses or assets to enhance our products, services and technical capabilities.

Content Ecosystem. Our success depends on our ability to provide users with interesting and useful content, which in turn depends on the content contributed by our users. Content creators, especially KOLs, contribute content to Weibo to grow their fan base and enhance their influence. We provide content creators with the opportunity to monetize their social assets on Weibo through advertising, e-commerce, subscription, tipping and other means. If content creators do not see significant value from their social marketing activities on Weibo and find monetization on Weibo inadequate, we may have to subsidize them through direct content cost payout, which may have an adverse and material impact on our business, financial condition and operating results. Alternatively, content creators may choose to contribute less or no content to Weibo, which may cause our user base and user engagement to decline and our customers to view our products and services as less attractive for advertising and marketing purposes. If that were to occur, our customers would reduce their spending on our platform.

Monetization. We started monetization in 2012 and have since experienced solid revenue growth. We generate revenues primarily from customers who purchase advertising and marketing services, and, to a lesser extent, from value-added services. Our monetization model is evolving and sophisticated. Therefore, we are unable to gauge the period-to-period growth of our revenues based on any particular user traffic metric. Furthermore, our ability to monetize our user traffic depends to a large degree on how well the demographic profile and social interests of our users fit the audience profile that our advertising and marketing customers hope to reach at any given time. Our advertising and marketing customers include both large companies and SMEs that seek a full spectrum of online advertising and marketing services ranging from brand awareness to interest generation, sales conversion and loyalty marketing. We plan to increase the monetization of our platform by growing our user base and user engagement, and managing advertisement inventory and advertising load more effectively without adversely affecting user experience. Meanwhile, in order to continue to increase the efficiency of monetization, we need to stay innovative to improve the targeting capabilities of our advertising and marketing offerings and develop new advertisement products, formats and capabilities. We also plan to further diversify our monetization through growing value-added services.

We have been exploring various ways of monetization since 2012. For example, in 2016, we upgraded our advertisement system to allow SMEs to purchase brand advertisements and key accounts to purchase promoted feeds, as well as introduced video advertisements. We also introduced promoted search to customers to sponsor key words or topics alongside users' search behaviors in 2016. In 2017 and 2020, we initiated two rounds of comprehensive revamp on our advertisement system to drive bidding efficiency as well as diversify our advertising offerings. We generate revenues from value-added services primarily by providing membership, live streaming and online game services. We have been exploring monetization opportunities in value-added services through investment in various areas, including our acquisitions of a live streaming business in 2018 and a company operating several online interactive entertainment apps in China including "Pocket Werewolves" in 2020.

Investment in Technology Infrastructure. Our technology infrastructure is critical to providing users, customers and platform partners access to our platform, particularly during major events when activities on our platform increase substantially. We must continue to upgrade and expand our technology infrastructure to keep pace with the growth of our business and to ensure that technical difficulties do not detract from user experience or deter new users, customers or platform partners from accessing our platform. As 4G and Wi-Fi become more widely available in China and 5G has been gradually introduced to people's daily life, we expect our users to share and consume more content in rich media format, such as photo, video and audio, which will require more infrastructure capacity, and costs to support, than text feeds. To further expand our capabilities to satisfy technology infrastructure demands, especially those arising from major media events and increasing video usage, we work with third-party service providers to procure bandwidth and other infrastructure services. Our ability to derive greater cost efficiency from infrastructure demands will depend on factors including our ability to negotiate a lower unit price with third-party vendors over time and the mix of services provided by third-party vendors and SINA, our controlling shareholder.

Marketing and Brand Promotion. Our brand recognition is key to our growth in both user scale and engagement to achieve platform expansion. On top of user base expansion, we have optimized our channel investment strategy along with relevant product and operational efforts, to focus on enhancing user engagement, which resulted in higher user acquisition efficiency with disciplined sales and marketing spending.

Investment in Talent. Our employee headcount has increased significantly since our inception. There is heavy demand in China's internet industry for talented technical, sales and marketing, management and other personnel with necessary experience and expertise. We must recruit, retain and motivate talented employees while controlling our personnel-related expenses, including stock-based compensation.

IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

Substantially all of our revenues and workforce are concentrated in China. Our results of operations and financial condition in 2020 have been affected by the spread of COVID-19. The extent to which COVID-19 impacts our financial position, results of operations and cash flows in 2021 will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the actions to contain the coronavirus or treat its impact, and the availability of vaccine and treatment for COVID-19, among others. In addition, our financial position, results of operations and cash flows could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

In early 2020, to contain the spread of COVID-19, the Chinese government had taken certain emergency measures, including extension of the Lunar New Year holidays, implementation of travel bans, blockade of certain roads and suspension of operation of factories and businesses. These emergency measures have been significantly relaxed by the Chinese government as of the Latest Practicable Date. However, there have been occasional outbreaks of COVID-19 in various cities in China, and the Chinese government may again take measures to keep COVID-19 in check. Our headquarters are located in Beijing, and we currently lease the majority of our offices in various parts of China to support our operations. This outbreak of communicable disease has caused, and may cause again in the future, companies, including us and certain of our customers and content partners, to implement temporary adjustment of work schemes allowing employees to work from home and adopt remote collaboration. We have taken measures to reduce the impact of this epidemic outbreak, including upgrading our telecommuting system, monitoring our employees' health on a daily basis, arranging shifts of our employees working onsite and from home to avoid infection transmission and optimizing our technology system to support potential growth in user traffic. The outbreak of COVID-19 has caused our advertising and marketing customers to reduce their advertising budgets, which has affected our advertising revenues and financial performance in 2020, particularly in its first half. The COVID-19 pandemic has resulted in negative impact to our total revenues, slower collection of accounts receivables, and additional allowance for credit losses. Our advertising business has been gradually recovering, underpinned by improved advertiser sentiment, following the effective control of the domestic outbreaks and work resumption. We will pay close attention to the development of the COVID-19 pandemic, including subsequent outbreaks driven by new variants of COVID-19, perform further assessment of its impact and take relevant measures to minimize the impact. We were exempt from payment of cultural business construction fees for the fiscal years of 2020 and 2021 as part of the measures taken by the government to ease the negative impact from the COVID-19 pandemic. As a result, we were exempt from payment of cultural business construction fees of US$24.6 million in 2020 and US$11.5 million in the six months ended June 30, 2021. See also "Risk Factors — Risks Relating to Our Business — We face risks related to health epidemics and other outbreaks, such as the outbreak of COVID-19, as well as natural disasters, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operation."

As of June 30, 2021, our total cash, cash equivalents and short-term investments were US$2,935.9 million. Our principal sources of liquidity have been cash from operations and net proceeds from issuance of unsecured senior notes. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

TAXATION

We generate the majority of our operating income from our PRC operations and have recorded income tax provisions for the periods presented.

According to Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, 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. The Cayman Islands is not a party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Our subsidiary incorporated in Hong Kong, Weibo HK, is subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong for the years of assessment 2017/2018, 2018/2019 and 2019/2020. Commencing from the year of assessment 2018/2019, the first HK$2 million of profits earned by our subsidiary incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. Hong Kong does not impose a withholding tax on dividends.

Our PRC subsidiaries, VIEs and VIEs' subsidiaries are incorporated in China and are subject to enterprise income tax on their taxable income in China at a standard rate of 25% if they are not eligible for any preferential tax treatment. Taxable income is based on the entity's global income as determined under PRC tax laws and accounting standards. Preferential tax treatments will be granted to companies conducting businesses in certain encouraged sectors and to entities qualified as a "software enterprise," "key software enterprise" and/or "high and new technology enterprise." Weibo Technology, our PRC subsidiary, was qualified as a "software enterprise" and was entitled to an exemption from the enterprise income tax for two years beginning 2015, its first accumulative profitable year, and a 50% reduction (to a tax rate of 12.5%) for the subsequent three years from 2017 to 2019. Although Weibo Technology was qualified as a "software enterprise" in 2020, it did not enjoy a reduced tax rate for its "software enterprise" status as it has been five years since its first profitable year of 2015. Weibo Technology completed its filings as a "key software enterprise" with the tax authority in 2018, 2019 and 2020 for its status of 2017, 2018 and 2019, and, therefore, was entitled to enjoy a further reduced preferential tax rate of 10% for 2017, 2018 and 2019. The qualification as a "key software enterprise" is subject to annual evaluation and approval by the relevant authorities in China, and we will only recognize the preferential tax treatment of "key software enterprise" status when approval from the relevant authorities is obtained, usually one year in arrears. Weibo Technology was also granted the "high and new technology enterprise" status for the fiscal years from 2017 to 2022, which entitled the qualified entity to a preferential tax rate of 15% in 2020 and 2021. Its qualification as a "high and new technology enterprise" is subject to annual evaluation and a three-year review by the relevant authorities in China. In addition, certain of our other PRC entities also qualify as a "software enterprise," and/or "high and new technology enterprise," and currently enjoy the respective preferential tax treatments.

According to the relevant PRC laws and regulations, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "R&D Deduction"). The PRC State Taxation Administration announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as R&D Deduction from January 1, 2018 to December 31, 2020.

Our PRC subsidiaries, VIEs and VIEs' subsidiaries are also subject to VAT and related surcharges at a combined rate of 6.7%. Our advertising and marketing revenues are also subject to cultural business construction fees at a rate of 3%, which has been reduced to 1.5% since July 1, 2019, valid until December 31, 2024. The cultural business construction fees were exempted for the fiscal years of 2020 and 2021 as part of the measures taken by the government to ease the negative impact from the COVID-19 pandemic. As a result, we were exempt from payment of cultural business construction fees of US$24.6 million in 2020 and US$11.5 million in the six months ended June 30, 2021.

Dividends paid by our subsidiary in China, Weibo Technology, to our intermediary holding company in Hong Kong, Weibo HK, will be subject to PRC withholding tax at a rate of 10% unless they qualify for a special exemption. If Weibo HK satisfies all the requirements under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and receives approval from the relevant tax authority, then dividends paid by Weibo Technology to Weibo HK will be subject to a withholding tax rate of 5% instead. See "Risk Factors — Risks Relating to Doing Business in the People's Republic of China — Any limitation on the ability of our PRC subsidiaries to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition."

If our holding company in the Cayman Islands, Weibo Corporation, were deemed to be a "PRC resident enterprise" under the Enterprise Income Tax Law, it would be subject to enterprise income tax on its global income at a rate of 25%. See "Risk Factors — Risks Relating to Doing Business in the People's Republic of China — We and/or our Hong Kong subsidiary may be classified as a 'PRC resident enterprise' for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment."

If Weibo HK were deemed to be a "PRC resident enterprise" under the Enterprise Income Tax Law, then dividends payable by Weibo HK to Weibo Corporation may become subject to 10% PRC dividend withholding tax. Under such circumstances, it is not clear whether dividends payable by Weibo Technology to Weibo HK would still be subject to PRC dividend withholding tax and whether such tax, if imposed, would be imposed at a rate of 5% or 10%. See "Risk Factors — Risks Relating to Doing Business in the People's Republic of China — Any limitation on the ability of our PRC subsidiaries to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition."

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our audited consolidated financial statements included in the Accountant's Report in Appendix IA to this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018[(1)]	2019[(1)]	2020[(1)]	2020[(1)]	2021[(1)]
				(Unaudited)	
	(In US$ thousands, except for per share and per ADS data)				
Consolidated Statements of Operations Data:					
Revenues:					
Advertising and marketing revenues:					
Third parties	1,172,136	1,202,437	1,202,712	497,855	728,818
Alibaba[(2)]	117,696	97,772	188,597	72,542	109,918
SINA	79,148	112,974	48,353	27,624	30,931
Other related parties	130,200	117,028	46,493	17,985	22,682
Subtotal	1,499,180	1,530,211	1,486,155	616,006	892,349
Value-added services revenues	219,338	236,703	203,776	94,776	141,013
Total revenues	1,718,518	1,766,914	1,689,931	710,782	1,033,362
Costs and expenses:					
Cost of revenues[(3)]	277,648	328,826	302,180	137,694	172,318
Sales and marketing[(3)]	527,424	465,339	455,619	211,220	298,368
Product development[(3)]	249,873	284,444	324,110	150,370	197,985
General and administrative[(3)(4)]	43,755	90,721	101,224	47,298	62,850
Goodwill and acquired intangibles impairment	10,554	—	—	—	—
Total costs and expenses	1,109,254	1,169,330	1,183,133	546,582	731,521
Income from operations	609,264	597,584	506,798	164,200	301,841
Income (loss) from equity method investments	57	(13,198)	10,434	3,388	13,605
Realized gain (loss) from investments	(287)	612	2,153	844	1,106
Fair value changes through earnings on investments, net[(5)]	40,074	207,438	35,115	117,517	(69,495)
Investment related impairment[(6)]	(24,074)	(249,935)	(211,985)	(3,920)	(66,625)
Interest income	57,970	85,386	85,829	45,609	40,068

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018[1]	2019[1]	2020[1]	2020[1]	2021[1]
				(Unaudited)	
	(In US$ thousands, except for per share and per ADS data)				
Interest expense	(15,390)	(29,896)	(57,428)	(22,363)	(35,503)
Other income, net	1,228	4,406	4,997	1,356	6,808
Income before income tax expenses	668,842	602,397	375,913	306,631	191,805
Less: Provision of income taxes	96,222	109,564	61,316	56,627	61,855
Net income	572,620	492,833	314,597	250,004	129,950
Less: Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	797	(1,842)	1,233	(520)	(898)
Net income attributable to Weibo's shareholders	571,823	494,675	313,364	250,524	130,848
Shares used in computing net income per share attributable to Weibo's shareholders:					
Basic	223,751	225,452	226,921	226,535	227,936
Diluted	232,683	226,412	227,637	227,129	229,429
Income per ordinary share:					
Basic	2.56	2.19	1.38	1.11	0.57
Diluted	2.52	2.18	1.38	1.10	0.57
Income per ADS[7]:					
Basic	2.56	2.19	1.38	1.11	0.57
Diluted	2.52	2.18	1.38	1.10	0.57

(1) On January 1, 2018, we adopted new revenue guidance ASC Topic 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 method under Topic 605. Topic 606 requires the presentation of VAT recognized in revenues from "gross" to "net," which results in equal decrease in revenues and cost of revenues, and recognition of revenues and expenses at fair value for advertising barter transactions.

(2) We recorded US$117.7 million, US$97.8 million and US$152.0 million in advertising and marketing revenues from Alibaba during 2018, 2019 and 2020, respectively. We also recorded US$63.3 million and US$73.3 million in advertising and marketing revenues from Alibaba for the six months ended June 30, 2020 and 2021, respectively. Moreover, one of Alibaba's subsidiaries engaged in the business of advertising agency and contributed another US$36.6 million to our total revenues in 2020, and US$9.2 million and US$36.7 million to our total revenues for the six months ended June 30, 2020 and 2021, respectively.

(3) Stock-based compensation was allocated in costs and expenses as follows:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
	(in US$ thousands)				
Cost of revenues	3,522	5,251	5,384	2,502	3,240
Sales and marketing	6,837	9,828	9,983	4,263	5,549
Product development	21,187	28,628	33,093	14,452	18,213
General and administrative	9,465	17,582	18,645	8,971	9,219
Total	41,011	61,289	67,105	30,188	36,221

(4) We adopted ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments" in the fiscal year of 2020. The guidance requires the measurement and recognition of expected credit losses for financial assets held at amortized cost that an entity does not expect to collect over the asset's contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

(5) We adopted ASU 2016-01 "Classification and Measurement of Financial Instruments" beginning the first quarter of fiscal year 2018. After the adoption of the new accounting update, we measure investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair values, we elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these investments are reported in current earnings.

(6) Investment related impairment includes impairment charges to equity investments, investment prepayments, and loans to and interest receivable from related parties.

(7) Each ADS represents one Class A ordinary share.

Revenues

We generate revenues primarily from advertising and marketing services, including social display advertisements and promoted marketing. We also generate revenues from value-added services, mainly including VIP membership, live streaming, and game-related services. Other value-added services revenues mainly include the revenues from the provision of traffic acquisition services to various customers.

The following table sets forth the breakdown of our value-added services revenue by nature for the periods presented:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
	(in US$ thousands)				
VIP Membership	98,243	108,124	123,897	59,127	65,488
Live streaming	28,003	76,660	39,299	20,888	9,892
Game-related services	27,303	4,406	12,577	746	52,546
Others	65,789	47,513	28,003	14,015	13,087
Total value-added services revenues	**219,338**	**236,703**	**203,776**	**94,776**	**141,013**

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020 Net Revenues

Our total net revenues increased by 45% from US$710.8 million in the six months ended June 30, 2020 to US$1,033.4 million in the six months ended June 30, 2021.

- *Advertising and Marketing Revenues*. Advertising and marketing revenues increased by 45% from US$616.0 million in the six months ended June 30, 2020 to US$892.3 million in the six months ended June 30, 2021. Revenues from advertising customers (excluding Alibaba) increased by 48% from US$552.7 million in the six months ended June 30, 2020 to US$819.1 million in the six months ended June 30, 2021, primarily attributable to a broad-based increase in advertising demand and strong sales execution. Revenues generated from Alibaba as an advertiser increased by 16% from US$63.3 million in the six months ended June 30, 2020 to US$73.3 million in the six months ended June 30, 2021. The advertising spending from Alibaba highly correlates to its own business operation, especially its marketing strategies, which fluctuates from time to time.

- *Value-added Services Revenues*. Value-added services revenues increased by 49% from US$94.8 million in the six months ended June 30, 2020 to US$141.0 million in the six months ended June 30, 2021, primarily attributable to the increase of game-related revenues from US$0.7 million for the six months ended June 30, 2020 to US$52.5 million for the six months ended June 30, 2021, contributed by the interactive entertainment company acquired in the fourth quarter of 2020 and incremental revenues from online game services, partially offset by the decrease in the revenues from live streaming business from US$20.9 million to US$9.9 million as a result of the intense market competitions.

2020 Compared to 2019

Our revenues decreased by 4% from US$1,766.9 million in 2019 to US$1,689.9 million in 2020.

- *Advertising and marketing revenues*. Advertising and marketing revenues decreased by 3% from US$1,530.2 million in 2019 to US$1,486.2 million in 2020. The decrease was mainly due to the negative impact and uncertainties brought by the COVID-19 pandemic, particularly in the first half of 2020. Mobile advertising revenues accounted for approximately 90% of our total advertising and marketing revenues in 2020, compared to 87% in 2019, benefiting from the growth of advertiser preferences. The total number of advertisers was 1.6 million in 2020, compared to 2.4 million in 2019, while the average spending per advertiser (excluding Alibaba) increased by 39% from US$593 in 2019 to US$825 in 2020, both of which were primarily due to the churn of individual customers with relatively lower advertising budgets.

  Revenue from key accounts grew by 2% from US$729.3 million in 2019 to US$741.5 million in 2020, largely attributable to the strong relationship between Weibo and brand advertising customers, as Weibo demonstrated unique value proposition for customers with our differentiated social advertising offerings and enhanced ad performance.

  Revenue from SMEs decreased by 16% from US$703.2 million in 2019 to US$592.7 million in 2020, mostly due to the relatively slower recovery pace of the SME sector during the COVID-19 pandemic and intense market competition.

Revenue generated from Alibaba as an advertiser increased by 55% from US$97.8 million in 2019 to US$152.0 million in 2020. The expenditure from Alibaba on Weibo's platform highly correlates to its marketing strategies, which may fluctuate on an annual basis. The sustained momentum of advertising spending from Alibaba reflects our strengthened cooperation in driving value for brands and merchants to achieve branding plus performance purposes through integrated advertisement campaigns on both platforms. Weibo remains a key platform for Alibaba in the fields of social marketing, e-commerce and fan economy.

- *Value-added services revenues*. Value-added services revenues decreased by 14% from US$236.7 million in 2019 to US$203.8 million in 2020. The decrease was mainly caused by the revenue decline from the Yizhibo live streaming business, which fell from US$76.7 million in 2019 to US$39.3 million in 2020, resulting from the intense market competition. The decrease was partially offset by (i) the revenue growth of our VIP membership, which increased by US$15.8 million or 15% compared to 2019, resulting from the increase of revenue from users who were willing to pay for the content created by our platform partners, and (ii) the revenue growth from game-related services by US$8.2 million or 187% compared to 2019, mostly attributable to the interactive entertainment company acquired in the fourth quarter of 2020.

2019 Compared to 2018

Our revenues increased by 3% from US$1,718.5 million in 2018 to US$1,766.9 million in 2019. We faced various challenges in 2019, such as the unfavorable impact from the overall depreciation of RMB against the U.S. dollar in 2019 compared to 2018, tightened regulations on certain industries, intensified market competition and so on.

- *Advertising and marketing revenues*. Advertising and marketing revenues increased by 2% from US$1,499.2 million in 2018 to US$1,530.2 million in 2019. Mobile advertising revenues accounted for approximately 87% of our total advertising and marketing revenues in 2019, compared to 83% in 2018, benefiting from the growth of both mobile users as well as advertiser preferences. The total number of advertisers was 2.4 million in 2019, compared to 2.9 million in 2018, mainly due to customer churn of SME customers, as a result of mixed challenges from unfavorable macroeconomic conditions and intense market competition. The average spending per advertiser (excluding Alibaba) increased by 26% from US$470 in 2018 to US$593 in 2019, primarily attributable to the increase in spending by our recurring customers, and also a reflection of the churn of SME customers with relatively lower advertising budgets.

  Revenue from key accounts grew by 8% from US$674.0 million in 2018 to US$729.3 million in 2019, largely attributable to the strong bond between Weibo and brand advertising customers, as Weibo demonstrated unique value proposition for customers with our differentiated social advertising offerings and enhanced ad performance.

  Revenue from SMEs decreased slightly by 1% from US$707.5 million in 2018 to US$703.2 million in 2019, primarily attributable to the unfavorable impact from the overall depreciation of RMB against the U.S. dollar in 2019 compared to 2018. We also faced unfavorable supply and demand dynamics in the performance-based advertising market and consequently intensified market competition.

Revenue generated from Alibaba decreased by 17% from US$117.7 million in 2018 to US$97.8 million in 2019. The expenditure from Alibaba on Weibo's platform highly correlates to its marketing strategies, which may fluctuate on an annual basis. Weibo remains a key platform for Alibaba in the fields of social marketing, e-commerce and fan economy.

- *Value-added services revenues*. Value-added services revenues increased by 8% from US$219.3 million in 2018 to US$236.7 million in 2019. The increase was primarily attributable to (i) the revenue growth of our VIP membership, which increased by 10% from US$98.2 million in 2018 to US$108.1 million in 2019 mainly as a result of the increase of our user base, and (ii) the revenue growth of the Yizhibo live streaming business acquired in the fourth quarter of 2018, which increased from US$28.0 million in 2018 to US$76.7 million in 2019. Revenues from game-related services decreased by 84% from US$27.3 million in 2018 to US$4.4 million in 2019, mainly because some games had reached the end of their life cycles and a tightened regulatory environment in this industry.

Costs and Expenses

Our costs and expenses primarily consist of cost of revenues, sales and marketing, product development, and general and administrative expenses, including costs and expenses allocated from SINA during the periods presented. Cost of revenues primarily consists of costs associated with the maintenance of our platform, such as bandwidth and other infrastructure costs, as well as personnel-related expenses, advertisement production cost, stock-based compensation, content licensing fees, revenue-share cost, and turnover taxes levied on our revenues. Sales and marketing expenses primarily consist of marketing and promotional expenses and personnel-related expenses, including commissions, salaries and welfare, and stock-based compensation. Product development expenses primarily consist of personnel-related expenses, stock-based compensation, outside services fees, and infrastructure cost incurred for new product development, product enhancements, and back-end systems. General and administrative expenses primarily consist of personnel-related expenses, stock-based compensation, professional services fees, and provision of allowance for credit losses.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Our costs and expenses increased by 34% from US$546.6 million in the six months ended June 30, 2020 to US$731.5 million in the six months ended June 30, 2021, primarily due to higher marketing expense and personnel-related cost.

- *Cost of Revenues*. Cost of revenues increased by 25% from US$137.7 million in the six months ended June 30, 2020 to US$172.3 million in the six months ended June 30, 2021. The increase was primarily due to an increase of US$13.2 million in labor cost, an increase of US$9.2 million in advertisement production cost, an increase of US$6.1 million in revenue share cost, and an increase of US$5.6 million in turnover taxes.

- *Sales and Marketing*. Sales and marketing expenses increased by 41% from US$211.2 million in the six months ended June 30, 2020 to US$298.4 million in the six months ended June 30, 2021. The increase was primarily due to an increase of US$62.9 million in marketing spend and promotional activities as we enhanced our marketing efforts after the COVID-19 became gradually contained in China, and an increase of US$21.5 million in personnel-related expenses primarily due to an increase in our sales and marketing staff headcount.

- *Product Development*. Product development expenses increased by 32% from US$150.4 million in the six months ended June 30, 2020 to US$198.0 million in the six months ended June 30, 2021. The increase was primarily due to an increase of US$29.7 million in personnel-related expenses and an increase of US$3.8 million in stock-based compensation as we increased our research and development staff headcount, and an increase of US$8.3 million in amortization of intangible assets mostly attributable to the acquisitions of JM Tech and the developer of Wuta beauty camera app.

- *General and Administrative*. General and administrative expenses increased by 33% from US$47.3 million in the six months ended June 30, 2020 to US$62.9 million in the six months ended June 30, 2021. The increase was primarily due to the increase of US$24.0 million in personnel-related expenses mainly driven by an increase in general and administrative staff headcount, and an increase of US$3.1 million in professional services fees. The increase was partially offset by a decrease of US$14.8 million in provision of allowance for credit losses as the outbreak of COVID-19 in 2020 adversely impacted the collection of our accounts receivable.

2020 Compared to 2019

Our costs and expenses increased slightly by 1% from US$1,169.3 million in 2019 to US$1,183.1 million in 2020.

- *Cost of Revenues*. Cost of revenues decreased by 8% from US$328.8 million in 2019 to US$302.2 million in 2020. The decrease was largely due to the decline of US$34.1 million in turnover taxes mainly resulting from the exemption of payment of cultural business construction fees applicable to the advertising industries for the fiscal year of 2020, and a decrease of US$20.1 million in revenue share cost primarily caused by the decline in live streaming revenue. The decrease was partially offset by an increase of US$17.0 million in advertisement production cost, and an increase of US$10.0 million in labor cost. We expect our cost of revenues to increase in absolute amount in the foreseeable future.

- *Sales and Marketing*. Our sales and marketing expenses decreased by 2% from US$465.3 million in 2019 to US$455.6 million in 2020. The decrease was mostly from a reduction of US$21.4 million in marketing spend and promotional activities during the COVID-19 pandemic, partially offset by an increase of US$9.4 million in personnel-related expense, mainly driven by an increase in employee headcount. We expect our sales and marketing expenses to increase in absolute amount in the foreseeable future.

- *Product Development*. Our product development expenses increased by 14% from US$284.4 million in 2019 to US$324.1 million in 2020. The increase was primarily attributable to a growth of US$22.7 million in personnel-related expenses arising from a larger product development team and higher salaries, and an increase of US$11.2 million in infrastructure cost. We expect our product development expenses to increase in absolute amount in the foreseeable future.

- *General and Administrative*. Our general and administrative expenses increased by 12% from US$90.7 million in 2019 to US$101.2 million in 2020, largely resulting from an increase of US$14.6 million in provision of allowance for credit losses. We expect our general and administrative expenses to increase in absolute amount in the foreseeable future.

2019 Compared to 2018

Our costs and expenses increased by 5% from US$1,109.3 million in 2018 to US$1,169.3 million in 2019.

- *Cost of Revenues*. Cost of revenues increased by 18% from US$277.6 million in 2018 to US$328.8 million in 2019. The increase was largely due to an increase of US$36.1 million in live streaming revenue sharing cost, an increase of US$11.0 million in labor cost, an increase of US$8.6 million in bandwidth expenditure, and an increase of US$3.8 million in advertisement production cost, partially offset by a decrease of US$12.0 million in turnover taxes mainly due to the reduction of cultural construction fees applicable to our advertising and marketing revenues from a rate of 3% to 1.5% since July 1, 2019.

- *Sales and Marketing*. Our sales and marketing expenses decreased by 12% from US$527.4 million in 2018 to US$465.3 million in 2019. The decrease was mostly due to a decrease of US$76.5 million in channel marketing spend and promotional activities due to a more disciplined channel investment, partially offset by an increase of US$6.7 million in personnel-related expense, primarily due to higher commissions arising from higher revenue achievements and an increase of US$5.3 million in outside labor cost.

- *Product Development*. Our product development expenses increased by 14% from US$249.9 million in 2018 to US$284.4 million in 2019. The increase was mainly attributable to an increase of US$12.4 million in personnel-related expenses arising from higher salaries, an increase of US$7.4 million in stock-based compensation, an increase of US$6.7 million in outside labor cost and an increase of US$6.6 million in infrastructure cost.

- *General and Administrative*. Our general and administrative expenses increased by 107% from US$43.8 million in 2018 to US$90.7 million in 2019, mostly resulting from an increase of US$32.3 million in bad debt expenses due to slower collection of accounts receivable from customers in 2019 because of the unfavorable macroeconomic environment, an increase of US$8.1 million in stock-based compensation and an increase of US$6.8 million in professional services.

Investment Related Impairment

We perform impairment assessments of our investments and determine if an investment is impaired due to changes in quoted market price or other impairment indicators. For a detailed description of accounting treatment of our investment related impairment and the performance of the investments, see "— Critical Accounting Policies and Estimates." We recorded US$24.1 million, US$249.9 million, US$212.0 million and US$66.6 million in investment related impairment charges in 2018, 2019, 2020 and six months ended June 30, 2021, respectively, as the investments were not performing to expectations or had become incapable of making repayments. The investment impairment in 2018 included a US$11.9 million write-off on an online-reading business and a US$9.7 million write-off on a company operating in game business, while that of 2019 mainly included the partial impairment charge of US$214.7 million on investment in Yixia Tech. The investment related impairment in 2020 mainly included a partial impairment of US$59.8 million on an investee in e-commerce business, a US$39.3 million write-off on a game company, and a US$82.2 million impairment charge on loans to investees, due to their unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future. The impairment charge for the six months ended June 30, 2021 was mainly due to a partial impairment of US$59.4 million on investment in Yixia Tech due to its unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future.

Interest Income and Interest Expense

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Compared to the interest expense for the six months ended June 30, 2020, the increase in interest expense for the six months ended June 30, 2021 was due to the 2030 Notes issued in July 2020.

2020 Compared to 2019

The increase in interest expense was mainly caused by the interest expense arising from our 2024 Notes issued in July 2019 and 2030 Notes issued in July 2020.

2019 Compared to 2018

The increase in interest income was mostly resulting from the loans to other related parties and a higher balance of cash, cash equivalents and short-term investments. The increase in interest expense was mainly due to the interest expense arising from our 2024 Notes issued in July 2019.

Provision of Income Taxes

The following table sets forth the current and deferred portion of income tax expense of the Company and the effective tax rate for China operations:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
	(in US$ thousands, except percentage)				
Income before income tax expenses	668,842	602,397	375,913	306,631	191,805
Less: Income (loss) from non-China operations	(43,266)	(106,256)	(57,031)	79,717	(163,411)
Income from China operations	712,108	708,653	432,944	226,914	355,216
Income tax expenses applicable to China operations	96,222	88,091	58,464	43,331	66,130
Income tax expenses (benefits) applicable to non-China operations	—	21,473	2,852	13,296	(4,275)
Total income tax expenses	96,222	109,564	61,316	56,627	61,855
Effective tax rate for China operations	13.5%	12.4%	13.5%	19.1%	18.6%

Income tax expenses were US$61.9 million in the six months ended June 30, 2021, compared to US$56.6 million in the six months ended June 30, 2020. The increase in income tax expenses primarily resulted from the profit growth from China operations for the six months ended June 30, 2021, partially offset by decrease of deferred taxes charges related to fair value change of investments from non-China operations.

We recorded income taxes of US$96.2 million, US$109.6 million and US$61.3 million in 2018, 2019 and 2020, respectively, including a US$2.9 million deferred tax charge from the fair value change of investments by our non-China operations in 2020. The provision for income taxes for China operations differs from the amounts computed by applying the statutory EIT rate mostly due to the preferential tax treatment that Weibo Technology enjoyed as a qualified "software enterprise" or "high and new technology enterprise" during the periods presented, as well as the preferential tax treatment of "key software enterprise" status of 2017 to 2019 benefited by the WFOE one year in arrears during the three-year period ended December 31, 2020. Weibo Technology was entitled to a tax reduction of US$77.2 million, US$83.2 million and US$55.1 million for 2018, 2019 and 2020, respectively. The WFOE further recognized preferential tax treatment of "key software enterprise" status and tax benefit of research and development super deduction of US$11.7 million for 2017 in 2018, US$21.5 million for 2018 in 2019, and US$26.6 million for 2019 in 2020.

Income (loss) from non-China operations mainly included stock-based compensation, fair value changes through earnings on investments and investment related impairment recorded by our non-China subsidiaries. We recorded fair value change gain of US$210.2 million in 2019, which was mainly generated by Beijing Showworld Technology Co., Ltd., one of our investees, who completed its listing on Shanghai Stock Exchange through an equity reconstruction with a then-listed company at the end of 2019. We recorded investment related impairment of US$233.9 million in 2019 mainly due to the partial write off of US$214.7 million to the carrying value of Yixia Tech Co., Ltd.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth the movements of our cash and cash equivalents for the periods presented:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
	(in US$ thousands)				
Net cash provided by operating activities	488,007	631,653	741,646	185,264	338,357
Net cash used in investing activities	(254,032)	(1,201,358)	(1,214,315)	(154,782)	(162,508)
Net cash provided by (used in) financing activities	(1,415)	791,869	741,963	1,625	226
Effect of exchange rate changes on cash and cash equivalents	1,083	(3,775)	92,565	(12,841)	14,187
Net increase in cash and cash equivalents	233,643	218,389	361,859	19,266	190,262
Cash and cash equivalents at the beginning of the year/period	1,000,953	1,234,596	1,452,985	1,452,985	1,814,844
Cash and cash equivalents at the end of the year/period	1,234,596	1,452,985	1,814,844	1,472,251	2,005,106

As of December 31, 2018, 2019, 2020 and June 30, 2021, our total cash, cash equivalents and short-term investments were US$1,825.9 million, US$2,404.2 million, US$3,496.9 million and US$2,935.9 million, respectively. Our principal sources of liquidity have been net proceeds from cash from operations and issuance of unsecured senior notes.

The decrease in our cash, cash equivalents and short-term investments as of June 30, 2021 compared to that of December 31, 2020 was primarily due to cash paid to investments of US$960.4 million, loan to SINA of US$310.9 million, and prepayment for purchase of SINA Plaza of US$132.5 million, partially offset by US$338.4 million in cash provided by operating activities, proceeds from the disposal of and refund from investments of US$168.3 million and repayment of loan by SINA of US$388.4 million. As of June 30, 2021, our consolidated entities within China held US$1,466.0 million of cash, cash equivalents and short-term investments, including US$340.2 million held by our VIEs and the subsidiaries of VIEs. The remaining cash and short-term investments balance of US$1,469.9 million was held by our entities outside China.

The increase in our cash, cash equivalents and short-term investments as of December 31, 2020 compared to that of December 31, 2019, was primarily due to US$741.6 million in cash provided by operating activities, net proceeds from the issuance of 2030 Notes of US$740.3 million and proceeds from the disposal of and refund from investments of US$289.6 million, partially offset by net cash paid to investments of US$392.5 million, net loans to SINA of US$292.1 million, and net cash paid for acquisitions of US$214.3 million. As of December 31, 2020, our consolidated entities within China held US$1,663.4 million of cash, cash equivalents and short-term investments, including US$445.2 million held by our VIEs and the subsidiaries of VIEs. The remaining cash and short-term investments balance of US$1,833.5 million was held by our entities outside China.

The increase in our cash, cash equivalents and short-term investments as of December 31, 2019 compared to that of December 31, 2018, was primarily due to US$631.7 million in cash provided by operating activities and net proceeds from the issuance of 2024 Notes of US$793.3 million, partially offset by cash paid to investees of US$688.9 million and net loans to SINA of US$190.3 million. Of the US$2,404.2 million in cash, cash equivalents and short-term investments as of December 31, 2019, our consolidated entities within China held US$952.0 million, including US$99.5 million held by our VIEs and subsidiaries of VIEs. The remaining cash and short-term investments balance of US$1,452.2 million was held by our entities outside China.

Our accounts receivable primarily include amounts due in one year or less from advertising customers. Our accounts receivable turnover days, which are the average accounts receivable balances as of the beginning and the end of the period divided by total revenues during the period and multiplied by the number of days during the period, were 56 days in 2018, 81 days in 2019, 97 days in 2020, and 98 days for the six months ended June 30, 2021. As of August 31, 2021, US$116.1 million, or 17%, of the total accounts receivable as of June 30, 2021 had been settled.

We believe that our current cash, cash equivalents and short-term investments balance is sufficient to fund our operating activities, capital expenditures and other obligations for at least the next twelve months. However, we may decide to enhance our liquidity position or increase our cash reserve for future expansions and acquisitions through additional capital and/or finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In utilizing the cash that we hold offshore, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire/invest in offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and/or approvals. For example, loans by us to our PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches. See "Regulatory Overview — Regulations on Foreign Exchange."

Substantially all of our future revenues are likely to continue to be in the form of RMB. 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 as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the RMB 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 at its discretion restrict access to foreign currencies for current account transactions in the future. See "Risk Factors — Risks Relating to Doing Business in the People's Republic of China — Restrictions on the remittance of RMB into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment."

Operating Activities

Net cash provided by operating activities amounted to US$338.4 million for the six months ended June 30, 2021, which consists of our net income of US$130.0 million as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily include a net loss of US$69.5 million in fair value changes through earnings on investments, a non-cash investment related impairment of US$66.6 million, a charge of US$36.2 million in stock-based compensation, and a charge of US$26.0 million in depreciation and amortization. The principal items accounting for the changes in operating assets and liabilities include an increase of US$164.6 million in accrued and other liabilities, partially offset by an increase of US$162.5 million in accounts receivable due from third parties, an increase of US$16.7 million in amount due from SINA, and a decrease of US$14.7 million in income tax payable.

Net cash provided by operating activities amounted to US$185.3 million for the six months ended June 30, 2020, which consisted of our net income of US$250.0 million as adjusted for non-cash items and the effects of changes in operating assets and liabilities. Adjustments for non-cash items primarily include a charge of US$30.2 million stock-based compensation, a charge of US$25.2 million of provision of allowance for credit losses, a charge of US$13.7 million depreciation and amortization, and a charge of US$12.7 million deferred income taxes, partially offset by a net gain of US$117.5 million fair value changes through earnings on investments. The principal items accounting for the changes in operating assets and liabilities include an increase of US$51.1 million in deferred revenues and a decrease of US$33.7 million in accounts receivable due from other related parties, partially offset by an increase of US$23.9 million in prepaid and other current assets, a decrease of US$22.5 million in income tax payable, a decrease of US$21.0 million in accrued and other liabilities, a decrease of US$20.3 million in accounts payable, and an increase of US$16.3 million in accounts receivable due from Alibaba.

Net cash provided by operating activities in 2020 was US$741.6 million. The difference between net cash provided by operating activities and our net income of US$314.6 million in 2020 was primarily due to a non-cash investment related impairment of US$212.0 million, and a decrease of US$148.9 million in amount due from SINA, a non-cash charge of US$67.1 million of stock-based compensation, a charge of US$53.1 million of provision of allowance for credit losses, an increase of US$62.4 million in accrued and other liabilities, and a decrease of US$54.7 million in accounts receivable due from other related parties, partially offset by an increase of US$75.7 million in accounts receivable due from third parties, an increase of US$68.3 million in accounts receivable due from Alibaba, a non-cash gain of US$35.1 million from fair value change of investments, and an increase of US$30.5 million in prepaid expenses and other current assets. The increase in accrued and other liabilities mainly resulted from the increased payable for sales rebate and personnel-related expenses. The increase in accounts receivable due from third parties was primarily due to the increase of accounts receivable from revenues contributed by key accounts advertisers who are generally postpaid customers.

Net cash provided by operating activities in 2019 was US$631.7 million. The difference between net cash provided by operating activities and our net income of US$492.8 million in 2019 was primarily due to a non-cash investment related impairment of US$249.9 million, an increase of US$117.6 million in accrued and other liabilities, a non-cash charge of US$61.3 million of stock-based compensation, and an increase of US$38.6 million in provision of bad debt expense, partially offset by a non-cash gain of US$207.4 million from fair value change of investments, an increase of US$115.1 million in accounts receivable due from third parties, and an increase of US$90.1 million in amount due from SINA. The increase in accounts receivable due from third parties was primarily due to slower collection of accounts receivable during 2019. The increase in accrued and other liability was primarily due to the increased payable for sales rebate and marketing expenses.

Net cash provided by operating activities in 2018 was US$488.0 million. The difference between net cash provided by operating activities and our net income of US$572.6 million in 2018 was primarily due to an increase of US$64.3 million in accounts payable, an increase of US$55.6 million in accrued and other liabilities, a non-cash charge of US$41.0 million in stock-based compensation, and an increase of US$24.4 million in deferred revenues, partially offset by an increase of US$109.7 million in accounts receivable due from third parties, an increase of US$104.0 million in accounts receivable due from other related parties, an increase of US$49.4 million in prepaid expenses and other current assets, an increase of US$48.7 million in amount due from SINA, and a non-cash gain of US$40.1 million in fair value changes through earnings on investments. The increase in accounts receivable in 2018 was in line with our revenue growth. The increase in accounts payable was primarily due to the increased payable for infrastructure cost, and revenue share payable for live streaming business. The accrued and other liabilities increased in 2018 primarily due to the increased payable for sales rebate.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 was US$162.5 million. This was primarily attributable to cash paid on long-term investments of US$960.4 million, purchases of bank time deposits and wealth management products of US$501.9 million, prepayment for purchase of SINA Plaza of US$132.5 million, net cash paid for acquisitions of US$51.9 million, partially offset by maturities of bank time deposits and wealth management products of US$1,253.8 million, proceeds from the disposal and refund of prepayment on long-term investments of US$168.3 million, and net repayment of loan by SINA of US$77.4 million.

Net cash used in investing activities for the six months ended June 30, 2020 was US$154.8 million. This was primarily attributable to purchases of short-term investments of US$793.8 million, cash paid on long-term investments of US$257.5 million, net loan to SINA of US$41.5 million and purchase of property and equipment of US$15.8 million, partially offset by maturity of short-term investments of US$891.6 million and proceeds from the disposal and refund of long-term investments of US$62.1 million.

Net cash used in investing activities in 2020 was US$1,214.3 million. This was mainly due to purchases of short-term investments of US$3,170.3 million, cash paid on long-term investments of US$392.5 million, net loans to SINA of US$292.1 million, and net cash paid for acquisitions of US$214.3 million, partially offset by the maturity of short-term investments of US$2,600.0 million and proceeds from the disposal and refund of long-term investments of US$289.6 million.

Net cash used in investing activities in 2019 was US$1,201.4 million. This was primarily due to purchases of short-term investments of US$1,230.6 million, cash paid on long-term investments of US$688.9 million, net loans to SINA of US$190.3 million, and purchases of property and equipment of US$21.7 million, partially offset by the maturity of short-term investments of US$869.8 million and proceeds from the disposal and refund of long-term investments of US$60.3 million.

Net cash used in investing activities in 2018 was US$254.0 million. This was primarily due to purchases of short-term investments of US$1,792.5 million, cash paid on long-term investments of US$419.1 million, net loans to SINA of US$48.4 million, cash paid for the acquisition of Yizhibo live streaming business of US$40.0 million, and purchases of property and equipment of US$28.4 million, partially offset by the maturity of short-term investments of US$1,989.1 million and proceeds from the disposal and refund of long-term investments of US$85.1 million.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2021 was US$0.2 million, which consisted of proceeds from the exercise of employee stock options.

Net cash provided by financing activities for the six months ended June 30, 2020 was US$1.6 million, which mainly consisted of proceeds from the sale of a subsidiary's equity interest to a non-controlling shareholder.

Net cash provided by financing activities in 2020 was US$742.0 million. This mainly consisted of net proceeds of US$740.3 million from the issuance of 2030 Notes and a receipt of US$1.5 million from the sale of a subsidiary's equity interest to non-controlling shareholders.

Net cash provided by financing activities in 2019 was US$791.9 million. This primarily consisted of net proceeds of US$793.3 million from the issuance of 2024 Notes and was partially offset by a payment of US$1.7 million to purchase a subsidiary's non-controlling equity.

Net cash used in financing activities in 2018 was US$1.4 million. This primarily consisted of a repayment of US$2.0 million to SINA, partially offset by the proceeds from the exercise of employee stock options of US$0.8 million.

The loans from SINA were presented under cash flow from financing activities, whereas the loans to SINA were presented under investing activities in the consolidated statements of cash flows. Cash payment for billings from SINA for costs and expenses allocated was presented under operating activities in the consolidated statements of cash flows.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of purchases of servers, computers, and other office equipment. Our capital expenditures were US$28.4 million in 2018, US$21.7 million in 2019, US$34.8 million in 2020 and US$15.5 million for the six months ended June 30, 2021. We will continue to make capital expenditures to meet the expected growth of our business and we intend to fund these purchases in the future with existing cash balance.

HOLDING COMPANY STRUCTURE

Weibo Corporation is a holding company that conducts its operations primarily through Weibo Technology, our VIEs and their subsidiaries, all of which are incorporated in China. As a result, our ability to pay dividends depends upon dividends paid to us by Weibo Technology, our PRC subsidiary. If Weibo Technology or any newly formed subsidiaries of our company incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, Weibo Technology is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under the PRC law, each of our PRC subsidiaries, our VIEs and their subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our PRC subsidiaries, our VIEs and their subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds, a discretionary surplus fund and an enterprise expansion fund at its discretion or in accordance with its articles of association. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. As of December 31, 2020 and June 30, 2021, the amount restricted, including paid-in capital, as determined in accordance with PRC accounting standards and regulations, was US$451.7 million and US$450.3 million, respectively. Although Weibo Technology has generated accumulated profits in 2020 and for the six months ended June 30, 2021, it has not paid dividends in the past and currently has no intention to pay any dividend. We plan to reinvest most, if not all, of its profits, into our PRC operations for the future development and growth of our business.

INFLATION

In the past three years, inflation in China did not materially impact our results of operations. According to the National Bureau of Statistics of China, the consumer price index for 2018, 2019 and 2020 increased by 2.1%, 2.9% and 2.5%, year over year, respectively. Although we have not been materially affected by inflation in the past, we may be affected by inflation in the future if the inflation rate in China increases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP, appearing elsewhere in this document. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates, judgments and assumptions on an ongoing basis.

Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from such estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Basis of presentation and use of estimates

Basis of Presentation

The preparation of our consolidated financial statements is in conformity with U.S. GAAP. The consolidated financial statements include the accounts of our company, our wholly-owned subsidiaries, our variable interest entities and their subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

Conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts in the consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of the assets and liabilities, which are not readily apparent from other sources. U.S. GAAP requires making estimates and judgments in several areas, including, but not limited to, the basis of consolidation, revenue recognition, fair value accounting, income taxes, goodwill and other long-lived assets, allowances for credit losses, stock-based compensation, the estimated useful lives of assets, convertible debt, business combination, and foreign currency. We base the estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. Actual results could differ materially from such estimates.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." We adopted the new revenue guidance since January 1, 2018.

Under ASC 606, revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We identify the contracts with customers and all performance obligations within those contracts. We then determine the transaction price and allocate the transaction price to the performance obligations within the contracts with customers, recognizing revenue when, or as, we satisfy our performance obligations.

We do not believe that significant management judgments are involved in revenue recognition, but the amount and timing of our revenues could be different for any period if management made different judgments. Certain customers may receive sales rebates, which are accounted for as variable consideration. We estimate annual expected revenue volume of each individual agent with reference to their historical results. We recognize revenue for the amount of fees we receive from our advertisers, after deducting estimated sales rebates and net of value-added tax ("VAT") under ASC 606. We believe that there will not be significant changes to our estimates of variable consideration.

We enter into contracts with our customers, which may give rise to contract assets (unbilled revenue) or contract liabilities (deferred revenue). The payment terms and conditions within the contracts vary by the type and location of our customers and products or services purchased, the substantial majority of which are due in less than one year. Deferred revenue related to unsatisfied performance obligations at the end of the period mainly consists of the unamortized balance of customer advance of advertising and marketing services. The deferred revenues are recognized based on customers' consumption or amortized on a straight-line basis through the service period for different products/services. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period.

Practical Expedients and Exemptions. We generally expense sales commissions when incurred because the amortization period is generally one year or less. These costs are recorded within sales and marketing expenses.

Advertising and Marketing Revenues. Advertising and marketing revenues are derived principally from online advertising, including social display ads and promoted marketing. Social display ad arrangements allow customers to place advertisements on particular areas of our platform or website in particular formats and over particular periods of time, which is typically no more than three months. We enter into cost per mille ("CPM"), or cost per thousand impressions, advertising arrangements with the customers, under which we recognize revenues based on the number of times that the advertisement has been displayed. We also enter into cost per day ("CPD") advertising arrangements with customers, under which we recognize revenues ratably over the contract periods. Promoted marketing arrangements are primarily priced based on CPM. Under the CPM model, customers are obligated to pay when the advertisement is displayed. Our majority revenue transactions are based on standard business terms and conditions, which are recognized net of agency rebates. The agency rebates are accounted for as variable consideration and are estimated during interim periods based on estimated annual revenue volume of each individual agent with reference to their historical results, which involves accounting judgment. We believe our estimation approach in variable consideration results in revenue recognition in a manner consistent with the underlying economics of the transaction.

Our contracts with customers may include multiple performance obligations, which primarily consist of combinations of services to allow customers to place advertisements on different areas of our platform or website. For such arrangements, advertising arrangements involving multiple deliverables are broken down into single-element arrangements based on their stand-alone selling price for revenue recognition purposes. The estimation of stand-alone selling price involves significant judgment, especially for the deliverables that have not been sold separately. For those deliverables, we determine the best estimate of the stand-alone selling price by taking into consideration the pricing of advertising areas of our platform or website with similar popularities and advertisements with similar formats and quoted prices from competitors and other market conditions. We believe our estimation approach in stand-alone selling price and allocation of the transaction price on a relative stand-alone selling price to each performance obligation results in revenue recognition in a manner consistent with the underlying economics of the transaction and the allocation principle included in ASC 606. Revenues recognized with reference to best estimation of selling price were immaterial for all periods presented. Most of such contracts have all performance obligations completed within one year. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition. Contracts with customers of online advertising may require cooperation from third parties. We pay a predetermined portion of revenues we earned from advertising contracts to the third parties such as key opinion leaders who participate in advertising and promotion activities by monetizing their social assets. We have determined that we are the principal in these transactions, as we are primarily responsible for fulfilling all of the obligations related to advertising contracts. We have discretion in establishing the pricing of the contracts and control the advertising inventory before the delivery to customers. We record revenues derived from such contracts on a gross basis and the portion paid to the third parties is recognized as the cost of revenues.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed on our properties. Barter transactions in which physical goods or services are received in exchange for advertising services are recorded based on the fair values of the goods or services received.

Value-added Services Revenues. We generate value-added services revenues principally from fee-based services, mainly including VIP membership, live streaming, and game-related services. Revenues from these services are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

VIP membership mainly includes a service package consisting of one performance obligation of providing user certification and preferential benefits, such as daily priority listings and higher quota for following user accounts. Prepaid VIP membership fees are recorded as deferred revenue and recognized as revenue ratably over the contract period of the membership service.

Live streaming generates revenue from sales of virtual items on the Yizhibo platform. Users can access the platform and view the live streaming content and interact with the broadcasters for free. We design, create and offer various virtual items for sales to users with pre-determined selling price. Each virtual item is considered as a distinctive performance obligation. Sales proceeds are recorded as deferred revenue and recognized as revenue based on the consumption of the virtual items. Users can purchase and present virtual items to broadcasters to show support for their favorite ones. Under the arrangements with broadcasters or broadcaster agencies, we share with them a portion of the revenues derived from the consumption of virtual items. Revenues derived from the sale of virtual items are recorded on a gross basis as we have determined that we act as the principal to fulfill all obligations related to the live streaming services. The portion paid to broadcasters and/or broadcaster agencies is recognized as the cost of revenues. We do not have further obligations to the user after the virtual items are consumed.

Game-related revenues are mostly generated from the purchase of virtual items by game players through our platform, including items, avatars, skills, privileges or other in-game consumables, features or functionality, within the games. Our performance obligation is to provide ongoing game services to players who purchased virtual items to gain an enhanced game-playing experience. Each virtual item is considered as a distinctive performance obligation. We collect payments from the game players in connection with the sale of virtual currency, which can be used to purchase virtual items in online games.

For games co-operated with third party developers, revenue is recorded on a gross basis for games for which we are acting as the principal in fulfilling all obligations related to the games, and revenue is recorded net of predetermined revenue sharing with the game developers for games for which we are not acting as the principal in fulfilling all obligations.

Sales of virtual currencies are recognized as revenues over the estimated lifespans of in-game virtual items. The estimated lifespans of different virtual items are determined by the management based on either the expected user relationship periods or the stipulated period of validity of the relevant virtual items depending on the respective term of virtual items. Virtual currency sold for game-related services in excess of recognized revenues is recorded as deferred revenues.

Stock-based compensation

All stock-based awards to employees and directors, such as stock options and restricted share units ("RSUs"), are measured at the grant date based on the fair value of the awards. Stock-based compensation, net of forfeitures, is recognized as expenses on a straight-line basis over the requisite service period, which is the vesting period.

We use the Black-Scholes option pricing model to estimate the fair value of stock options. The determination of estimated fair value of stock-based payment awards on the grant date using an option pricing model is affected by the fair value of our ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility of us over the expected term of the awards, actual and projected employee stock option exercise behaviors, a risk-free interest rate and expected dividends, if any. Options granted generally vest over four years.

We recognize the estimated compensation cost of restricted share units based on the fair value of the corresponding ordinary shares on the date of the grant. We recognize the compensation cost, net of estimated forfeitures, over a vesting term of generally four years for service-based restricted share units. We also recognize the compensation cost of performance-based restricted share units, net of estimated forfeitures, if it is probable that the performance condition will be achieved at the end of each reporting period.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate the pre-vesting option and record stock-based compensation expense only for those awards that are expected to vest.

Taxation

Income Taxes. Income taxes are accounted for using the asset and liability approach. Under this approach, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. We record a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

Uncertain Tax Positions. To assess uncertain tax positions, we apply a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including the resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Credit Losses

In 2016, the FASB issued ASC Topic 326, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses. The guidance is applicable to accounts receivable and was adopted on January 1, 2020. Accounts receivable are recorded at the original amount less an allowance for any potential uncollectible amounts. The management makes estimates of expected credit and collectability trends for the allowance for credit losses based upon the assessment of various factors, including historical experience, the age of the accounts receivable balances, credit-worthiness of the customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers. We also provide specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected. Expected credit losses are recorded as general and administrative expenses on the consolidated statements of comprehensive income.

ASC Topic 326 is also applicable to the loans to and interest receivable from other related parties included in the prepaid expenses and other current assets on the consolidated balance sheets. Our management estimates the allowance for credit losses on loans and interest receivable not sharing similar risk characteristics on an individual basis, based on lifetime expected credit losses of these loans and interest receivable by estimating the loan collection schedule, then discounting these cash flows to their present values. The key factors considered when determining the above allowances for credit losses include the estimated loan collection schedule, discount rate, financial condition and performance data of the borrowers and reasonable and supportable performance forecasts.

Short-term Investments

The following table sets forth a breakdown of our short-term investments as of the dates indicated:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
		(in US$ thousands)		
Bank time deposits	591,269	951,235	1,515,880	750,467
Wealth management products	–	–	166,168	180,355
Total short-term investments	**591,269**	**951,235**	**1,682,048**	**930,822**

Short-term investments represent bank time deposits and wealth management products which are certain deposits with variable interest rates or principal not-guaranteed with certain financial institutions. Their original maturities are of greater than three months but less than one year. In accordance with ASC 825, Financial Instruments, for wealth management products with the interest rate indexed to performance of underlying assets, we elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income as interest income.

Interest income was US$58.0 million, US$85.4 million, US$85.8 million, US$45.6 million and US$40.1 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively.

Fair Value Measurements

Financial instruments

All financial assets and liabilities are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Accounting guidance defines fair value as 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, we consider the principal or most advantageous market in which we would transact and we consider assumptions that market participants would use when pricing the asset or liability.

We measure the equity method investments at fair value on a non-recurring basis only if an impairment charge were to be recognized. For those investments without readily determinable fair value, we measure them at fair value when observable price changes are identified or an impairment charge is recognized. The fair values of our privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The fair values of our long-term investments in the equity securities of publicly listed companies are measured using quoted market prices. Our non-financial assets, such as intangible assets, goodwill, fixed assets and operating lease assets, would be measured at fair value only if they were determined to be impaired.

Accounting guidance establishes 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. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable due from third parties, accounts receivable due from Alibaba, accounts receivable due from other related parties, accounts payable, amount due from/to SINA, and accrued and other liabilities approximates fair value because of their short-term nature.

Long-Term Investments

Long-term investments comprised of investments in publicly traded companies, privately held companies, and limited partnerships. The following sets forth the changes in our long-term investments:

	Cost Method/Equity Securities Without Readily Determinable Fair Values	Equity Method	Available-for-Sale Securities/Equity Securities With Readily Determinable Fair Values	Total
	(In US$ thousands)			
Balance at December 31, 2017	420,356	27,702	4,279	452,337
Investments made/transferred from prepayments	134,797	97,337	–	232,134
Income (loss) from equity method investments	–	57	–	57
Dividend received from equity method investments	–	(657)	–	(657)
Disposal of investments	–	(1,623)	–	(1,623)
Impairment on investments	(23,557)	–	–	(23,557)
Fair value change through earnings (including adjustment of subsequent price changes)	42,877	–	(2,803)	40,074
Currency translation adjustment	(3,854)	(325)	–	(4,179)
Balance at December 31, 2018	570,619	122,491	1,476	694,586
Investments made/transferred from prepayments	268,734	91,869	15,017	375,620
Income (loss) from equity method investments	–	(13,198)	–	(13,198)
Dividend received from equity method investments	–	(932)	–	(932)
Disposal of investments	(1,724)	(165)	–	(1,889)
Reclassification of equity investment without readily determinable fair values to those with readily determinable fair values	(81,385)	–	81,385	–
Impairment on investments	(230,859)	–	–	(230,859)
Fair value change through earnings (including adjustment of subsequent price changes)	35,838	–	171,600	207,438
Currency translation adjustment	(2,621)	(686)	–	(3,307)
Balance at December 31, 2019	558,602	199,379	269,478	1,027,459
Investments made/transferred from prepayments	134,925	92,925	30,500	258,350
Income (loss) from equity method investments	–	10,434	–	10,434
Dividend received from equity method investments	–	(320)	–	(320)
Disposal of investments	(2,067)	–	(48,334)	(50,401)
Impairment on investments	(126,820)	–	–	(126,820)
Fair value change through earnings (including adjustment of subsequent price changes)	(2,462)	–	37,577	35,115
Currency translation adjustment	16,906	8,743	–	25,649
Balance at December 31, 2020	579,084	311,161	289,221	1,179,466
Investments made/transfers from prepayments	47,957	103,932	–	151,889
Income (loss) from equity method investments	–	13,605	–	13,605
Dividend received from equity method investments	–	(2,880)	–	(2,880)
Disposal of investments	(16,883)	–	(4,946)	(21,829)
Changes from measurement alternative to consolidation	(66,415)	–	–	(66,415)
Impairment on investments	(66,625)	–	–	(66,625)
Fair value change through earnings (including adjustment of subsequent price changes)	(26,810)	–	(42,685)	(69,495)
Currency translation adjustment	3,150	2,392	–	5,542
Balance at June 30, 2021	453,458	428,210	241,590	1,123,258

- **Equity investments accounted for using the measurement alternative**

For investments without readily determinable fair values, we elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Under this measurement alternative, changes in the carrying value of the investments will be recognized in consolidated statement of comprehensive income, whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. Impairment charges will be recorded when any impairment indicators are noted and the fair value is lower than the carrying value. Our investments made during the Track Record Period, mainly included an investment of US$72.7 million in an investee in e-commerce business and an investment of US$21.8 million in a company engaged in creating and providing unique online cartoon content in 2018, a follow-on investment of US$100.0 million in Yixia Tech in 2019, an investment of US$46.8 million in a financing guarantee company and an investment of US$30.6 million in a commercial search business in 2020, as well as a further investment of US$39.5 million in a leading mobile photo and video application in China.

- **Equity investments accounted for using equity method**

Investments in entities in which we can exercise significant influence and hold an investment in voting common shares or in-substance common shares (or both) of the investee but in which we do not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 ("ASC 323"), Investment – Equity Method and Joint Ventures. Our investments made during the Track Record Period mainly included US$93.0 million investments in two funds in 2018, a US$57.4 million investment in a company providing consumer finance services in 2019, several investment funds in 2020 and an additional investment of US$60.0 million in an investment fund for the six months ended June 30, 2021.

- **Equity securities with readily determinable fair value**

The marketable equity securities were reclassified as investments with readily determinable fair values under ASU 2016-01. Investments in marketable equity securities are valued using the market approach based on the quoted prices in active markets at the reporting dates. We classify the valuation techniques that use these inputs as Level 1 of fair value measurements. In December 2019, one of the Group's investees, Beijing Showworld Technology Co., Ltd., a company providing social and new media marketing services, completed its listing on Shanghai Stock Exchange through an equity reconstruction with a then-listed company. Before Showworld's IPO, the Group accounted for the investment under equity securities without readily determinable fair values and then reclassified it to investments with readily determinable fair values the moment it went public. The Group recorded US$2.8 million fair value change loss, US$171.6 million fair value change gain, US$37.6 million fair value change gain, US$120.3 million fair value change loss and US$42.7 million fair value change loss, which was unrealized, for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. At each reporting date, we make a qualitative assessment of whether the investment is impaired, applying judgement in considering various factors and events. If a qualitative assessment indicates that the investment is impaired, we estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, we recognize an impairment loss in net income equal to the difference between the carrying value and fair value. We recognized US$23.6 million, US$230.9 million, US$126.8 million, US$2.5 million and US$66.6 million impairment charges to investments without readily determinable fair values for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021 respectively.

Our main investment strategy is to expand and strengthen our ecosystem to further diversify our monetization channels. Long-term investments are comprised of investments in publicly traded companies, privately held companies, and limited partnerships.

Our major investments during the Track Record Period included Beijing Showworld Technology Co., Ltd., providing social and new-media marketing services, Xiaoju Kuaizhi Inc., a mobile transport platform that operates Didi, Yixia Tech Co., Ltd., a developer of mobile video apps, Shanghai Benqu Network Technology Co., Ltd, a developer of Wuta beauty camera app, and other investees that complement our ecosystem.

The following table sets forth a breakdown of our long-term investments by the type of companies and partnerships as of the dates indicated.

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	(in US$ thousands)			
Publicly traded companies	1,476	269,478	289,221	241,590
Privately held companies	574,846	621,195	647,798	530,108
Limited Partnerships	118,264	136,786	242,447	351,560
Total	694,586	1,027,459	1,179,466	1,123,258

We are exposed to risks associated with our long-term investments. We periodically review our investments in publicly traded companies, privately held companies, and limited partnerships for impairment. If we conclude that any of these investments is impaired, we will write down the asset to its fair value and take a corresponding charge to our consolidated statements of comprehensive income. For details, see "Risk Factors — Our financial results could be adversely affected by our long-term investments."

Leases

In February 2016, the FASB issued a new standard on leases, ASU 2016-02, "Leases (Topic 842)", which requires a lessee to recognize assets and liabilities arising from operating leases. A lessee should recognize a liability to make lease payments (the Lease Liability) and a right-of-use asset (the Operating Lease Assets) representing its right to use the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy choice not to recognize lease assets and lease liabilities. In July 2018, the FASB issued an amendment, ASU 2018-11, which provides another transition method in addition to the existing transition methods by allowing entities to initially apply the new leases standard at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and to not retrospectively adjust prior periods' financial statements.

On January 1, 2019, we have adopted the new lease standard using the transition method by applying the standard to all leases existing at the date of initial application. We chose to not recognize lease assets and lease liabilities for leases with a term of twelve months or less, to not separate non-lease components from lease components, and to not reassess lease classification, treatment of initial direct costs, or whether an existing or expired contract contains a lease according to the practical expedients permitted under the transition method. We did not retrospectively adjust the prior comparative periods. Under the new lease standard, we determine if an arrangement is or contains a lease at inception. Right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease terms. We consider only payments that are fixed and determinable at the time of lease commencement.

Long-Lived Assets

Property and equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally from three to four years for computers and equipment and five years for furniture and fixtures. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining lease term.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in our subsidiaries and consolidated VIE. We assess goodwill for impairment in accordance with ASC Subtopic 350-20 ("ASC 350-20"), Intangibles — Goodwill and Other: Goodwill, which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. U.S. The guidance provides the option that we may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test, by taking into consideration macroeconomics, overall financial performance, industry and market conditions and our share price. If determined to be necessary, the quantitative impairment test shall be used to identify goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. 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 fair value for each reporting unit. During 2018, impairment indicators were identified by us for the game related reporting unit including adversely policy change on game industry and failure to meet forecasted financial performance supporting the goodwill without prospect of future recovery. We fully impaired the goodwill arising from acquisition of several game business amounting US$10.6 million as we expect it would be hard for the game business to recover. For the years ended December 31, 2019 and 2020 and six months ended June 30, 2020 and 2021, no impairment indicator was noted by performing qualitative analysis, therefore, no provision was recorded.

Intangible assets other than goodwill

Intangible assets arising from acquisitions are recognized at fair value upon acquisition and amortized on a straight-line basis over their estimated useful lives, generally from three to ten years. Long-lived assets and certain identifiable intangible assets other than goodwill to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold or use is based on the amount by which the carrying value exceeds the fair value of the asset. Judgment is used in 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 asset's fair value.

Convertible debt and unsecured senior notes

We determine the appropriate accounting treatment of our convertible debt in accordance with the terms in relation to the 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 over the contractual life. We presented the issuance costs of debt as a direct deduction from the related debt during the periods presented.

The unsecured senior notes are recognized initially at fair value, net of debt discounts or premiums, if any, issuance costs and other incidental fees, all of which are recorded as a direct deduction of the proceeds received from issuing the unsecured senior notes, and the related accretion is recorded as interest expense in the consolidated statement of comprehensive income over the estimated term using the effective interest method.

Recent Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2. Significant Accounting Policies to the Accountant's Report in Appendix IA to this document.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of June 30, 2021:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in US$ thousands)				
Operating Lease Obligations	12,800	6,020	3,632	2,855	293
Purchase Obligations	591,545	561,167	28,263	2,093	22
2022 Notes	916,867	11,250	905,617	—	—
2024 Notes	898,000	28,000	56,000	814,000	—
2030 Notes	990,469	25,313	50,625	50,625	863,906
Total	2,805,336	64,563	1,012,242	864,625	863,906

Operating lease obligations consist of the commitments under the lease agreements for our office premises. We lease our office facilities under non-cancelable operating leases with various expiration dates. Our leasing expense was US$11.2 million, US$11.5 million, US$12.5 million, US$6.0 million and US$7.9 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively. The majority of our operating lease commitments are related to our office lease agreements in China.

Purchase obligations primarily consist of minimum commitments for marketing activities and internet connection.

2022 Notes represents our future maximum commitment relating to the principal amount and interests in connection with the issuance of US$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes, which will mature on November 15, 2022.

2024 Notes represents our future maximum commitment relating to the principal amount and interests in connection with the issuance of US$800 million in aggregate principal amount of senior notes bearing an annual interest rate of 3.50%, which will mature on July 5, 2024.

2030 Notes represents future maximum commitment relating to the principal amount and interests in connection with the issuance of US$750 million in aggregate principal amount of senior notes bearing an annual interest rate of 3.375%, which will mature on July 8, 2030.

As of September 30, 2021 and the Latest Practicable Date, save as disclosed in the Accountant's Report in Appendix IA and Unaudited Interim Condensed Consolidated Financial Information in Appendix IB to this document, we did not have significant contingent liabilities.

As of September 30, 2021, save as disclosed in this section, we did not have any bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges hire purchase commitments or other outstanding material contingent liabilities.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of September 30, 2021.

WORKING CAPITAL

We recorded net current assets of US$1,839.3 million, US$2,835.3 million, US$3,876.2 million, US$3,560.4 million, and US$3,688.2 million (unaudited), respectively, as of December 31, 2018, 2019, 2020 and June 30, 2021 and September 30, 2021. As of September 30, 2021, we recorded total current assets of US$4,850.5 million (unaudited) and total current liabilities of US$1,162.3 million (unaudited). In addition, as of September 30, 2021, we had cash and cash equivalents of US$1,828.7 million (unaudited). The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Current assets				
Cash and cash equivalents	1,234,596	1,452,985	1,814,844	2,005,106
Short-term investments	591,269	951,235	1,682,048	930,822
Accounts receivable due from third parties, net of allowances of US$11,799, US$36,594, US$29,061 and US$35,880 as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively	190,036	262,158	314,159	467,246
Accounts receivable due from Alibaba, net of allowances of nil, nil, nil and nil as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively	48,222	60,392	135,321	122,991
Accounts receivable due from other related parties, net of allowances of US$630, nil, US$6,095 and nil as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively	130,835	99,675	42,530	40,972
Prepaid expenses and other current assets (including loans to and interest receivable from other related parties of US$43,695, US$301,526, US$158,622 and US$336,558 as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively)....	168,821	424,905	296,757	587,293
Amount due from SINA[(1)]	105,319	384,828	548,900	498,618
Total current assets............	2,469,098	3,636,178	4,834,559	4,653,048

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	(in US$ thousands)			
Current liabilities				
Accounts payable	123,730	126,247	149,509	159,497
Accrued and other liabilities	317,437	460,872	556,753	692,390
Operating lease liability, short-term	—	4,708	5,580	5,594
Income taxes payable	88,683	100,245	102,844	89,100
Deferred revenues	99,994	108,783	143,684	146,085
Total current liabilities	629,844	800,855	958,370	1,092,666
Net current assets	1,839,254	2,835,323	3,876,189	3,560,382

Note:

(1) Included short-term loans to and interest receivable from SINA of US$43.6 million, US$236.6 million, US$547.9 million and US$480.7 million as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively. For a detailed description of our transactions with SINA, see "Related Party Transactions — Transactions with SINA."

Our total assets increased from US$3,274.7 million as of December 31, 2018 to US$4,804.2 million as of December 31, 2019, further to US$6,335.1 million as of December 31, 2020, to US$6,702.7 million as of June 30, 2021 and to US$6,998.0 million (unaudited) as of September 30, 2021. The significant increase in our total assets as of September 30, 2021 was largely due to (i) an increase in our current assets mainly resulted from the increase in our cash and cash equivalents that were primarily attributable to our operating activities and financing activities, and (ii) an increase in our non-current assets primarily attributable to the increase in our long-term investments.

Our total liabilities increased from US$1,526.5 million as of December 31, 2018 to US$2,522.4 million as of December 31, 2019, further to US$3,448.8 million as of December 31, 2020, to US$3,595.1 million as of June 30, 2021 and to US$3,667.6 million (unaudited) as of September 30, 2021. The significant increase in our total liabilities as of September 30, 2021 was largely due to (i) an increase in our non-current liabilities primarily attributable to increases in our unsecured senior notes, and (ii) an increase in our current liabilities mainly attributable to increases in our accrued expenses and other liabilities.

For a detailed discussion on our cash position, being the balance sheet item that has material impact on our liquidity, as well as material changes in the various working capital items, see "— Liquidity and Capital Resources."

Taking into account cash and cash equivalents on hand, our operating cash flows, and the estimated [**REDACTED**] available to us from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2018	**2019**	**2020**	**2021**	**2021**
					(Unaudited)
	(In US$ thousands)				
Current:					
Operating lease liability, short-term	–	4,708	5,580	5,594	4,405
Sub-total	**–**	**4,708**	**5,580**	**5,594**	**4,405**
Non-current:					
Operating lease liability, long-term	–	5,289	1,505	6,154	5,831
Convertible debt	884,123	888,266	892,399	894,470	895,505
Unsecured senior notes	–	793,985	1,536,112	1,537,264	1,537,840
Sub-total	**884,123**	**1,687,540**	**2,430,016**	**2,437,888**	**2,439,176**
Total	**884,123**	**1,692,248**	**2,435,596**	**2,443,482**	**2,443,581**

Except as demonstrated in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of September 30, 2021. Since September 30, 2021 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' 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. Moreover, 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 product development services with us.

RELATED PARTY TRANSACTIONS

For details relating to our related party transactions, see "Related Party Transactions" and Note 10 to the Accountant's Report set out in Appendix IA to this document. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and China's foreign exchange policies, among other things. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

Our revenues and costs are mostly denominated in RMB, and a significant portion of our financial assets are also denominated in RMB, whereas our reporting currency is the U.S. dollar. Any significant depreciation of the RMB may materially and adversely affect our revenues, earnings and financial position as reported in U.S. dollars. To the extent that we need to convert U.S. dollars we received from the issuance of 2022 Notes, 2024 Notes and 2030 Notes into RMB for our operations, 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, if we decide to convert our RMB 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 RMB would have a negative effect on the U.S. dollar amount available to us.

Below is a sensitivity analysis on the impact of a change in the value of the RMB against the U.S. dollar assuming: (1) projected net income from operation in China equal to the net income of 2020, (2) projected net assets of the operation in China equal to the balances in RMB and U.S. dollar as of December 31, 2020 and (3) currency fluctuation occurring proportionately over the period:

Change in the Value of RMB Against the U.S. Dollar	Translation Adjustments to Comprehensive Income	Transaction Gain (Loss)
	(in US$ thousands)	
Appreciate 2%	53,028	(241)
Appreciate 5%	132,713	(603)
Depreciate 2%	(52,950)	241
Depreciate 5%	(132,222)	603

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 material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

Investment Risk

As of December 31, 2020 and June 30, 2021, our equity investments totaled US$1,179.5 million and US$1,123.3 million, respectively. We adopted ASU 2016-01, "Classification and Measurement of Financial Instruments," beginning January 1, 2018. After the adoption of ASU 2016-01, we measure investments in equity securities other than equity method investments at fair value through earnings. For those investments without readily determinable fair values, we elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes (referred to as the measurement alternative). Changes in the basis of these investments are reported in current earnings. We recognized gain of US$35.1 million in upward adjustment and loss of US$69.5 million in downward adjustment for fair value changes on investments for the year ended December 31, 2020 and for the six months ended June 30, 2021, respectively.

Our investments other than equity method are subject to a wide variety of market related risks that could substantially reduce or increase the fair value of our holdings. Investments using measurement alternative are investments in privately held companies. Valuations of our investments in private companies are inherently more complex due to the lack of readily available market data. The fair value is measured at the time of the observable transaction, which is not necessarily an indication of the current fair value as of the balance sheet date. These investments, especially those in the early stages, are inherently risky because the technologies or products these companies have under development are typically in the early phases and may never materialize and they may experience deterioration in financial condition, which could result in a loss of a substantial part of our investment in these companies. The success of our investment in any private company is also dependent on the likelihood of our ability to realize value in our investments through liquidity events such as [**REDACTED**], acquisitions, private sales or other favorable market events reflecting appreciation to the cost of our initial investment. Volatility in the global economic climate and financial markets could also result in a significant impairment charge on our non-marketable equity securities. As of December 31, 2020 and June 30, 2021, the carrying value of our investments using measurement alternative was US$579.1 million and US$453.5 million, respectively.

The carrying values of our equity method investments generally do not fluctuate due to market price changes, however these investments could be impaired if the carrying value exceeds the fair value.

We periodically review our investments for impairment. Factors we consider to make such determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period, and our intent to sell, or whether it is more likely than not that we will be required to sell, the investment before recovery. We recorded US$212.0 million and US$66.6 million of investment related impairment charges for the year ended December 31, 2020 and for the six months ended June 30, 2021, respectively. We are unable to control these factors and an impairment charge recognized by us will unfavorably impact our operating results and financial position.

Our short-term investments as of December 31, 2020 and June 30, 2021 totaled US$1,682.0 million and US$930.8 million, respectively, which were composed of bank time deposits and wealth management products with maturity over three months but within one year.

DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors — Risks Relating to Doing Business in the People's Republic of China — Any limitation on the ability of our PRC subsidiaries to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition."

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, our company may pay dividends only out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. 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, our depositary will distribute such dividends to our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since June 30, 2021, and there is no event since June 30, 2021 which would materially affect the information shown in the Accountant's Report in Appendix IA to this document.

LISTING EXPENSES

We expect to incur listing expenses of approximately [**REDACTED**], accounting for [**REDACTED**] of [**REDACTED**], after June 30, 2021, including underwriting-related expenses of approximately [**REDACTED**], and non-[**REDACTED**] related expenses of approximately [**REDACTED**] which consist of fees and expenses for legal advisors and accountants of approximately [**REDACTED**] and other fees and expenses of approximately [**REDACTED**] (assuming that the [**REDACTED**] is conducted at the indicative [**REDACTED**] per [**REDACTED**] of [**REDACTED**] for both [**REDACTED**] and [**REDACTED**] and the [**REDACTED**] is not exercised). We expect approximately [**REDACTED**] of the listing expenses will be recorded as a deduction in equity directly and approximately [**REDACTED**] of the [**REDACTED**] will be charged to the profit or loss of our Company.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the [**REDACTED**] on the audited consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2021 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only; and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2021 or at any future dates following the completion of the [**REDACTED**]. The unaudited pro forma adjusted net tangible assets is based on the audited consolidated net tangible assets attributable to the shareholders of the Company as at June 30, 2021, as shown in the Accountant's Report of the Group, the text of which is set out in Appendix IA to this [**REDACTED**], and adjusted as described below.

	Audited consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2021(1)	Estimated [REDACTED] from the [REDACTED](2)	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS
	USD'000	USD'000	USD'000	USD(3)	USD(4)	HK$(5)	HK$(5)
Based on an [REDACTED] of [REDACTED] per [REDACTED]	2,788,516	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

* No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2021.

(1) The audited consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2021 is calculated based on the audited consolidated net assets attributable to shareholders of the Company as at June 30, 2021 of US$3,010,038,000 as set out in Appendix IA, with adjustments for goodwill attributable to shareholders of the Company as at June 30, 2021 of US$98,008,000 (excludes non-controlling interests of US$15,596,000) and net intangible assets attributable to shareholders of the Company as at June 30, 2021 of US$123,514,000 (excludes non-controlling interests of US$33,663,000).

[**REDACTED**]

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] had been completed on June 30, 2021, but does not take into account [**REDACTED**] issued and reserved for future issuance upon the exercising or vesting of awards granted under the Share Incentive Plans, any allotment and issuance of Class A ordinary shares upon exercise of the [**REDACTED**], and any issuance or repurchase of shares and/or ADSs by the Company.

(4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in USD are converted into Hong Kong dollars at a rate of USD1.00 to HK$[7.7723]. No representation is made that USD amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.