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Post Hearing Information Pack of



## WEIBO CORPORATION

(the “Company”)

*(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)*

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**WEIBO CORPORATION**

*(a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)*

**[REDACTED]**

**Number of [REDACTED] under the [REDACTED] : [REDACTED] (subject to the [REDACTED])**  
**Number of [REDACTED] : [REDACTED] (subject to adjustment)**  
**Number of [REDACTED] : [REDACTED] (subject to [REDACTED] and the [REDACTED])**  
**Maximum [REDACTED] : [REDACTED]**  
**Nominal value : US\$0.00025 per Share**  
**Stock code : [REDACTED]**

*Joint Sponsors, [REDACTED]*

**Goldman Sachs**

**CREDIT SUISSE**

 **CITIC SECURITIES**

 **CICC 中金公司**

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The Company is controlled through weighted voting rights (“WVR”). Prospective investors should be aware of the potential risks of investing in a company with a WVR structure. For further information about the risks associated with our WVR structure, see the section headed “Risk Factors — Risks Relating to Our Shares, Our ADSs and the Listing.” Prospective investors should make the decision to invest in us only after due and careful consideration.

[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

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## SUMMARY

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

### OVERVIEW

#### Who We Are

Weibo is a leading social media platform in China for people to create, discover and distribute content. By providing a simple and inspirational way for people and organizations in China and the global Chinese communities to publicly express themselves in real time, interact with others on a platform with vast scale and stay connected with the world, Weibo has had a profound social impact in China. Launched in 2009, Weibo has been committed to enabling faster, easier, and richer connection among people and has become an integral part of many of Weibo users’ daily lives.

Leveraging the early-mover advantage and the accumulated know-hows and insights in the social media industry, Weibo has amassed a large user base in China and in Chinese communities in more than 190 countries around the world. In June 2021, Weibo had 566 million MAUs and 246 million average DAUs. Weibo is one of the top 10 mobile apps and one of the top 3 social media platforms in China in terms of MAUs and DAUs in June 2021, according to the CIC Report.

Weibo has transformed the way people express themselves and interact with others in the public internet space. Any user can create and post a feed and attach multimedia or long-form content. User relationships on Weibo may be asymmetric, and any user can follow any other user and add comments to a feed while reposting. As of June 30, 2021, Weibo had 318 billion “follow” relationships existing on its platform. This simple, asymmetric, and distributed nature of Weibo allows an original feed to become a live viral conversation stream.

Weibo serves a wide range of users including ordinary people, celebrities, key opinion leaders (“KOLs”), and other public figures or influencers, as well as media outlets, businesses, government agencies, charities, and other organizations, making it a microcosm of Chinese society. As of June 30, 2021, there were 4.4 million verified accounts, such as celebrities, KOLs, enterprise partners, and media outlets on Weibo. As a leading social media, Weibo allows people in China and the global Chinese communities to be heard publicly and exposed to the rich ideas, cultures, and experiences in a broader world. In June 2021, Weibo had 41.9 million monthly active content creators, generating original posts for public self-expression. In June 2021, top content creators on Weibo platform reached 2.3 million, representing a CAGR of 24% from June 2019. Top content creators in June 2021 refers to content creators with more than 10,000 followers as of June 30, 2021, or over 10,000 monthly views in June 2021, excluding duplicates.



## SUMMARY

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Weibo offers comprehensive content formats as a social media platform. Weibo users can create, discover, consume and share various formats of content, including text, photo, video, live streaming, audio and topic, etc. on Weibo platform. By aggregating various media formats, Weibo platform allows content creators to have more diverse choices to create content in their most desirable ways, so that more enriched content could be generated and distributed across the platform. Weibo is also well positioned to capture the market trends in media formats transformation. To capitalize on the mega trend of video, Weibo has launched a series of innovative initiatives to improve its video product offerings and to empower and attract more video content creators to its platform. As a result, the average number of daily video viewers grew at a CAGR of 20% from June 2019 to June 2021.

To support the diverse content offerings, Weibo also has comprehensive coverage of content categories and content creators. In June 2021, Weibo had 46 content verticals, such as celebrities and entertainment, humor, media, variety shows and TV programs, fashion, cosmetics, finance and games. Among these content verticals, 28 of them each has over 10 billion monthly views in June 2021. The diversified content offerings on Weibo platform cater to the evolving and broad interests of Weibo users and cultivate a more vibrant ecosystem on Weibo platform.

### **Our Revenue Model**

We began monetization on our platform in 2012, and have since experienced solid revenue growth and margin expansion. Our revenues increased from US\$1,718.5 million in 2018 to US\$1,766.9 million in 2019 but slightly decreased to US\$1,689.9 million in 2020 mainly due to the negative impact and uncertainties brought forth by the COVID-19 pandemic. Our revenue’s year-on-year growth rate recovered to 10% in the fourth quarter of 2020 and further increased to 42% in the first quarter and 48% in the second quarter of 2021, as the COVID-19 pandemic was gradually contained in China and the advertising demand recovered accordingly.

We generate revenues primarily from customers who purchase advertising and marketing services, and, to a lesser extent, from fee-based revenues, such as VIP membership. Revenues generated from advertising and marketing services accounted for 88% of our total revenues in 2020 and 86% of our total revenues in the six months ended June 30, 2021. We had income from operations of US\$609.3 million in 2018, US\$597.6 million in 2019 and US\$506.8 million in 2020. Our income from operations increased from US\$164.2 million in the six months ended June 30, 2020 to US\$301.8 million for the same period in 2021. Our operating margin, being the ratio of income from operations to total revenues, reached 30.0% in 2020 and 29.2% in the first six months ended June 30, 2021.

### **Our Mission**

Our mission is to empower people to discover the broader world and be heard publicly.

## SUMMARY

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### **Our Value Propositions**

Our platform has unique value propositions for our users, content creators and advertising and marketing customers. Our collective relationship with them is crucial to the continued strength and value of our overall platform.

#### *To users*

- *Express and share*
  - We provide an unprecedented experience for people in China and the global Chinese communities to be able to publicly express themselves and share their life moments, opinions and content in real time on a platform with a vast scale.
- *Discover rich content and diversified opinions*
  - Weibo is where people come to discover and learn more about what is going on with the people, organizations and topics that interest them, as well as their diversified opinions.
- *Stay current and connected*
  - Users come to Weibo to stay current on the latest trends and events and connect with other users who share similar interests.
- *Make a social impact*
  - Weibo helps people come together to realize common goals, and to accomplish things that they could not accomplish on their own.

#### *To content creators*

- *Build up fan base and social assets*
  - We help the content creators on our platform to engage and interact with their followers and build up their social assets to create social value and monetization opportunities. The top content creators, such as celebrities and KOLs, regularly interact with their followers, and among each other for topics of the same interest on Weibo. This type of interaction is unique to our platform.
- *Monetization*
  - We are committed to creating and enhancing monetization opportunities for content creators through diversified channels such as advertisement, e-commerce and live streaming.

## SUMMARY

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### *To advertising and marketing customers*

- *Broad and targeted reach*
  - We are an early mover of social advertising in China. We provide our customers with social marketing solutions based on our social interest graph recommendation engine that help them reach and engage their target audience.
- *Full spectrum of tailored solutions*
  - We provide a full spectrum of innovative and tailored advertising and marketing solutions ranging from brand awareness to interest generation, sales conversion and loyalty marketing to cater to the diverse marketing demands of our customers.
- *Viral effect*
  - Weibo feeds and trends, whether promoted or organic, have the potential to go viral due to the public and distributed nature of our platform. This provides our customers with additional upside value to increase the social elements of their advertising.

### COMPETITIVE LANDSCAPE

In China, there are several types of social platforms dedicated to serving users’ needs to virtually connect with each other. Compared with social network platforms, where social relationship is primarily symmetric and reciprocal, social media platforms facilitate the build-out of asymmetric social relationship and address users’ differentiated social needs in the public arena. Furthermore, among the leading social media platforms in China, some focus on specific content formats such as video and live streaming, while others provide comprehensive content formats to cater to the diverse user needs. Platforms with more diverse content formats and more vibrant content creation ecosystems are better equipped to address the evolving user needs with diverse backgrounds and interests.

Weibo is one of the top 5 social platforms and the top 3 social media platforms in China in terms of MAUs and DAUs in June 2021, according to the CIC report.

Weibo operates in a highly competitive industry which is rapidly changing due to the quickly evolving market demand and user preferences. Driven by the increasing popularity of social platforms, the penetration rate for the social platforms, measured by the ratio of overall social platform users to all mobile users, has already come to hover near the 100% mark in 2020. New user acquisition has been one of the key challenges that each of the social platforms faces. The industry is evolving rapidly while witnessing rising competition for traffic and user time. Industry players compete for audiences and content with other major Chinese internet companies that provide online media as well as offline media companies. The user growth rate of established social media platforms may slow over time as the size of the user base increases and as they achieve higher market penetration in China’s internet population. For a more detailed discussion on and a comparison of key metrics of social platforms and social media platforms in China, see also “Industry Overview — Competitive Landscape For Social Media Platforms” and “Industry Overview — Competitive Landscape For Social Platforms.”

## SUMMARY

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### OUR INNOVATION

We believe that our success is attributable to our unique social product positioning, a self-reinforcing ecosystem with large user base and diversified content offerings, as well as strong monetization capability and leading technology platform.

Launched in 2009, Weibo is one of the earliest social media platforms (providing microblogging service) in China, according to the CIC Report. Weibo leverages its early-mover advantage and has built high entry barrier in the social media industry in China. Currently, Weibo is the only active social media platform today arising from a microblogging platform in China, according to the CIC Report. Weibo has experienced rapid expansion as an early-mover since its inception, and developed into a leading social media platform in China for people to create, share and discover contents online.

As a leading social media platform in China, Weibo combines the means of public self-expression in real time with powerful platform for social interaction, content aggregation and distribution. Weibo provides a compelling and efficient way for people to discover what’s happening in the world and engage in public social conversations. Weibo serves as a microcosm of Chinese society, and for many people in China, Weibo allows them to be heard publicly and exposed to the rich ideas, cultures and experiences of the broader world. See “Business — Our Commitment to a Better Society.” Weibo’s success is also attributable to the high quality content in rich media format on its platform. For the leading position of Weibo in terms of content formats, coverage of content categories and content generators, and celebrity and KOL network among social media platforms, see “Industry Overview — Competitive Landscape for Social Media Platforms.”

Weibo’s product development approach is centered on building simple and useful tools to enable its users to access Weibo to discover, create, and distribute content and interact with others on its platform in real time. Weibo has launched many innovative product features since its inception, some of which are later widely adopted in China’s internet space, such as @Mention, Trends, Hot Search and Super Topic. See “Business — Products and Services — Products for Users.”

Weibo seeks to provide innovative advertising and marketing solutions to enable its customers to promote their brands and conduct effective marketing activities. Weibo’s advertising and marketing customers seek a full spectrum of online advertising and marketing services ranging from brand awareness to interest generation, sales conversion and loyalty marketing. Weibo has introduced many innovative advertising products, such as Super FST, Promoted Trends and Search. See “Business — Products and Services — Products for Advertising and Marketing Customers.”

Weibo is passionate about developing new and innovative products and services that will create a better user experience. Built on machine learning and cloud computing, Weibo has developed a leading social media platform to satisfy users’ customized content consumption needs, according to the CIC Report. Weibo invests heavily in research and development. Weibo recorded product development expenses of US\$249.9 million, US\$284.4 million, US\$324.1 million and US\$198.0 million in 2018, 2019, 2020 and for the six months ended June 30, 2021, respectively. The product development team of Weibo consisted of 2,374 members as of December 31, 2018, 2,364 members as of December 31, 2019, 2,709 members as of December 31, 2020, and 2,770 members as of June 30, 2021. They are responsible for developing, operating and maintaining our products. See “Business — Technology, Research and Development.”

## SUMMARY

### KEY OPERATING METRICS

	<u>December 2018</u>	<u>December 2019</u>	<u>December 2020</u>	<u>June 2021</u>
MAUs (in millions) . . . . .	462	516	521	566
Average DAUs (in millions) . . . . .	200	222	225	246
<b>Ratio of average DAUs to MAUs . . . . .</b>	<b>43%</b>	<b>43%</b>	<b>43%</b>	<b>43%</b>

We have a large and active user base. Our MAUs increased from 462 million in December 2018, to 516 million in December 2019, to 521 million in December 2020 and further to 566 million in June 2021. Our average DAUs increased from 200 million in December 2018, to 222 million in December 2019, to 225 million in December 2020 and further to 246 million in June 2021. The ratio of average DAUs to MAUs remained stable at 43% during the Track Record Period.

Our user growth rate may fluctuate from time to time depending on various factors, including our business operation and user base growth, as well as the general market condition. See “Risk Factors – Risks Relating to Our Business – If we fail to grow our active user base, or if user engagement on our platform declines, our business, financial condition and operating results may be materially and adversely affected”.

	<u>For the Year Ended December 31,</u>			<u>For the Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
<b>Average spending per advertiser (excluding Alibaba) (in US\$) . . . . .</b>	<b>470</b>	<b>593</b>	<b>825</b>	<b>454</b>	<b>1,379</b>
<b>Number of advertising customers (in millions) . . . . .</b>	<b>2.9</b>	<b>2.4</b>	<b>1.6</b>	<b>1.2</b>	<b>0.6</b>

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 result of mixed challenges from unfavorable macroeconomic conditions and intense market competitions. The average spending per advertiser (excluding Alibaba) increased by 26% from \$470 in 2018 to \$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 budget.

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 \$593 in 2019 to \$825 in 2020, both of which were primarily due to the churn of individual customers with relatively lower advertising budget.

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## SUMMARY

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The total number of advertisers was 0.6 million in the first six months ended June 30, 2021, compared to 1.2 million in the same period in 2020, while the average spending per advertiser (excluding Alibaba) increased significantly from US\$454 in the first six months ended June 30, 2020 to US\$1,379 in the same period in 2021, both of which were primarily due to the churn of individual customers with relatively lower advertising budget.

	As of December 31,			As of
	2018	2019	2020	June 30,
				2021
<b>Number of verified accounts</b>				
(in millions) . . . . .	3.7	4.0	4.3	4.4

The number of our verified accounts generally increased during the Track Record Period as we kept growing our network of celebrities, KOLs, enterprises partners and media outlets.

### OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our peers.

- Pioneer and Leader in Social Media Industry in China
- Robust Ecosystem with Powerful Network Effects
- Large, Diverse and Engaged User Base
- Ever-Growing Supply of Rich and Comprehensive Content Offerings
- Proven and Continuous Growth in Monetization
- Cutting-Edge Technological Capabilities and Scalable Infrastructure
- Visionary and Experienced Management Team with A Proven Track Record

### OUR STRATEGIES

We intend to achieve our mission and further solidify our unique position by pursuing the following strategies.

- Grow Our User Base and Increase User Engagement
- Further Expand and Improve Our Content Ecosystem
- Enhance Monetization Capabilities
- Selectively Pursue Strategic Alliances, Investments and Acquisitions

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Selected Consolidated Statements 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 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>
	<i>(Unaudited)</i>				
	(In US\$ thousands, except for per share and per ADS data)				
<b>Consolidated Statements of Operations Data:</b>					
Revenues:					
Advertising and marketing revenues:					
Third parties	1,172,136	1,202,437	1,202,712	497,855	728,818
Alibaba <sup>(2)</sup>	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 <sup>(3)</sup>	277,648	328,826	302,180	137,694	172,318
Sales and marketing <sup>(3)</sup>	527,424	465,339	455,619	211,220	298,368
Product development <sup>(3)</sup>	249,873	284,444	324,110	150,370	197,985
General and administrative <sup>(3)(4)</sup>	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 <sup>(5)</sup>	40,074	207,438	35,115	117,517	(69,495)
Investment related impairment <sup>(6)</sup>	(24,074)	(249,935)	(211,985)	(3,920)	(66,625)
Interest income	57,970	85,386	85,829	45,609	40,068
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

## SUMMARY

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>
	<i>(Unaudited)</i>				
	(In US\$ thousands, except for per share and per ADS data)				
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 . . . . .	<u>571,823</u>	<u>494,675</u>	<u>313,364</u>	<u>250,524</u>	<u>130,848</u>
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 <sup>(7)</sup> :					
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 began 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
	<i>(Unaudited)</i>				
	(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 . . . . .	<u>41,011</u>	<u>61,289</u>	<u>67,105</u>	<u>30,188</u>	<u>36,221</u>



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## SUMMARY

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- (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.

Net income attributable to Weibo’s shareholders decreased from US\$250.5 million for the six months ended June 30, 2020 to US\$130.8 million for the six months ended June 30, 2021. The decrease primarily resulted from (i) total cost and expenses increasing by US\$184.9 million, from US\$546.6 million for the six months ended June 30, 2020 to US\$731.5 million for the same period in 2021, (ii) net income from non-operations of US\$142.4 million for the six months ended June 30, 2020, compared to net loss from non-operations of US\$110.0 million for the same period in 2021, which primarily resulted from US\$69.5 million of fair value change loss from investments in marketable equity securities and US\$66.6 million of investment related impairment, and (iii) partially offset by total revenues increasing by US\$322.6 million, from US\$710.8 million for the six months ended June 30, 2020 to US\$1,033.4 million for the same period in 2021.

Net income attributable to Weibo’s shareholders decreased from US\$494.7 million in 2019 to US\$313.4 million in 2020. The decrease was mainly due to (i) total revenues decreasing by US\$77.0 million, from US\$1,766.9 million in 2019 to US\$1,689.9 million in 2020 and (ii) net loss from non-operations amounting to US\$130.9 million in 2020, which included non-cash investment-related impairment of US\$212.0 million, compared to net income from non-operations of US\$4.8 million in 2019.

Net income attributable to Weibo’s shareholders decreased from US\$571.8 million in 2018 to US\$494.7 million in 2019. The decrease largely resulted from (i) total cost and expenses increasing by US\$60.0 million, from US\$1,109.3 million in 2018 to US\$1,169.3 million in 2019, (ii) net income from non-operations of US\$59.6 million in 2018, decreasing to net income from non-operations of US\$4.8 million in 2019, and (iii) partially offset by total revenues increasing by US\$48.4 million, from US\$1,718.5 million in 2018 to US\$1,766.9 million in 2019.

## SUMMARY

### Selected Consolidated Balance Sheet Data

	As of December 31,			As of
	2018	2019	2020	June 30,
	2021			
	(in US\$ thousands)			
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
Amount due from SINA . . . . .	105,319	384,828	548,900	498,618
Long-term investments . . . . .	694,586	1,027,459	1,179,466	1,123,258
Total assets <sup>(1)</sup> . . . . .	3,274,682	4,804,186	6,335,117	6,702,725
Convertible debt . . . . .	884,123	888,266	892,399	894,470
Unsecured senior notes . . . . .	—	793,985	1,536,112	1,537,264
Total liabilities <sup>(1)</sup> . . . . .	1,526,544	2,522,367	3,448,787	3,595,107
Net current assets . . . . .	1,839,254	2,835,323	3,876,189	3,560,382
Ordinary shares . . . . .	57	57	57	57
Additional paid-in capital . . . . .	1,071,836	1,133,913	1,201,622	1,239,461
Retained earnings . . . . .	723,181	1,217,856	1,531,220	1,662,068
Non-controlling interests . . . . .	2,679	(1,448)	16,191	28,221
Total shareholders' equity . . . . .	1,748,138	2,281,819	2,828,616	3,038,259

(1) We adopted the new leasing guidance (ASU 2016-2) from January 1, 2019, which requires that a lessee recognize the assets and liabilities that arise from operating leases. We recognized a right-of-use asset and a liability relating to lease payments (the Lease Liability) in the statements of financial position for lease contracts having terms beyond 12 months period.

### Selected Consolidated Cash Flow Data

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	
	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

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## SUMMARY

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### OUR SHAREHOLDING AND CORPORATE STRUCTURE

#### Our Major Shareholders and Relationship with Controlling Shareholders

As of September 30, 2021, Mr. Charles Chao, our chairman of the board of directors since our inception, was interested in and controlled through SINA Corporation, a wholly owned subsidiary of Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited, a business company incorporated in the BVI and controlled by Mr. Charles Chao, 101,778,958 Class B ordinary shares of our Company. As of September 30, 2021, Mr. Chao controlled approximately 70.6% of the aggregate voting rights in our Company. Immediately following the [REDACTED], Mr. Charles Chao will control approximately [REDACTED] of the aggregate voting rights in our Company, without taking into account any allotment and issuance of Class A ordinary shares upon the exercise of the [REDACTED].

For further details, please see “Major Shareholders” and “Relationship with our Controlling Shareholders”.

#### Weighted Voting Rights Structure and WVR Beneficiary

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote and each Class B ordinary share entitles the holder to exercise three votes respectively, on all matters that require a shareholder’s vote.

We have applied for[, and the Stock Exchange has granted us,] a waiver from strict compliance with Rule 19C.07(3) of the Hong Kong Listing Rules, which requires that the appointment, removal and remuneration of auditors must be approved by a majority of a listed company’s members or other body that is independent of the listed company’s board of directors.

Furthermore, Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in an issuer’s total number of issued shares must be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in our Company’s Articles is at least two shareholders holding not less than one-third of the total voting rights in the paid up capital of our Company. Rule 19C.07(4) requires a general meeting to be held each year as the qualifying issuer’s annual general meeting.

We have applied for[, and the Stock Exchange has granted us,] a waiver from strict compliance with Rule 19C.07(4) and 19C.07(7) of the Hong Kong Listing Rules, on the condition that we will put forth resolutions at the First GM to revise the Articles, so that (i) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company; (ii) the quorum for a general meeting of the Company will be lowered from the current one or more shareholders holding at least one-third of the aggregate voting power of the Company to one or more shareholders holding at least 10% of the aggregate voting power of the Company; and (iii) we will hold an annual general meeting each year; and we have [obtained] an irrevocable undertaking from our controlling shareholder prior to the date of this document to be present and vote in favor of the proposed resolutions outlined above with a view to ensuring that there may be adequate quorum votes in favor of such resolutions. See “Waivers and Exemptions — Shareholder Protection Requirements” for further details.

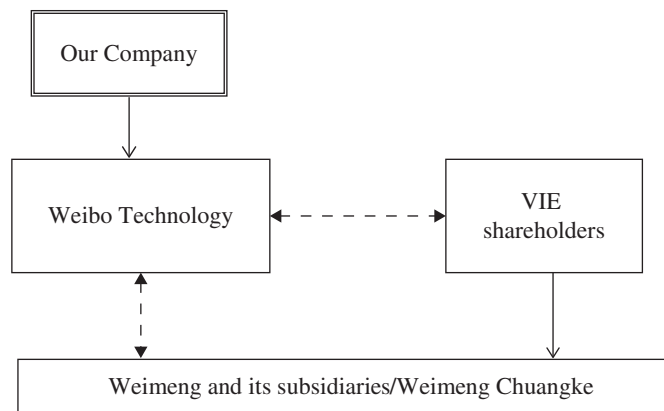
## SUMMARY

Moreover, our Company has [obtained] an undertaking from Alibaba that it will be present and vote in favor of the proposed resolutions outlined above at the First GM and the relevant class meeting (if applicable), and if the proposed resolutions are not approved at the First GM and the relevant class meeting, be present and vote in favor of such proposed resolutions at each subsequent general meeting and class meeting at which our Company puts forth such proposed resolutions until all proposed resolutions are approved.

Notwithstanding the above, the Company intends to hold the First GM on December 1, 2021 to put forth the relevant resolutions for revising the Articles. In the case where the the relevant amendments are approved and adopted at the First GM before the Listing, the above-mentioned waiver as well as the voting undertakings will lapse automatically.

### Our VIE Structure

The diagram below illustrates the general structure of the economic flow and control under our VIE structure created by the contractual arrangements:



*Notes:*

- (1) “—>” denotes the direction of legal and beneficial ownership.
- (2) “<--->” denotes the contractual arrangements among the VIEs, VIE shareholders, and our subsidiaries.

Current PRC laws and regulations impose substantial restrictions on foreign ownership of internet information services and value-added telecommunication service businesses in China. Therefore, we conduct part of our businesses through a series of agreements between Weibo Technology, our PRC subsidiary, Weimeng and Weimeng Chuangke, our consolidated affiliated entities, and/or their respective shareholders. See “History and Corporate Structure — Corporate Structure — Contractual Arrangements” for a summary of the contractual arrangements entered into between Weibo Technology, our consolidated affiliated entities and/or their respective shareholders.

Additionally, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws. Accordingly, PRC regulatory authorities or courts may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws relating to contractual arrangements will be adopted, what the laws would provide. If we or any of the VIEs is found to be in violation of existing or future PRC laws, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authority would have

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## SUMMARY

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broad discretion to take action in dealing with the violation or failure, in which case we could be subject to severe penalties, including being prohibited from continuing our operations or unwinding the contractual arrangements. See “Risk Factors — Risks Relating to Our Corporate Structure” and “Risk Factors — Risks Relating to Doing Business in the People’s Republic of China”.

### RISK FACTORS

Our business and the [REDACTED] involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us and/or the value of your investment. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- If we fail to grow our active user base, or if user engagement on our platform declines, our business, financial condition and operating results may be materially and adversely affected.
- If our users and platform partners do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in user traffic and user engagement.
- We rely on our partnership program with channel partners, which mainly include application pre-install partners, programmatic buying partners and application marketplaces, to drive traffic to our platform, and if our partnership program becomes less effective or if the smartphone market and shipment in China slow down compared to the prior years, traffic to our platform could decline and our business and operating results could be adversely affected.
- If we are unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.
- We may not be able to maintain or grow our revenues or our business.
- We generate a substantial majority of our revenues from online advertising and marketing services. If we fail to generate sustainable revenue and profit through our advertising and marketing services, our result of operations could be materially and adversely affected.
- If the PRC government finds that the agreements establishing the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in internet and other related businesses, or if these regulations or their interpretation change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.
- Adverse changes in China’s or global economic and political policies could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.
- We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

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## SUMMARY

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### USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED] after deducting estimated [REDACTED] fees and the estimated [REDACTED] payable by us and based upon [REDACTED], [REDACTED] per [REDACTED] for both the [REDACTED] and the [REDACTED], and assuming that the [REDACTED] is not exercised, or [REDACTED] if the [REDACTED] is exercised in full. We plan to use the [REDACTED] we will receive from the [REDACTED] for the following purposes:

- approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for continuing to grow our user base and user engagement, and enhance our content ecosystem. We will nurture our content ecosystem for users, customers and content creators, further develop innovative products and features, expand our user reach by executing channel marketing strategies and promotional activities.
- approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for research and development to enhance our user experience and monetization capabilities. We plan to refine our recommendation engine to improve the relevance of information we push to users. We will continue to improve our proprietary hybrid cloud platform and further scale up our IT infrastructure, including our video platform and live streaming system. We plan to research and develop technologies to improve user experience and to support the expansion of our business. We also plan to recruit, train and retain more research and development talents for these purposes.
- approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for selectively pursuing strategic alliances, investments and acquisitions. We plan to form strategic alliances and partnerships and pursue investments and acquisitions in businesses that are synergistic and complementary to our ecosystem and to further diversify our monetization channels. As of the Latest Practicable Date, we have not identified any specific target of potential merger or acquisition.
- approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for working capital and general corporate purposes.

See “Use of [REDACTED]” for further details.

### THE LISTING

Our ADSs have been listed and traded on the Nasdaq since April 17, 2014. Dealings in our ADSs on the Nasdaq are conducted in U.S. dollars. We have applied for a [REDACTED] of our Class A ordinary shares on the Main Board under Chapter 19C (Secondary Listings of Qualifying Issuers) of the Hong Kong Listing Rules. [REDACTED] in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class A ordinary shares will be [REDACTED] on the Hong Kong Stock Exchange in [REDACTED] of [REDACTED] Shares. For additional information, see “Information about This Document and the [REDACTED].”

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## SUMMARY

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As we are seeking a listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Listing Rules with a WVR structure, certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules (Weighted Voting Rights) do not apply to us pursuant to Rule 19C.12 and our Articles differ from Chapter 8A in a number of ways, including the following:

- Chapter 8A prohibits the increase in the proportion of shares with WVRs after the Listing and, where there is a reduction in the number of issued shares, requires shares with WVRs to be reduced proportionately. Our Articles do not contain such restrictions on the Class B ordinary shares;
- Chapter 8A requires (a) amendments to a listed issuer’s constitutional documents, (b) variation of rights attached to any class of shares, (c) the appointment or removal of an independent non-executive director, (d) the appointment or removal of auditors and (e) the voluntary winding-up of a listed issuer to be subject to shareholder approval on a one vote per share basis. Our Articles do not contain such provisions;
- we do not have a corporate governance committee. Therefore, there is not a charter that contains the terms otherwise required under Rule 8A.30 and Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules. For more details of the charter of our corporate governance committee, please see “Directors and Senior Management — Board Practices”; and
- the independent non-executive directors of a listed issuer with a WVR structure must be subject to retirement by rotation at least once every three years under Chapter 8A, whereas our Articles do not provide for a term of office for our directors.
- the WVR beneficiary’s voting rights must cease if the beneficiary is deceased, no longer a member of the board, or deemed by the Hong Kong Stock Exchange to no longer meet the requirements of or be incapacitated for the purpose of performing his duties as a director. Notwithstanding the foregoing, the existing Articles stipulate that, if at any time SINA and its affiliates in aggregate hold less than 5% of the issued Class B ordinary shares in our capital, the WVR beneficiaries’ weighted voting rights will cease. Furthermore, we will make certain changes to the Articles at the First GM to the effect that, if the Class B ordinary shares are no longer under the control of the existing WVR beneficiaries or their affiliates, all of the relevant Class B ordinary shares held by it shall be automatically converted into Class A ordinary shares. For further details, see the section headed “Waivers and Exemptions — Shareholder Protection Requirements — Other Proposed Amendments to the Articles”.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to [REDACTED] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to “Risk Factors — Risks Related to Our Corporate Structure.”

As a result, our Articles provide less shareholder protection and have fewer governance safeguards than if our Company were subject to Chapter 8A in its entirety.

## SUMMARY

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### WAIVERS AND EXEMPTIONS

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the SFO and a ruling under the Takeovers Codes. We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements in Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin-off one or more of our businesses within three years of the Listing. For additional information, see “Waivers and Exemptions” of this document.

We enjoy exemptions from certain obligations under U.S. securities laws and Nasdaq rules as a foreign private issuer as defined under the U.S. Exchange Act. Investors should exercise care when investing in our Shares and/or ADSs. See “Information about this Document and the [REDACTED] — Summary of Exemptions as a Foreign Private Issuer in the U.S.”

[REDACTED]



## SUMMARY

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[REDACTED]

### LISTING EXPENSES

We expect to incur listing expenses of approximately [REDACTED], accounting for [REDACTED] of [REDACTED], after June 30, 2021, including [REDACTED]-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 listing expenses will be charged to the profit or loss of our Company.

### DIVIDEND POLICY

Our board of directors has complete discretion on whether to distribute dividends, subject to applicable laws. 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.

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. See “Financial Information — Dividend Policy.”

## SUMMARY

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### NO MATERIAL ADVERSE CHANGE

Our directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position since June 30, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since June 30, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix IA to this document.

### IMPACT OF COVID-19 AND RECENT DEVELOPMENT

The COVID-19 pandemic has had, and, together with any subsequent outbreaks driven by new variants of COVID-19, may continue to have, a significant impact on our operations and financial results. 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 the year of 2020, particularly in its first half. The COVID-19 pandemic has caused 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. In China, business activities have largely resumed, governmental emergency measures have been significantly relaxed, and the general economy is gradually recovering. Recently, there has been an increasing number of COVID-19 cases, including the COVID-19 Delta variant cases, in multiple cities in China. The Chinese local authorities have reinstated certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders, and we may have to adjust various aspects of our operations. In addition, the highly-transmissible Delta variant of COVID-19 has caused authorities in various countries to reimpose restrictions such as mask mandates, curfews and prohibitions on large gatherings. There remain significant uncertainties surrounding COVID-19, including the existing and new variants of COVID-19, and its further development as a global pandemic, including the effectiveness of vaccine programs against existing and any new variants of COVID-19, and their impacts on our customers’ advertising budget and spending more broadly. The extent of any business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. 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.”

## SUMMARY

### Financial Results for the Nine Months Ended September 30, 2021

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 unaudited interim condensed consolidated financial statements included in Appendix IB to this document. The results of operations in any period are not necessarily indicative of our future trends.

	<b>For the Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<b>(In US\$ thousands, except for per share and per ADS data)</b>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
 <b>Interim Condensed Consolidated Statements of Operations Data:</b>		
Revenues:		
Advertising and marketing revenues:		
Third parties . . . . .	852,263	1,198,168
Alibaba <sup>(1)</sup> . . . . .	112,906	134,892
SINA . . . . .	34,149	58,178
Other related parties . . . . .	33,360	38,731
Subtotal . . . . .	1,032,678	1,429,969
Value-added services revenues . . . . .	143,843	210,827
Total revenues . . . . .	1,176,521	1,640,796
Costs and expenses:		
Cost of revenues <sup>(2)</sup> . . . . .	214,892	275,296
Sales and marketing <sup>(2)</sup> . . . . .	316,483	439,207
Product development <sup>(2)</sup> . . . . .	233,881	316,806
General and administrative <sup>(2)</sup> . . . . .	86,111	94,597
Total costs and expenses . . . . .	851,367	1,125,906
Income from operations . . . . .	325,154	514,890
Income from equity method investments . . . . .	4,422	17,688
Realized gain from investments . . . . .	848	1,299
Fair value changes through earnings on investments, net . . . . .	127,641	(33,073)
Investment related impairment <sup>(3)</sup> . . . . .	(117,835)	(102,594)
Interest income . . . . .	65,667	56,909
Interest expense . . . . .	(39,677)	(53,255)
Other income, net . . . . .	3,889	3,147
Income before income tax expenses . . . . .	370,109	405,011
Less: Provision of income taxes . . . . .	86,630	93,260
Net income . . . . .	283,479	311,751
Less: Net loss attributable to non-controlling interests . . . . .	(843)	(835)
Net income attributable to Weibo’s shareholders . . . . .	284,322	312,586

## SUMMARY

	<b>For the Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<b>(In US\$ thousands, except for per share and per ADS data)</b>	
	<i>(Unaudited)</i> <i>(Unaudited)</i>	
Shares used in computing net income per share attributable to Weibo’s shareholders:		
Basic . . . . .	226,728	228,185
Diluted . . . . .	227,352	229,765
Income per ordinary share:		
Basic . . . . .	1.25	1.37
Diluted . . . . .	1.25	1.36
Income per ADS <sup>(4)</sup> :		
Basic . . . . .	1.25	1.37
Diluted . . . . .	1.25	1.36

*Note:*

- (1) We recorded US\$92.5 million and US\$94.1 million in advertising and marketing revenues from Alibaba for the nine months ended September 30, 2020 and 2021, respectively. Moreover, one of Alibaba’s subsidiaries engaged in the business of advertising agency and contributed another US\$20.4 million and US\$40.8 million to our total revenues for the nine months ended September 30, 2020 and 2021, respectively.

	<b>For the Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<b>(in US\$ thousands)</b>	
	<i>(Unaudited)</i> <i>(Unaudited)</i>	
(2) Stock-based compensation in each category:		
Cost of revenues . . . . .	3,909	5,690
Sales and marketing . . . . .	6,886	10,249
Product development . . . . .	22,890	29,260
General and administrative . . . . .	14,100	16,059
Total . . . . .	47,785	61,258

- (3) Investment related impairment includes impairment charges to equity investments, investment prepayments and loans to and interest receivable from related parties.
- (4) Each ADS represents one Class A ordinary share.

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## SUMMARY

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### *Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020*

#### *Net Revenues*

Our revenues increased by 39% from US\$1,176.5 million in the nine months ended September 30, 2020 to US\$1,640.8 million in the nine months ended September 30, 2021.

- *Advertising and marketing revenues.* Advertising and marketing revenues increased by 38% from US\$1,032.7 million in the nine months ended September 30, 2020 to US\$1,430.0 million in the nine months ended September 30, 2021. Mobile advertising revenues accounted for approximately 93% of our total advertising and marketing revenues in the nine months ended September 30, 2021, compared to 90% in the nine months ended September 30, 2020, benefiting from the growth of advertiser preferences. The total number of advertisers was 0.8 million in the nine months ended September 30, 2021, compared to 1.4 million in the nine months ended September 30, 2020, while the average spending per advertiser (excluding Alibaba) increased by 152% from US\$649 in the nine months ended September 30, 2020 to US\$1,637 in the nine months ended September 30, 2021, both of which were primarily due to the churn of individual customers with relatively lower advertising budgets.

Revenues from advertising customers (excluding Alibaba) increased by 42% from US\$940.2 million in the nine months ended September 30, 2020 to US\$1,335.9 million in the nine months ended September 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 2% from US\$92.5 million in the nine months ended September 30, 2020 to US\$94.1 million in the nine months ended September 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 47% from US\$143.8 million in the nine months ended September 30, 2020 to US\$210.8 million in the nine months ended September 30, 2021. The increase primarily attributable to the increase of game-related revenues from US\$0.9 million for the nine months ended September 30, 2020 to US\$78.1 million for the nine months ended September 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 of revenue from live streaming business from US\$30.7 million to US\$11.9 million as a result of intense market competitions.

#### *Costs and Expenses*

Our costs and expenses increased by 32% from US\$851.4 million in the nine months ended September 30, 2020 to US\$1,125.9 million in the nine months ended September 30, 2021.

- *Cost of Revenues.* Cost of revenues increased by 28% from US\$214.9 million in the nine months ended September 30, 2020 to US\$275.3 million in the nine months ended September 30, 2021. The increase was primarily due to an increase of US\$22.4 million in labor cost, an increase of US\$11.4 million in advertisement production cost, an increase of US\$6.6 million in revenue share cost, an increase of US\$6.6 million in turnover taxes, and an increase of US\$6.2 million in content cost.

## SUMMARY

- *Sales and Marketing.* Our sales and marketing expenses increased by 39% from US\$316.5 million in the nine months ended September 30, 2020 to US\$439.2 million in the nine months ended September 30, 2021. The increase was primarily due to an increase of US\$82.7 million in marketing spend and promotional activities, and an increase of US\$34.0 million in personnel-related expenses.
- *Product Development.* Our product development expenses increased by 35% from US\$233.9 million in the nine months ended September 30, 2020 to US\$316.8 million in the nine months ended September 30, 2021. The increase was primarily attributable to an increase of US\$54.9 million in personnel-related expenses, an increase of US\$6.4 million in stock-based compensation, and an increase of US\$13.4 million in amortization of intangible assets.
- *General and Administrative.* Our general and administrative expenses increased by 10% from US\$86.1 million in the nine months ended September 30, 2020 to US\$94.6 million in the nine months ended September 30, 2021. The increase was primarily due to the increase of US\$35.8 million in personnel-related expenses and an increase of US\$6.5 million in professional services fees. The increase was partially offset by a decrease of US\$39.7 million in provision of allowance for credit losses.

### *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. We recorded US\$117.8 million and US\$102.6 million in investment related impairment charges in the nine months ended September 30, 2020 and 2021, respectively, as the investments were not performing to expectations or they became incapable of making repayments.

### *Interest Income and Interest Expense*

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

### *Provision of Income Taxes*

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

	For the Nine Months Ended September 30,	
	2020	2021
	(in US\$ thousands except percentage)	
	(unaudited)	(unaudited)
Deferred tax provisions (benefits) .....	11,682	(11,546)
Current income tax expenses .....	74,948	104,806
Income tax expenses .....	86,630	93,260

## SUMMARY

	For the Nine Months Ended September 30,	
	2020	2021
	(in US\$ thousands except percentage) ( <i>unaudited</i> )	
Income tax expenses (benefits) applicable to non-China operations . . . . .	12,358	(9,757)
Income tax expenses applicable to China operations . . . . .	74,272	103,017
Income from China operation . . . . .	305,630	603,409
Effective tax rate for China operations . . . . .	24.3%	17.1%

We recorded income taxes of US\$86.6 million and US\$93.3 million in the nine months ended September 30, 2020 and 2021, respectively. 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 “high and new technology enterprise” during the periods presented.

### *Cash Flow Data*

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

	For the Nine Months Ended September 30,	
	2020	2021
	(in US\$ thousands except percentage) ( <i>unaudited</i> )	
Net cash provided by operating activities . . . . .	420,495	564,352
Net cash used in investing activities . . . . .	(1,240,855)	(567,860)
Net cash provided by financing activities . . . . .	741,963	1,214
Effect of exchange rate changes on cash and cash equivalents . . . . .	37,341	16,141
Net increase (decrease) in cash and cash equivalents . .	(41,056)	13,847
Cash and cash equivalents at the beginning of the year/period . . . . .	1,452,985	1,814,844
Cash and cash equivalents at the end of the period . . .	1,411,929	1,828,691

As of December 31, 2020, and September 30, 2021, our total cash, cash equivalents and short-term investments were US\$3,496.9 million and US\$2,707.2 million, respectively. Our principal sources of liquidity have been net proceeds from cash from operations and issuance of unsecured senior notes.

Net cash provided by operating activities for the nine months ended September 30, 2021 was US\$564.4 million, which consists of our net income of US\$311.8 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 non-cash investment related impairment of US\$102.6 million, a charge of US\$61.3 million in stock-based compensation, a charge of US\$40.2 million in depreciation and amortization and a net loss of US\$33.1 million in fair value changes

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## SUMMARY

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through earnings on investments. The principal items accounting for the changes in operating assets and liabilities include an increase of US\$190.3 million in accrued and other liabilities, a decrease of US\$38.7 million in amount due from Alibaba, and an increase of US\$24.3 million in accounts payable, partially offset by an increase of US\$241.3 million in accounts receivable due from third parties.

Net cash used in investing activities for the nine months ended September 30, 2021 was US\$567.9 million. This was primarily attributable to cash paid on long-term investments of US\$1,471.3 million, purchases of bank time deposits and wealth management products of US\$560.2 million, prepayment for purchase of SINA Plaza of US\$132.5 million, net cash paid for acquisitions of US\$61.2 million, partially offset by maturities of bank time deposits and wealth management products of US\$1,371.9 million, proceeds from the disposal and refund of prepayment on long-term investments of US\$242.6 million, and net repayment of loan by SINA of US\$66.4 million.

Net cash provided by financing activities for the nine months ended September 30, 2021 was US\$1.2 million, which consists of proceeds from the exercise of employee stock options.

### *Capital Expenditures*

Our capital expenditures primarily consist of purchases of servers, computers and other office equipment. Our capital expenditures were US\$23.8 million for the nine months ended September 30, 2021. We will continue to make capital expenditures for the future growth of our business and we intend to fund these purchases in the future with existing cash balance.

### *Key Operating Metrics*

Our MAUs increased from 511 million in September 2020 to 573 million in September 2021. Mobile MAUs represented 94% of MAUs. Our average DAUs increased from 224 million in September 2020 to 248 million in September 2021. The ratio of average DAUs to MAUs in September 2021 remained stable at 43%.

## RECENT REGULATORY DEVELOPMENTS

### **Cybersecurity**

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021, which provides that a “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental departments and supervision and management departments of the aforementioned important industries will be responsible for organizing the identification of critical information infrastructures in their respective industries.



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## SUMMARY

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On July 10, 2021, the CAC published a discussion draft of the amended Measures for Cybersecurity Review (《網絡安全審查辦法(修訂草案徵求意見稿)》), which provides that certain operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the “**Operators**”) carrying out data processing activities that affect or may affect national security must apply with the Cybersecurity Review Office for a cybersecurity review. For details, see “Regulatory Overview.” As a major internet platform, we are at risk of being deemed to be an Operator which, however, is subject to significant uncertainties as explained below.

- Under the current PRC cybersecurity laws, operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security must apply for a cybersecurity review. However, as advised by our PRC Legal Adviser, the scope of operators of “critical information infrastructure” under the current regulatory regime remains unclear and is subject to the decisions of competent PRC regulatory authorities.
- Although the internet products and services we purchase are primarily bandwidth, copyright content and marketing services, we may be subject to cybersecurity review when purchasing them in the future. As of the date of this document, we have not been involved in any investigations or cybersecurity reviews by the CAC for making those purchases of internet products and services during the Track Record Period, and we have not received any inquiry, notice, warning, or sanction in such respect.
- The definition and scope of activities of data processing that will or may affect national security is similarly unclear and subject to the regulatory interpretation.

An Operator could be required to fulfill various obligations, including setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cybersecurity incidents and conducting regular emergency drills, and we have already performed the aforementioned measures. We have not fulfilled obligations that are only applicable and available if being recognized as an operator of “critical information infrastructure,” such as conducting network security inspections and risk assessments on critical information infrastructure at least once a year either through self-assessment or through a cybersecurity service agency, timely correcting any security issues discovered, and reporting relevant matters as required by the security protection departments. Additional compliance efforts could disrupt our operations and adversely affect our business, results of operations and financial condition.

As there is no timetable as when this discussion draft of the amended Measures for Cybersecurity Review will be enacted, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. See “Risk Factors – Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.”

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## SUMMARY

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On November 14, 2021, the CAC published a discussion draft of the Administrative Measures for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. As of the date of this document, this draft has not been formally adopted. Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation, especially the detailed interpretation of the standard for determining whether a listing in Hong Kong “affects or may affect national security.” See “Risk Factors – Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.”

### **Anti-monopoly and competition**

On August 17, 2021, the State Administration for Market Regulation issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users’ choices, or use technical means to illegally capture or use other business operators’ data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

On September 11, 2020, the Anti-Monopoly Commission of the State Council issued Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires operators to establish anti-monopoly compliance management systems under the PRC Anti-Monopoly Law to manage anti-monopoly compliance risks. On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities. In August 2021, the SAMR issued two investigation notices to Weimeng Chuangke regarding alleged illegal concentration of business operators under the Anti-Monopoly Law, among which, one resulted in a fine of RMB500,000 for concentration of business operators without prior filing pursuant to the Anti-Monopoly Law (中華人民共和國反壟斷法) and the other one is still under investigation as of the date of this document. Weimeng Chuangke is actively cooperating with the SAMR on such investigation. We are not able to predict the status or the results of the investigation at this stage. According to the PRC Anti-Monopoly Law (中華人民共和國反壟斷法), if a business operator carries out a concentration in violation of the law, the relevant authority shall order the business operator to terminate the concentration, dispose of the shares or assets or transfer the business within a specified time limit, or take other measures to restore the pre-concentration status, and impose a fine of up to RMB500,000. As such, our PRC legal adviser is of the view that we could be subject to fines of up to RMB500,000 and other legal actions by the SAMR for such concentration.

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## SUMMARY

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On October 23, 2021, the Standing Committee of the National People’s Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators. The draft also proposes that the relevant authority shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold. We are of the view that the strengthened enforcement of the Anti-Monopoly Law could result in investigations on our acquisition transactions conducted in the past and make our acquisition transactions in the future more difficult due to the prior filing requirement. See “Risk Factors — Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.”

### **Algorithm recommendation**

On August 27, 2021, the CAC issued a discussion draft of Administrative Provisions on Algorithm Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定(徵求意見稿)》), which, among others, requires algorithm recommendation service providers to publicly disclose the basic principles, purposes, intention, and operating mechanism of their algorithm-related products. If this draft is enacted as proposed, we may need to further adjust our business and operations. We have publicly disclosed the operation mechanism for “Weibo hot search” in the Weibo Hot Search Management Rules, which are posted as a Weibo community announcement. We have also provided an option for our users to adjust the algorithm-driven recommendations settings for content and advertisements. A user can click to deactivate “personalized ads recommendation” function to lower the relevancy of the ads pushed to this user, and to deactivate “personalized content recommendation” function to lower relevancy of the content recommended to this user. We have been advised by our PRC Legal Adviser that our current approaches are in compliance with effective laws and regulations for algorithm recommendation in all material aspects as of the date of this document, however, since this draft has not been enacted as of the date of this document, the potential impact on our business operations is still substantially uncertain and the PRC regulatory authorities could take a contrary view over our current efforts as described above. During the Track Record Period, we generated approximately 55% to 65% of our advertising and marketing revenues from the provision of promoted marketing products, which however, included advertisements that are not targeting advertising using algorithm recommendation engine and reach users universally. Furthermore, multiple factors, such as the content quality, product strategy, and algorithm technology, are inextricably intertwined in contributing to the revenue of our advertisement products, among which attribution from algorithm recommendation is only one factor. If the draft is enacted as proposed, the impact on our SIG recommendation engine still depends largely on the number of users who actually turn off our algorithm recommendation services. If such opt-out ratio turns out to be on the high end, the advertisement efficiency on our platform may ultimately be lowered and our business operations may be adversely affected.

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## SUMMARY

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On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithm shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted. The Company will closely monitor the regulatory development and adjust its business operation from time to time to comply with the regulations over algorithm.

### Others

On August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. In addition to the real-name registration system already in place, we have adjusted the systems in the games operated by us to comply with the requirements under this notice. The revenue contributed by online games accounted for an insignificant portion of our total revenue during the Track Record Period. We are of the view that this notice will not have a material adverse impact on our business operation or financial results.

The Cyberspace Administration of China launched a “Fan Group Chaos Rectification” special action on June 15, 2021, followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to rectify chaos in online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancellation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but the network platforms should optimize and adjust ranking rules to focus on the art works themselves and professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spending money on supporting idols, or act as the organizer or manager of a fan group. As of the Latest Practicable Date, we have taken measures specified in this notice to the extent applicable to our business, including removing the function of star power list on our platform.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

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## SUMMARY

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On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasize on the prevention of illegal securities activities and tightened supervision over overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China’s securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage. See “Risk Factors — The approval of the CSRC or other PRC government authorities may be required in connection with this offering under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval.” As of the date of this document, we have not received any inquiry, notice, warning, or sanction regarding this offering from the CSRC or any other PRC government authorities.

On October 26, 2021, the CAC issued draft Administrative Provisions on the Account Names of Internet Users (互聯網用戶賬號名稱信息管理規定(徵求意見稿)), revising the Regulations on the Administration of Internet User Account Names (互聯網用戶賬號名稱管理規定). This draft requires Internet user account service platforms to, among others, establish, improve and strictly implement account name information management system, information content security system, and personal information protection system, and establish an account name information dynamic check patrol system for the verification of real identity information. As of the date of this document, this draft has not been formally adopted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We are still in the process of evaluating the effect of the requirements under this draft on our business and will make necessary adjustments to our business to comply with the applicable requirements. If such draft is enacted as proposed, it would be costly for us to make more efforts on monitoring and managing user account names to comply with these requirements.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)), which provides that, among others, non-state-capitalized entities shall not conduct the business of news collecting, editing, releasing and reporting. Weibo does not collect, edit, release or report news by itself. Weibo holds an Internet News and Information Service License, which allows it to provide the service of reposting news information and operating a platform to disseminate news information. The draft Negative List also provides that non-state-capitalized entities shall not engage in live streaming of political, economic, military, diplomatic, major social, cultural, scientific and technological, health, education, sports and other activities and events related to political direction, public opinion orientation and value orientation. The scope of live streaming business under this list is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator. However, as we generated less than 5% of our net revenues from live streaming, we do not believe this new requirement would have a material adverse impact on our business operations or financial results. As of the date of this document, this draft has not been formally adopted. Substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. If this draft is enacted as proposed, we may need to further adjust our business and operations, which may be adversely affected.

## SUMMARY

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Based on the foregoing and the currently effective PRC laws, we and our PRC Legal Adviser are of the view that the above recent changes in PRC laws and regulations will not affect our compliance with laws and regulations in any material aspects as of the date of this document. As of the date of this document, except as disclosed above, we were not involved in any enquiry, review or investigations by the CAC or other authorities in respect of the above recently promulgated laws and regulations.

However, we and PRC Legal Adviser cannot preclude the possibilities that new rules or regulations promulgated in the future will impose additional compliance requirements on us. PRC regulations may change from time to time which may influence our business operation and operation results. Our efforts to comply with new and changing laws are likely to result in increased costs and risks of non-compliance. See “Risk Factors – We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.”

## DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“2019 PRC Foreign Investment Law”	the <i>PRC Foreign Investment Law</i> (《中華人民共和國外商投資法》), promulgated by the National People’s Congress in March 2019, which became effective on January 1, 2020
“ADS(s)”	American Depositary Shares (each representing one Class A ordinary share)
“Alibaba” or “Alibaba Group”	Alibaba Group Holding Limited
“Articles” or “Articles of Association”	our amended and restated articles of association (as amended from time to time), adopted by a special resolution passed on March 28, 2014, a summary of which is set out in Appendix III
“board” or “board of directors”	our board of directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for business
“BVI”	British Virgin Islands
“CAC”	Cyberspace Administration of China
“Cayman Companies Act”	the <i>Companies Act</i> , Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

[REDACTED]

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## DEFINITIONS

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[REDACTED]

“China” or “the PRC”	the People’s Republic of China, excluding, for the purposes of this document only, Taiwan and the special administrative regions of Hong Kong and Macau, except where the context otherwise requires
“Class A ordinary shares”	Class A ordinary shares of the share capital of our Company with a par value of US\$0.00025 each, conferring a holder of a Class A ordinary share one vote per share on any resolution tabled at our Company’s general meeting
“Class B ordinary shares”	Class B ordinary shares of the share capital of our Company with a par value of US\$0.00025 each, conferring weighted voting rights in our Company such that a holder of a Class B ordinary share is entitled to three votes per share on any resolution tabled at our Company’s general meeting
“CIC”	China Insights Consultancy Limited, an independent industry consultant whose market research report was commissioned by us



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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company,” “our Company,” “we” or “us”	Weibo Corporation, a company incorporated in the Cayman Islands on June 7, 2010 as an exempted company under the laws of the Cayman Islands with limited liability and, where the context requires, its subsidiaries (which include consolidated affiliated entities) from time to time
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Charles Chao and SINA Corporation and the entities and persons that control it, including Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited, a business company controlled by Mr. Chao, through which he holds interests in our Company, as set out in “Relationship with our Controlling Shareholders”
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deposit Agreement”	the deposit agreement, dated as of April 16, 2014, as amended, among us, JPMorgan Chase Bank, N.A. and our ADS holders and beneficial owners from time to time
“director(s)”	member(s) of our board
“DTC”	The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs
“EIT”	enterprise income tax
“First GM”	the upcoming annual general meeting of the Company to be held on December 1, 2021
“foreign private issuer”	as such term is defined in Rule 3b-4 under the U.S. Exchange Act

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## DEFINITIONS

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[REDACTED]

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”      our Company and our subsidiaries (including the consolidated affiliated entities) from time to time

“HK\$” or “Hong Kong dollars” or “HK dollars”      Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong” or “HK”      the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules”      the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

[REDACTED]

“Hong Kong Stock Exchange”      The Stock Exchange of Hong Kong Limited

[REDACTED]

“independent director(s)”      our directors who are “independent” under applicable U.S. regulations and considered “independent non-executive directors” for the purpose of Rule 3.10 of the Hong Kong Listing Rules

## DEFINITIONS

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“independent third party(ies)” person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company

[REDACTED]

“Joint Policy Statement” the Joint Policy Statement Regarding the Listing of Overseas Companies jointly issued by the Hong Kong Stock Exchange and the SFC on September 27, 2013

“Joint Sponsors” the Joint Sponsors of the [REDACTED] of the [REDACTED] on the Main Board of the Hong Kong Stock Exchange as named in “Directors and Parties Involved in the [REDACTED]”

“Latest Practicable Date” [REDACTED], being the latest practicable date prior to the date of this [REDACTED] for the purpose of ascertaining certain information contained in this [REDACTED]

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## DEFINITIONS

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“Law(s)”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing we are seeking on the Hong Kong Stock Exchange under Chapter 19C of the Hong Kong Listing Rules
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about [REDACTED], on which the [REDACTED] are [REDACTED] on Main Board and from which [REDACTED] in the [REDACTED] are permitted to commence on the Main Board
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Major Subsidiaries”	our subsidiaries and consolidated affiliated entities as identified in “History and Corporate Structure — Corporate Structure — Major Subsidiaries”
“Memorandum” or “Memorandum of Association”	our amended and restated memorandum of association (as amended from time to time), adopted by a special resolution passed on March 28, 2014, a summary of which is set out in Appendix III to this document
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nasdaq”	Nasdaq Global Select Market
“Negative List”	the Special Administrative Measures (Negative List) for Foreign Investment Access, most recently jointly promulgated by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會) on June 23, 2020 and which became effective on July 23, 2020, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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[REDACTED]

“PBOC”	People’s Bank of China
“PCAOB”	the Public Company Accounting Oversight Board
“PFIC”	passive foreign investment company
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and most recently amended on October 26, 2018, and as amended, supplemented or otherwise modified from time to time
“PRC Legal Adviser”	TransAsia Lawyers, our legal adviser as to the laws of the PRC

[REDACTED]

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## DEFINITIONS

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[REDACTED]

“Qualifying Issuer”	has the meaning given to it under Chapter 19C of the Hong Kong Listing Rules
“Relevant Persons”	the Joint Sponsors, the [REDACTED], the [REDACTED], any of their or our Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the [REDACTED]
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as SAMR
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會)
“SEC”	the United States Securities and Exchange Commission
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

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## DEFINITIONS

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“Share(s)”	the Class A ordinary shares and Class B ordinary shares in the share capital of our Company, as the context so requires
“Share Incentive Plans”	the 2010 Share Incentive Plan and the 2014 Share Incentive Plan summarized in “Directors and Senior Management — Compensation — Share Incentive Plans,” and any other share incentive plans adopted by our Company from time to time
“shareholder(s)”	holder(s) of Shares and, where the context requires, ADSs
“SINA” or “SINA Corporation”	SINA Corporation, an exempted company with limited liability founded on March 10, 1999 through the merger of Beijing SINA Information Technology Co., Ltd. and California-based SINANET.com, and the parent company and a controlling shareholder of our Company

[REDACTED]

“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Hong Kong Listing Rules and includes the consolidated affiliated entities and variable interest entities
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Track Record Period”	the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021

[REDACTED]

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder

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## DEFINITIONS

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“U.S. GAAP”	accounting principles generally accepted in the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“variable interest entities,” “VIE” or “VIEs”	our variable interest entities, or any one of them, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries
“VAT”	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
“VIE shareholder(s)”	the individual or ultimate shareholders of the variable interest entities
“VIE structure” or “Contractual Arrangements”	variable interest entity structure, and where the context requires, and the agreements underlying it
“Weibo Technology”	Weibo Internet Technology (China) Co. Ltd. (微夢創科網絡科技(中國)有限公司), a company established under the laws of the PRC on October 11, 2010, a subsidiary of our Company
“WVR” or “weighted voting right”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Weimeng”	Beijing Weimeng Technology Co. Ltd. (北京微夢創科網絡技術有限公司), a company established under the laws of the PRC on August 9, 2010, one of our consolidated affiliated entities
“Weimeng Chuangke”	Beijing Weimeng Chuangke Investment Management Co., Ltd. (北京微夢創科創業投資管理有限公司), a company established under the laws of the PRC on April 9, 2014, one of our consolidated affiliated entities

[REDACTED]



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## DEFINITIONS

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“WVR beneficiaries” has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to the WVR beneficiaries set out in “Share Capital”, holding the Class B ordinary shares, which entitle them to weighted voting rights, details of which are set out in the section headed “Share Capital”

“WVR structure” has the meaning ascribed to it under the Hong Kong Listing Rules

In this document, the terms “associate(s),” “close associate(s),” “core connected person(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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## GLOSSARY OF TECHNICAL TERMS

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This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

“bare-metal server technology”	a technology enabling a physical computer server to be used by one consumer only
“container technology”	a method to package an application for such application and its dependencies to run isolated from other processes
“daily video viewers”	users who viewed videos on Weibo on a daily basis
“direct content cost payout”	a method to subsidize content creators through direct payment in order to incentivize their content generation
“DAUs”	daily active users, which are Weibo users who logged on with a unique Weibo ID and accessed Weibo through our website, mobile website, desktop or mobile applications, SMS or connections via our platform partners’ websites or applications that are integrated with Weibo, on a given day, and “average DAUs” for a month refers to the average of the DAUs for each day during the month. The numbers of our DAUs are calculated using internal company data that has not been independently verified and we treat each account as a separate user for purposes of calculating DAUs, although it is possible that certain individuals or organizations may have set up on more than one account and certain accounts are used by multiple individuals within an organization
“feeds”	include both posts and reposts
“hybrid cloud platform”	our proprietary, in-house designed platform which has hyperscale data distributed computing and analyzing capabilities to handle hot topics on the Weibo platform in real-time
“MAUs”	monthly active users, which are Weibo users who logged on with a unique Weibo ID and accessed Weibo through our website, mobile website, desktop or mobile applications, SMS or connections via our platform partners’ websites or applications that are integrated with Weibo, during a given calendar month. The numbers of our MAUs are calculated using internal company data that has not been independently verified, and we treat each account as a separate user for purposes of calculating MAUs, although it is possible that certain individuals or organizations may have set up on more than one account and certain accounts are used by multiple individuals within an organization

## GLOSSARY OF TECHNICAL TERMS

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“monthly active content creators”	users who have posted at least one original post on Weibo in a given month
“top content creators”	content creators with more than 10,000 followers as of the end of a given month or 10,000 monthly views on Weibo in a given month, excluding duplicates
“verified accounts”	accounts whose identities have been verified by us from various angles based on different types of verified accounts, such as celebrities, KOLs, enterprises and media outlets

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this document are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [REDACTED] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as at the date on which such statement is made, and, except as required by the Hong Kong Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our directors are made as at the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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## RISK FACTORS

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You should carefully consider all of the information set out in this document before making an [REDACTED] in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

### RISKS RELATING TO OUR BUSINESS

**If we fail to grow our active user base, or if user engagement on our platform declines, our business, financial condition and operating results may be materially and adversely affected.**

The growth of our active user base and the level of user engagement are critical to our business. We had 566 million MAUs and 246 million average DAUs in June 2021. Our business has been and will continue to be significantly affected by our success in growing and retaining massive active users and increasing their overall level of engagement on our platform, including their engagement with promoted feeds, other advertising and marketing products and value-added services on our platform. We anticipate that our user growth rate will slow over time as the size of our user base increases and as we achieve higher market penetration in China’s internet population. To the extent our user growth rate slows or the number of our users declines, our success will become increasingly dependent on our ability to retain existing users and enhance user activities and stickiness on the platform. If people do not perceive content and other products and services on our platform to be interesting and useful, we may not be able to retain and attract users or increase their engagement. A number of user-oriented websites and mobile applications that achieved early popularity have since seen their user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our active user base or engagement level. A number of factors could potentially negatively affect user growth and engagement, including if:

- we are unable to retain existing users and attract new users to our platform, or achieve greater penetration into lower tier cities in China;
- there is a decrease in the perceived quality or reliability of the content generated by our users;
- a large number of influencers, such as celebrities, key opinion leaders, or KOLs and other public figures, and platform partners, such as media outlets and organizations with media rights, switch to alternative platforms or use other products and services more frequently;
- we are unable to manage and prioritize information to ensure users are presented with content that is appropriate, interesting, useful and relevant;
- we fail to introduce new and improved products or services or we introduce new or improved products or services that are not well received by users;
- technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise adversely affect the user experience;

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## RISK FACTORS

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- users believe that their experience is diminished as a result of the decisions we make with respect to the frequency, relevance, prominence, format and quality of the advertisements displayed on our platform;
- we are unable to combat spam or other hostile or inappropriate usage on our platform;
- there are user concerns related to privacy and communication, safety, security or other factors;
- we fail to provide adequate customer service to our users;
- users engage with other platforms or activities instead of ours;
- there are adverse changes in our products or services that are mandated by, or that we elect to make to address, legislation, regulations or government policies; or
- we fail to maintain our brand image or our reputation is damaged.

We have undertaken various initiatives to stimulate the growth of our users and user engagement. For instance, in addition to the microblogging service with which Weibo originally started, we have added functionalities such as trends, topics, search, short videos, live streaming and interest-based information feeds over the years, which we believe have helped broaden our appeal and generate more user traffic and engagement. However, there can be no assurance that these and other strategies will continue to be effective. If we are unable to increase our user base and user engagement, our platform could be less attractive to potential new and existing users and customers, which would have a material and adverse impact on our business, financial condition and operating results.

**If our users and platform partners do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in user traffic and user engagement.**

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 and platform partners. We believe that one of our competitive advantages is the quality, quantity and open nature of the content on Weibo, and that access to rich content is one of the main reasons users visit Weibo. We seek to foster a broader and more engaged user community, and we encourage influencers, such as celebrities, KOLs and other public figures, and platform partners, such as multi-channel networks, (the “MCNs”), media outlets and organizations with media rights, to use our platform to express their views and share interesting, and high quality content.

Among all our users, influencers have been contributing increasingly interesting and attractive contents on our platform. We provide these content creators with the opportunity to monetize their social assets on Weibo through advertising, e-commerce, paid-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 and operating results. Alternatively, content creators may choose to switch to other platforms and contribute less or no content to Weibo, which may cause our user base and user engagement to decline and our customers view our products and services less attractive for advertising and marketing purposes and consequently reduce their advertising spending on our platform.

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## RISK FACTORS

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If users and platform partners do not continue to contribute content to Weibo due to policy changes, their use of alternative communication channels or any other reasons, and we are unable to provide users with interesting, useful and timely content, our user base and user engagement may decline. If we experience a decline in the number of users or the level of user engagement, customers may not view our products and services as attractive for their advertising and marketing expenditures and may reduce their spending with us, which would materially harm our business and operating results.

**We rely on our partnership program with channel partners, which mainly include application pre-install partners, programmatic buying partners and application marketplaces, to drive traffic to our platform, and if our partnership program becomes less effective or if the smartphone market and shipment in China slow down compared to the prior years, traffic to our platform could decline and our business and operating results could be adversely affected.**

We work with application (app) pre-install partners, such as key domestic handset manufacturers for user acquisition and activation. Due to intense competition in the marketplace, app pre-install partners may raise prices to a point where it becomes cost prohibitive for us to rely on them for Weibo user activation, or they may decide to discontinue their services to us altogether. The partnership also highly depends on the total amount of handset shipment and sales of our partners, which may fluctuate or slow down compared with prior years. The smartphone shipment in China decreased in 2020, compared to 2019. The growth of Weibo’s user base is impacted by the growth of new users from Weibo app, and pre-installation of Weibo app on new smartphones is an important source of new Weibo users. A continuing slowdown of new smartphone shipment in China may adversely impact the growth rate of our new users. If this trend continues, our business and operating results may be materially and adversely affected.

We also work with programmatic buying partners, such as top applications for traffic direction and user activation. Due to the real time bidding nature of programmatic buying, the prices for inventories on top applications may fluctuate or surge to a point where it becomes less cost effective for us to invest in the channel. In addition, inaccurate user targeting and the possible high churn rate observed during the traffic direction step may also limit the overall effectiveness of the partnership.

In addition, we work with application marketplaces, including app stores of key domestic handset manufacturers as well as other major application marketplaces, such as Tencent App Store, Baidu Mobile Assistant and 360 Mobile Assistant, to drive downloads of our mobile applications. In the future, Google (Android), Apple or other operators of application marketplaces may make changes to their marketplaces and make access to our products and services more difficult.

**If we are unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.**

Competition for user traffic and user engagement is intense and we face strong competition in our business. Major Chinese internet companies, such as Tencent and Bytedance, compete directly with us for user traffic and user engagement, content, talent and marketing resources. As a social media featuring social networking services and messenger features, we are subject to intense competition from providers of similar services as well as potentially new types of online services. These services include (i) messengers and other social apps and sites, such as Weixin/WeChat, QQ Mobile, Qzone Mobile and Momo; (ii) news apps and sites, such as those

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## RISK FACTORS

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operated by other major internet companies, including Tencent, Bytedance, Baidu, NetEase, Sohu and Phoenix News Media; (iii) multimedia apps (photo, video and live streaming, etc.), such as Douyin/TikTok, Kuaishou, Bilibili, iQiyi, Tencent Video, Youku, Xigua Video, Red (Xiaohongshu), Momo and JOYY. In addition, as a media platform in nature, we also compete with traditional media companies for audiences and content.

We also compete with both offline and online games for the time and money of gamers. We offer social commerce solutions to our customers that enable them to conduct e-commerce on our platform. Consequently, our offerings compete with e-commerce companies and online verticals that enable merchants to conduct e-commerce, including location-based services and online-to-offline services. In addition to direct competition, we face indirect competition from companies that sponsor or maintain high traffic volume websites or provide an initial point of entry for internet users, including but not limited to providers of search services, web browser and navigation pages, such as Baidu, UC Web and Qihoo 360. We may also face competition from global social media, social networking services and messengers, such as Facebook, Instagram, Twitter, Youtube, TikTok, WhatsApp, Facebook Messenger, Snapchat, Pinterest, Line and Kakao Talk. Some of our competitors may have substantially more cash, traffic, technical and other resources than we do. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

We believe that our ability to compete effectively for user traffic and user engagement depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our products and services compared to those of our competitors;
- the amount, quality and timeliness of content aggregated on our platform;
- our ability to enable celebrities, KOLs, media outlets and other content creators to quickly and efficiently build a fan base and monetize from their social assets;
- our ability, and the ability of our competitors, to develop new products and services and enhancements to existing products and services to keep up with user preferences and demands;
- the frequency, relevance and relative prominence of the advertisements displayed by us or our competitors;
- our ability to establish and maintain relationships with platform partners;
- our ability to provide effective customer service and support;
- changes mandated by, or that we elect to make to address, legislation, regulations or government policies, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors; and
- our reputation and brand strength relative to our competitors.



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## RISK FACTORS

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**We may not be able to maintain or grow our revenues or our business.**

We have experienced significant growth in revenues and in our business in recent years. Our ability to continue to grow our revenues depends on a number of factors. See “Financial Information — Factors Affecting Our Results of Operations” for a detailed discussion.

Our revenue growth also depends on our ability to continue to grow our core businesses, newly-developed businesses, as well as businesses we have acquired or which we consolidated. We are exploring and will continue to explore in the future new business initiatives, including in industries and markets in which we have limited or no experience, as well as new business models, that may be untested. Developing new businesses, initiatives and models requires significant investments of time and resources, and may present new and difficult technological, operational and compliance challenges. Many of these challenges may be specific to business areas with which we do not have sufficient experience. We may encounter difficulties or setbacks in the execution of various growth strategies and these growth strategies may not generate the returns we expect within the timeframe we anticipate, or at all.

In addition, our overall or segment revenue growth may slow or our revenues may decline for other reasons, including increasing competition and slowing growth of China’s smartphone market, disruptions to China’s economy or the global economy from pandemics, natural disasters or other events, as well as changes in the geopolitical landscape, government policies or general economic conditions. As our revenue grows to a higher base level, our revenue growth rate may slow in the future. Furthermore, due to the size and scale we have achieved, our user base may decrease, not continue to grow as quickly or at all.

**We generate a substantial majority of our revenues from online advertising and marketing services. If we fail to generate sustainable revenue and profit through our advertising and marketing services, our result of operations could be materially and adversely affected.**

We started to generate revenues in 2012 through advertising and marketing services, and to a less extent also through value-added services. Ever since then, advertising and marketing services have been contributing a substantial majority of our total revenues, accounting for 88% of our revenues in 2020 and 86% of our revenues for the six months ended June 30, 2021. Therefore, any failure to continue generating sustainable revenue and profit through our advertising and marketing services could materially harm our business.

Compared with traditional advertising and marketing solutions, online advertising and marketing services are evolving rapidly and sometimes considered experimental. In addition, we, as well as the whole industry, are endeavoring to develop novel forms of advertising and marketing services. As a result, we cannot guarantee that the advertising and marketing strategies we have adopted can generate sustainable revenues and profit. Particularly, as is common in the industry, our advertising and marketing customers do not have long-term commitments with us. In addition, some potential new customers may view our advertising and marketing services as unproven, and we may need to devote additional time and resources to convince them. Customers will not continue to do business with us or may only be willing to advertise with us at reduced prices if we do not deliver advertising and marketing services in an effective manner, or if they do not believe that their investment in advertising and marketing with us will generate a competitive return relative to alternative advertising platforms.

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## RISK FACTORS

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Our ability to add new customers and increase spending of existing customers can be particularly affected by our ability to provide timely and reliable measurement analysis of customers’ advertising campaigns on Weibo, as some customers, especially key accounts, rely on advertisement measurement to evaluate advertising effectiveness. We are working with third-party measurement firms to provide these data services to our customers but the online advertisement measurement market in China is nascent. We cannot assure you that our measurement partners will be able to provide measurement to the satisfaction of our customers. If our customers are unable to obtain measurement results on their marketing campaigns on Weibo to their satisfaction, our customers may be less willing to maintain or expand their advertising spending on our platform, and our financial conditions, results of operations and prospects may be materially and adversely affected.

We also need to adapt our advertising and marketing service offerings to the way users consume contents on our platforms. We introduced mobile-adapted promoted marketing solutions, such as promoted feeds, to our advertisers as our mobile products gain more user traffic. Users’ preferences on content format are also evolving. Online content in video format has become increasingly prevalent in recent years. If we are unable to adapt our products and services for the video environment and develop products and services to generate video advertising revenues, especially for the mobile environment, our results of operations and prospects may be materially and adversely affected.

### **Advertisements shown on our platform may subject us to penalties and other administrative actions.**

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in compliance with applicable PRC laws and regulations. PRC advertising laws and regulations impose prohibitions and restrictions on certain types of advertisements. For instance, advertisements for certain products, such as tobacco, are not allowed to be publicly posted, and advertisements for other products and services, such as alcohol, medical treatment, pharmaceuticals or medical devices, healthcare food, real estate and financial products, are subject to certain restrictions on content and other requirements. In addition, where a review by relevant governmental authorities is required before certain types of advertisements can be posted, such as advertisements for pharmaceuticals and medical devices, we are obligated to confirm that such review has been performed and approval has been obtained.

The Chinese government may from time to time promulgate new advertising laws and regulations, including possible additional restrictions on online advertising services, and these restrictions may relate to, among other attributes, the content, placement and appearance of advertisements. In addition, recent activities and technology trends in advertising, such as links in comments or posts, and the proliferation of short video and live streaming platforms, with paid promotions that are frequently not marked as advertising, have made advertising content monitoring more challenging. Moreover, technologies and tools attempting to circumvent, evade or deceive our advertisement content monitoring system are evolving, which makes it more complicated for us to monitor and review the advertisements on our platform. When we discover advertisements that violate laws and regulations, we will timely take corresponding measures. Although we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot ensure that we will be in compliance at all times with the requirements under any new laws and regulations. For a detailed description of the procedures we implement, see “Business — Risk Management and Internal Control — Internal Control Risk Management.” Failure to comply with these obligations may subject us to fines and other administrative penalties.

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## RISK FACTORS

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If advertisements shown on our platform are in violation of relevant PRC advertising laws and regulations, we may be subject to penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish corrective information. In case of serious violation, the PRC governmental authorities may revoke our business licenses. During the Track Record Period, our Major Subsidiaries have received three penalties, including fines from RMB1,000 to RMB200,000, and confiscation of advertising income. For example, in 2018, Beijing Haidian Administration for Industry and Commerce issued a decisions to impose an administrative penalty on Weimeng, including a fine of RMB200,000 on Weibo and confiscation of the advertising revenue of RMB1,171.19, because the authorities was of the opinion that certain advertisements published on Weibo contained content that violated “good social customs.” We paid the fine and cooperated with the relevant government authorities to take corrective measures as required. We believe these penalties, individually or in the aggregate, did not have a material adverse effect on our business, financial condition or results of operations during the Track Record Period. However, there can be no assurance that there will not be any further penalties, which may have a material and adverse effect on our business, financial condition, results of operations and prospects, brand and reputation.

**If we are unable to compete effectively for advertising and marketing spending, our business and operating results may be materially and adversely affected.**

In addition to intense competition for users and user engagement, we also face significant competition for advertising and marketing spending. A substantial majority of our revenues are currently generated through advertising and marketing services. We compete against online and mobile businesses that offer such services, mainly including Tencent, Bytedance, Baidu, Kuaishou, iQiyi, NetEase and Sohu. We also compete with internet companies that offer online-to-offline (O2O), purchase solutions and other performance-based advertising and marketing services and digital media tailored to specific vertical industries including fast moving consumer goods, IT, automobile, e-commerce, entertainment and travel, such as Meituan, Autohome, Bitauto and Qutoutiao. We also compete against traditional media outlets, such as television, radio and print, for advertising and marketing budgets.

In order to grow our revenues and improve our operating results, we must increase our market share of advertising and marketing spending relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products. In addition, some of our larger competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising and marketing budgets.

We believe that our ability to compete effectively for advertising and marketing spending depends upon many factors both within and beyond our control, including:

- the size, composition and activeness of our user base relative to those of our competitors;
- the breadth, innovation and effectiveness of our product and service offerings;
- the timing and market acceptance of our advertising and marketing products and services, including breadth, quality and variety of our advertisement formats and features and those of our competitors;
- the effectiveness of our advertisement targeting capabilities, and those of our competitors;

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- the volume, pricing and return on investment of our products and services relative to those of our competitors;
- the reach, engagement and effectiveness of our advertising and marketing products and services relative to those of our competitors;
- the availability, accuracy and utility of analytics and measurement solutions offered by us or our partners relative to those of our competitors;
- our ability to attract, retain and motivate talented employees;
- the effectiveness of our performance-based advertisements and real-time bidding system relative to those of our competitors;
- our sales and marketing efforts, and those of our competitors; and
- our reputation and the strength of our brand relative to our competitors.

Significant acquisitions and consolidation by and among our actual and potential competitors may present heightened competitive challenges for our business. Acquisitions of our platform partners by our competitors could result in reduced content and functionality of our products and services. Consolidation may also enable our larger competitors to offer bundled or integrated products that feature alternatives to our platform. Reduced content and functionality of our products and services, or our competitors' ability to offer bundled or integrated products that compete directly with us, may cause our user base and user engagement to decline and customers to reduce their spending with us. If we are not able to compete effectively for advertising and marketing spending, our business and operating results may be materially and adversely affected.

**Our operating history may not be the indicator of our future prospects.**

The market for social media is still evolving and may not develop as expected. People who are not our users, customers or platform partners may not understand the value of our products and services and new users, customers or platform partners may initially find our products and services confusing. There may be a perception that our products and services are only useful to users who post, or to influential users with large audiences. Convincing potential new users, customers and platform partners of the value of our products and services is critical to increasing the number of our users, customers and platform partners and to the success of our business. Although we have experienced continued user growth as shown by the increase of our MAUs and DAUs for the past few years, some of our peers may have experienced a decline in user base. If microblogging, social media, online media or social product, in general, declines in popularity among Chinese internet users, we may be unable to grow our user base or maintain or increase user engagement.

We launched Weibo in August 2009 and began to generate revenues in 2012. Given the rapidly evolving markets in which we compete, our historical operating results may not be useful to you in predicting our future operating results. You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in this developing and rapidly evolving market. These risks and challenges include our ability to, among other things:

- increase the number of our users and the level of user engagement;

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- develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage;
- convince customers of the benefits and effectiveness of our advertising and marketing services;
- refine our interest-based recommendation engine to enable more relevant content recommendation and effective audience targeting;
- increase demand for value-added services, such as VIP membership, live streaming, and game-related services;
- develop and deploy new features, products and services for our users, customers and platform partners, including video functionalities and interest-based information feeds;
- successfully compete with other companies, some of which have substantially greater resources and market power than us, that are currently in, or may in the future enter, our industry, or duplicate the features of our products and services;
- attract, retain and motivate talented employees;
- process, store, protect and use personal data in compliance with governmental regulations, contractual obligations and other obligations related to privacy and security; and
- defend ourselves against litigation, regulatory, intellectual property, privacy or other claims.

If we fail to educate potential users, customers and platform partners about the value of our products and services, if the market for our platform does not develop as we expect or if we fail to address the needs of this market, our business will be harmed. Failure to adequately address these or other risks and challenges could harm our business and cause our operating results to suffer.

**Alibaba is our largest customer and an important strategic partner. If we fail to maintain our collaboration with Alibaba, our results of operations and growth prospect may be adversely and materially affected.**

From April 2013 to January 2016, we had a strategic collaboration with Alibaba and its affiliated entities to jointly explore social commerce and develop innovative marketing solutions to enable merchants on Alibaba's e-commerce platforms to better connect and build relationships with our users. Revenues generated from the strategic collaboration with Alibaba accounted for 30% of our revenues from 2013 to 2015. Although revenue contribution by Alibaba has declined as a percentage to our total revenues in recent years, as a result of the rapid growth of our business scale as well as our strategy to diversify revenue sources after the strategic collaboration agreement expired in early 2016, Alibaba remains as our largest customer. More importantly, we rely on them to enable us to offer e-commerce advertising solutions to brands and merchants on both of our platforms. If we are unable to either maintain strong cooperation with Alibaba or find other customers that can bring in similar amount of revenues to offset the possible decline of revenue from Alibaba or the revenue associated with Alibaba's ecosystem, our results of operations and growth prospects may be adversely and materially affected.

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**Our future performance depends in part on support from our platform partners, particularly copyright content providers and MCNs.**

Although most of the content on our platform come from individual users, platform partners have become an increasingly important source of high-quality content. We believe user engagement with our products and services depends in part on the quality of applications and content generated by our platform partners, particularly copyright content providers and the MCNs. Copyright content providers have traditionally been an important source of premium content on our platform. Meanwhile, as content on our platform expands into various new formats, such as short videos, the role of MCNs as talent agencies for professional content creators is becoming increasingly important. We have built a large network of MCNs in different domains, such as video and e-commerce, and we rely on these platform partners to incubate and grow content creators so that they share more quality content on Weibo. If we are unable to enjoy continued collaboration with copyright content providers and expand our network of MCNs and incentivize them to share more content, our content offerings may not be as robust and competitive and our user base and user engagement may be adversely and materially affected.

We also work closely with third-party developers to build Weibo-integrated applications to enhance Weibo’s functionalities. Such existing and prospective developers may not be successful in building, growing, or monetizing mobile and/or web applications that create, maintain and enhance user engagement. Additionally, developers may choose to build on other platforms rather to integrate with Weibo. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. If we are not successful in our efforts to continue to grow the number of developers that choose to build products that integrate with Weibo or if we are unable to continue to build and maintain good relationships with such developers, our user growth and user engagement and our financial results may be adversely and materially affected.

**Our new products, services and initiatives and changes to existing products, services and initiatives could fail to attract users and customers or generate revenues.**

Our ability to increase the size and engagement of our user base, attract customers and generate revenues will depend in part on our ability to successfully launch new products and services. We may introduce significant changes to our existing products and services or develop and introduce new products and services, including technologies with which we have little or no prior development or operating experience. If new or enhanced products or services fail to engage users, customers and platform partners, we may fail to attract or retain users or to generate sufficient revenues to justify our investments, and our business and operating results could be adversely affected. In addition, we may launch strategic initiatives that do not directly generate revenues but which we believe will enhance our attractiveness to users, customers and platform partners. We may not be successful in future efforts to generate revenues from our new products or services. If our strategic initiatives do not enhance our ability to monetize our existing products and services or enable us to develop new approaches to monetization, we may not be able to maintain or grow our revenues or recover any associated development costs and our operating results may be adversely affected.

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**If we fail to effectively manage our growth, our business and operating results could be harmed.**

We operate our business in a rapidly evolving industry and highly competitive market, which will continue to place significant demands on our management, operational and financial resources to sustainably grow our business. We may encounter difficulties as we establish and expand our operations, product development, sales and marketing, and general and administrative capabilities. We face significant competition for talented employees from other high-growth companies, which include both publicly traded and privately held companies, and we may not be able to hire new employees quickly enough to meet our needs. To attract highly skilled personnel, we have had to offer, and believe we will need to continue to offer, competitive compensation packages. As we continue to grow, we are subject to the risks of over-hiring, over-compensating our employees and over-expanding our operating infrastructure, and to the challenges of integrating, developing and motivating a growing employee base. In addition, we may not be able to innovate or execute as quickly as a smaller and more efficient organization. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

As we strive to broaden our user base, increase user engagement, and develop new features and products, we often have to proactively devote significant resources to accommodate future growth and to meet market demand. If market condition changes or we misjudged future demand, however, we may incur high costs and expenses relative to our return, which could negatively affect our operating results. In addition, copyright content is costly and the competition for it is fierce. Mismanagement of copyright content purchase and usage, such as focus on content that turn out to be less popular or loss of valuable copyright content to competitors, may lead to a disproportional increase in expenses and adversely affect our business.

Continued growth could also strain our ability to maintain reliable service levels for our users and customers, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Our expenses may grow faster than our revenues, and our expenses may be greater than what we anticipate. Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition could be harmed.

**Our operating results may fluctuate from quarter to quarter, which makes it difficult to predict.**

Our quarterly operating results have fluctuated in the past and will fluctuate in the future. As a result, our past quarterly operating results are not necessarily indicators of future performance. Our operating results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to grow our user base and user engagement;
- fluctuations in spending by our advertising and marketing customers, including as a result of seasonality, major events and extraordinary news events, pandemics or other factors;
- our ability to attract and retain advertising and marketing customers;

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- the occurrence of planned or unplanned significant events, including events that may cause substantial stock-based compensation or other charges;
- the development and introduction of new products or services or changes in features of existing products or services;
- the impact of competitors or competitive products and services;
- the pricing of our products and services;
- our ability to maintain or increase revenues;
- our ability to maintain or improve gross margins, operating margins and net margins;
- increases in our costs and expenses that we may incur to grow and expand our operations and to remain competitive;
- system failure or outages, which could prevent us from displaying advertisements for any period of time;
- changes in U.S. GAAP and the related policies, guidance or interpretations;
- changes in the legal or regulatory environment or proceedings, including with respect to security, privacy or enforcement by government regulators, including fines, orders or consent decrees; and
- changes in Chinese or global business or macroeconomic conditions.

Given our limited operating history and the rapidly evolving market in which we compete, our historical operating results may not be useful to you in predicting our future operating results. Our limited operating history and our rapid growth make it difficult for us to identify recurring seasonal trends in our business. The advertising industry in China experiences seasonality. Historically, advertising spending tends to be the lowest in the first quarter of each calendar year due to long holidays around the Lunar New Year, and we believe that this seasonality affects our quarterly results. In addition, economic concerns continue to create uncertainty and unpredictability and add risk to our future outlook. An economic downturn in China or globally could cause our advertising and marketing customers to reduce their advertising budgets, and result in other adverse effects that could harm our operating results. Other factors that may cause our operating results to fluctuate include popular sports events, such as the FIFA World Cup and the Olympic Games. Due to our rapid growth and limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results.

**Spam could diminish the user experience on our platform, which could damage our reputation and deter our current and potential users from using our products and services.**

“Spam” on Weibo refers to a range of abusive activities that are prohibited by our terms of service and is generally defined as unsolicited actions that negatively impact other users with the general goal of drawing user attention to a given account, site, product or idea. This includes posting large numbers of unsolicited mentions of a user, duplicate feeds, misleading links (e.g., to malware or click-jacking pages) or other false or misleading content, and aggressively following and un-following accounts, sending unsolicited invitations, reposting



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feeds and favoring feeds to inappropriately attract attention. Our terms of service also prohibit the creation of serial or bulk accounts, both manually or using automation, for disruptive or abusive purposes, such as to post spam or to artificially inflate the popularity of users seeking to promote themselves on Weibo. Although we continue to invest resources in reducing spam on Weibo, we expect spammers will continue to seek ways to act inappropriately on our platform. In addition, we expect that increases in the number of users on our platform will result in increased efforts by spammers to misuse our platform. We continuously combat spam, including by suspending or terminating accounts we believe to be spammers and launching algorithmic changes focused on curbing abusive activities. Our actions to combat spam require the diversion of significant time and focus of our engineering team from improving our products and services. If we are unable to effectively manage and reduce spam on Weibo, our reputation for delivering relevant content could be damaged, user engagement could decline and our operational costs could increase.

**We are subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.**

We are subject to rules and regulations by various governing bodies, including, for example, the Securities and Exchange Commission, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

**Privacy concerns relating to our products and services and the use of user information could damage our reputation, deter current and potential users and customers from using Weibo and negatively impact our business.**

We collect personal data from our users in order to better understand our users and their needs and to help our customers target specific demographic groups. Concerns about the collection, use, disclosure or security of personal information or other privacy-related matters, even if unfounded, could damage our reputation, cause us to lose users and customers and adversely affect our operating results. While we strive to comply with applicable data protection laws and regulations, as well as our own posted privacy policies and other obligations we may have with respect to privacy and data protection, the failure or perceived failure to comply may result, and in some cases has resulted, in inquiries and other proceedings or actions against us by government agencies or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose users and customers, which could have an adverse effect on our business.

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Any systems failure or compromise of our security that results in the unauthorized access to or release of our users’ or customers’ data could significantly limit the adoption of our products and services, as well as harm our reputation and brand and, therefore, our business. We strictly limit third-party developers’ access to user privacy and user data, and we expend significant resources on technology and product development to protect against leakage of user information and other security breaches. Nonetheless, given its great commercial value, our user data may still be misused by third-parties, which could expose us to legal and regulatory risks and seriously harm our business.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving. The PRC Civil Code (《中華人民共和國民法典》), the PRC Cyber Security Law (《中華人民共和國網絡安全法》), and the PRC Data Security Law (《數據安全法》) protect individual privacy and personal data security in general by requiring internet service providers to collect data in accordance with the laws and in proper manner, and obtain consents from internet users prior to the collection, use or disclosure of internet users’ personal data. See “Regulatory Overview — Regulations on Information Security” and “Regulatory Overview — Regulations on Internet Privacy.” In addition, the Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of China’s “critical information infrastructure.” See “Risk Factors — Risks Relating to Doing Business in the People’s Republic of China — Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.” We have been advised by our PRC Legal Adviser that these laws and regulations are relatively new, and therefore there are substantial uncertainties with respect to the interpretation and implementation of these data security laws and regulations. Weibo may need to adjust its business to comply with data security requirements from time to time. Weibo has taken measures to comply with existing laws and regulations, see “Business — Risk Management and Internal Control — Data and technology system risk management.”

Furthermore, if privacy concerns or regulatory restrictions prevent us from selling demographically targeted advertising, we may become less attractive to our customers. In Hong Kong, however, the Personal Data (Privacy) Ordinance provides that an internet company may not collect information about its users, analyze the information for a profile of the user’s interests and sell or transmit the profiles to third parties for direct marketing purposes without the user’s consent. In the European Union, or EU, the General Data Protection Regulation, or GDPR, which came into effect on May 25, 2018, present increased challenges and risks in relation to policies and procedures relating to data collection, storage, transfer, disclosure, protection and privacy, and will impose significant penalties for non-compliance, including for example, penalties calculated as a percentage of global revenue under the GDPR. The potential risks associated with non-compliance therewith are difficult to predict. Other jurisdictions may have similar prohibitions. Although less than 1% of our revenues in 2020 are generated in Hong Kong, EU and other jurisdictions with similar prohibitions, we hope to attract more users in these jurisdictions and if we are unable to construct demographic profiles of internet users because they refuse to give consent, we will be less attractive to customers and our business could suffer.

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In addition to the possibility of fines, enforcement actions can result in orders requiring us to change our practices, which could have an adverse effect on our business and operating results. In March 2020, we experienced a data leakage caused by malicious queries by users through our application programming interface, for which the Ministry of Industry and Information Technology, or the MIIT summoned our representatives to a meeting on March 21, 2020 and instructed us to take steps to improve data security in accordance with the applicable regulations, including improving our privacy policy, strengthening user information protection and internal data security management, and other measures. We immediately took measures in response to this incident, including upgrading our security interface.

Since January 2019, in order to better implement the PRC Cyber Security Law (《網絡安全法》) and the PRC Law for the Protection of Consumer Rights and Interests (《消費者權益保護法》), relevant PRC government departments jointly launched nationwide special rectification programs on the illegal collection and use of personal information by mobile apps each year. In the 2020 Special Rectification Program, launched on July 22, 2020 by the cyberspace Administration of China, the MIIT, the Ministry of Public Security, and the State Administration for Market Regulation, and focusing on identifying and rectifying conducts of various apps in illegal collection of personal facial features and other biometric information, unauthorized recording of users’ voice or access of users’ photos, and unauthorized uploading of personal information, Weibo was identified by the authorities as having misled users to agree to the collection of personal information and failed to list out the purpose and type of personal information collected by certain software development kits on its platforms in November 2020. Weibo took actions in response to the identified issues and completed the rectification as required. On July 23, 2021, MIIT launched the 2021 Special Rectification Program aiming at rectifying disruption of market order, infringement on users’ rights and interests, threaten on data security, and violation of relevant regulations on qualifications and resources management by the internet companies, for which Weibo, together with 24 other major internet companies, attended a meeting about the 2021 Special Rectification Program on Internet Industry held by the MIIT on July 30, 2021, to discuss and receive instructions regarding self-examination and self-rectification under the Special Rectification Program. The rectification procedures generally include three steps: first, our company to conduct a self-examination and self-rectification and deliver a report to the relevant government authority for review; second, the government authority to provide comments on the report and guidance for our company to achieve compliance with the relevant PRC laws and regulations; and third, the government will make an inspection and confirm the rectification results. Weibo has initiated a self-examination and self-rectification and submitted the report as required under the 2021 Special Rectification Program, which is under the review of government authority.

New laws or regulations concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which is often uncertain and in flux, may be inconsistent with our practices. Complying with new laws, regulations and orders from competent governmental authorities could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

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**If our security measures are breached, or if our products and services are subject to attacks that degrade or deny the ability of users to access our products and services, our products and services may be perceived as not being secure, users and customers may curtail or stop using our products and services and our business and operating results may be harmed.**

Our products and services involve the storage and transmission of users’ and customers’ information, and security breaches expose us to a risk of loss of this information, litigation and potential liability. We experience cyber-attacks of varying degrees on a regular basis, including hacking into our user accounts and redirecting our user traffic to other websites, and we have been able to rectify attacks without significant impact to our operations in the past. Functions that facilitate interactivity with other websites, such as Weibo Connect, which among other things allows users to log in to partner websites using their Weibo identities, could increase the scope of access of hackers to user accounts.

Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, users or customers to disclose sensitive information in order to gain access to our data or our users’ or customers’ data or accounts, or may otherwise obtain access to such data or accounts.

Since our users and customers may use their Weibo accounts to establish and maintain online identities, unauthorized communications from Weibo accounts that have been compromised may damage their reputations and brands as well as ours. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our products and services that could have an adverse effect on our business and operating results. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose users and customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, reputation and operating results.

**We rely on assumptions and estimates to calculate certain key operating metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.**

The numbers of daily and monthly active users of Weibo, average spending per advertiser and number of advertisement customers are calculated using internal company data that has not been independently verified. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. For example, there are a number of false or spam accounts in existence on Weibo. Although we continuously combat spam by suspending or terminating these accounts, our active user number may include a number of false or spam accounts and therefore may not accurately represent the actual number of active accounts. We treat each account as a separate user for purposes of calculating our active users, because it may not always be possible to identify people and organizations that have set up more than one account. Additionally, some accounts used by organizations are used by many people within the organization. Accordingly, the calculations of our active users may not accurately reflect the actual number of people or organizations using Weibo.

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We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If customers, platform partners or investors do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and customers and platform partners may be less willing to allocate their spending or resources to Weibo, which could negatively affect our business and operating results.

**Our business is highly sensitive to the strength of our brand and market influence, and we may not be able to maintain current or attract new users, customers and platform partners for our products and services if we do not continue to increase the strength of our brand and develop new brands successfully in the marketplace.**

Our operational and financial performance is highly dependent on the strength of our brand and market influence. Such dependency will increase further as the number of internet and mobile users as well as the number of market entrants in China grows. In order to retain existing and attract new internet users, customers and platform partners, we may need to substantially increase our expenditures to create and maintain brand awareness and brand loyalty.

In addition, we receive a high degree of media coverage in Chinese communities around the world. Negative coverage in the media of our company, including about our product quality and reliability, changes to our products and services, privacy and security practices, litigation, regulatory activity, the actions of our users, the experience of our users, platform partners and advertisers with our products and services, alleged misconduct by our employees or business partners, unethical business practices, or rumors relating to our business, management and employees, our shareholders and affiliates, our competitors and peers, even if inaccurate, could threaten our reputation and the perception of our brands. We cannot assure you that we will be able to defuse negative press coverage about our company to the satisfaction of our investors, users, customers and platform partners. If we are unable to defuse negative press coverage about our company, our brand may suffer in the marketplace, our operational and financial performance may be negatively impacted and the price of our Class A ordinary shares and/or ADSs may decline.

**User misconduct and inappropriate content may adversely impact our brand image, business and results of operations, and we may be held liable for information or content displayed on, retrieved from or linked to our app or website or distributed to our users.**

Our platform enables users to discover, create, and distribute content and interact with others on our platform in real time. As it is difficult to control user behavior in real time, our platform may be misused by individuals or groups of individuals who engage in, among other things, immoral, inappropriate, disrespectful, fraudulent or illegal activities. While we have developed technologies and a series of measures to detect inappropriate content and activities, we cannot guarantee that we will be able to fully prevent inappropriate content from being posted on our platform or inappropriate activities from being carried out on our platform. Moreover, as we have limited control over the offline behavior of our users, to the extent that such behavior is associated with our platform, our ability to protect our brand image and reputation may be limited. Our business and the public perception of our brand may be materially and adversely affected by misconduct conducted on or linked to our platform. It is possible that our users may engage in conversations or activities on our platform that may be deemed illegal under applicable laws and regulations. We may be subject to fines or other disciplinary actions,

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including suspension of certain services, if we are deemed to not have taken actions to stop user misconduct or the display of inappropriate or illegal content posted by third parties on our platform or distributed to our users. If any of our users suffers or alleges to have suffered physical, financial or emotional harm arising from any contact initiated on our platform, we may face civil lawsuits or other proceedings initiated by the affected user, or governmental or regulatory actions. Defending such actions could be costly and involve significant time and attention of our management and other resources, which could materially and adversely affect our business, financial condition, results of operations and prospects. There can be no assurance that we can detect all illegal or inappropriate content displayed on, retrieved from or linked to our platform. If we are held liable for any of the aforementioned incidents in the future, our business, financial condition and results of operations may be materially and adversely affected.

**Misconduct, error and failure to follow laws, regulations and our corporate governance policies by our employees may adversely impact our brand image, reputation, business and results of operations, and we may be held liable for these inappropriate activities.**

Misconduct, including illegal, fraudulent or collusive activities, unauthorized business conducts and behavior, misuse of corporate authorization, or errors by our employees or their failure to perform their duties could subject us to legal liability and negative publicity. Our employees may conduct fraudulent activities to bypass our internal systems and to complete shadow transactions and/or transactions outside our official or authorized procedures. They may conduct activities in violation of law against unfair competition, which may expose us to unfair competition allegations and risks or conduct activities that may damage our reputation, corporate culture or internal working environment. We have experienced such incidents in the past and may continue to experience or be subject to incidents of similar nature in the future. We terminated employment with the involved employees for serious misconducts and recovered our losses from those employees in certain cases. While we have been strengthening our code of conduct and related internal policies, including updating our employees' code of conduct and anti-bribery policy, we cannot assure you that such incidents will not occur in the future. It is not always possible to identify and deter such misconduct, and the precautions we take to detect and prevent these activities may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to prevent such misconduct. Such misconduct could damage our brand and reputation, which could adversely affect our business and results of operations.

**If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.**

We review our intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at least once a year. If such goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of goodwill or intangible assets is determined, which would negatively affect our results of operations. We recorded an impairment charge of US\$10.6 million for the goodwill arising from certain game business acquisitions under value-added services segment due to failure in meeting forecasted financial performance that supports goodwill without prospect of recovering in 2018, and no impairment provision for goodwill and intangible assets was recorded for the rest of Track Record Period.

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## RISK FACTORS

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As of June 30, 2021, the total amount of our goodwill and intangible assets was US\$270.8 million. A substantial portion of the goodwill and intangible assets arose from the acquisitions of the live streaming business of www.yizhibo.com, or Yizhibo, a live streaming platform in China, in 2018 from Yixia Tech Co., Ltd., or Yixia Tech and Shanghai Jiamian Information Technology Co., Ltd., or JM Tech, in 2020, as well as the indirect acquisition of Shanghai Benqu Network Technology Co., Ltd., the Wuta beauty camera app developer, in the second quarter of 2021. Therefore, we may have to reassess and even record impairment loss if the respective industry prospects deteriorate.

**The monetization of our services may require users to accept promoted marketing in their feeds or private messages, which may affect user experience and cause a decline in user traffic and a delay in our monetization.**

Weibo users typically can log in to their personal accounts to view feeds and private messages from accounts that they have selected to follow. Social platform has been subject to negative comments, and even lawsuits, for introducing promoted advertising into their users’ information feeds. We started to test promoted products on Weibo at the end of 2012 and have also received user complaints. If we are unable to address user complaints adequately, user experience may be negatively affected, the monetization of our products and services may be delayed and our user base or user engagement may decline, which may adversely impact our operations.

**New technologies could block our advertisements. Users of PC and mobile devices may enable technical measures that could hinder our traffic growth and limit our monetization opportunities.**

Technologies have been developed that can disable the display of our advertisements and that provide tools to users to opt out of our advertising products. Most of our revenues are derived from fees paid to us by customers in connection with the display of advertisements to our users. In addition, our traffic growth is significantly dependent on content viewed via mobile devices, such as smartphones and tablets. Technologies and tools for personal computers and mobile devices, such as operating systems, internet browsers, anti-virus software and other applications, as well as mobile application stores could set up technical measures to divert user traffic, require a fee for the download of our products or block our products and services altogether, which could adversely affect our overall traffic and ability to monetize our products and services.

**Our business and growth could suffer if we are unable to hire and retain key personnel.**

We depend on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could harm our business. Competition for qualified talent in China is intense. Our future success is dependent on our ability to attract a significant number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected and the trading price of our Class A ordinary shares and/or ADSs could suffer. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation.

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## RISK FACTORS

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**We have incurred and expect to continue to incur substantial stock-based compensation expenses.**

We have adopted share incentive plans in August 2010 and March 2014. See “Directors and Senior Management — Compensation — Share Incentive Plans” for a detailed discussion. For the years ended December 31, 2018, 2019, 2020 and for the six months ended June 30, 2021, we recorded US\$41.0 million, US\$61.3 million, US\$67.1 million and US\$36.2 million, respectively, in stock-based compensation expenses. We will continue to grant stock-based compensation in the future in order to attract and retain key personnel and employees. Consequently, our stock-based compensation expenses may be recurring and even significantly increase in absolute amount, which may have a material adverse effect on our results of operations.

**Future investments in and acquisitions of complementary assets, technologies and businesses may fail and may result in equity or earnings dilution.**

We have in the past and may continue to invest in or acquire assets, technologies and businesses that are complementary to our existing business. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. In addition, we may have to obtain approval from the relevant PRC governmental authorities for the investments and acquisitions and comply with any applicable PRC rules and regulations, which may be costly. Our investments and acquisitions may also be subject to merger control review and antitrust investigations under the PRC Anti-Monopoly Law, the Interim Provisions on the Review of Concentrations of Undertakings and other PRC anti-monopoly laws, regulations and guidance. In the event that our investments and acquisitions are not successful, our financial condition and results of operations may be materially and adversely affected.

**Delay or failure of payment by our customers could harm our cash flows and profitability.**

We are subject to credit risk arising from our accounts receivable from our customers. Our accounts receivable primarily include amounts due in one year or less from advertising customers. As of December 31, 2018, 2019 and 2020 and June 30, 2021, our accounts receivable due from third parties, net of respective allowances, were US\$190.0 million, US\$262.2 million, US\$314.2 million and US\$467.2 million, respectively. If any of our customers’ cash flow, working capital, financial condition or results of operations deteriorates, it may be unable, or it may otherwise be unwilling, to pay accounts receivables owed to us promptly or at all. Any substantial default or delay of a customer’s payment obligations may materially and adversely affect our working capital, financial condition and results of operations. As of 31 December 2018, 2019 and 2020 and June 30, 2021, our accounts receivable due from Alibaba, net of respective allowances, were US\$48.2 million, US\$60.4 million, US\$135.3 million and US\$123.0 million, respectively. Any substantial default or delay of Alibaba’s payment obligations may materially and adversely affect our working capital, financial condition and results of operations.



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**We might not be able to fulfil our obligation in respect of deferred revenue, which might have impact on our cash or liquidity position.**

Our deferred revenues related to unsatisfied performance obligations at the end of the period are mainly from the customer advance of the advertising and marketing services and the sales of the fee-based services, such as VIP membership, live streaming, and virtual currency or in-game virtual items sold for game related 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. As of December 31, 2018, 2019 and 2020 and June 30, 2021, the balance of our deferred revenues were US\$100.0 million, US\$108.8 million, US\$143.7 million, and US\$146.1 million, respectively. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. However, deferred revenue at any particular date may not be representative of actual revenue for any current or future period. Any failure to fulfil the obligations in respect of deferred revenue may have an adverse impact on our results of operations and liquidity.

**We may face credit risk for our amount due from SINA.**

Accounts receivable amounts directly related to Weibo but for which SINA will receive payments and remit payments to us, as well as accounts receivable directly from SINA are included in the amount due from SINA. Our amount due from SINA increased from US\$105.3 million as of December 31, 2018, to US\$384.8 million as of December 31, 2019, and further to US\$548.9 million as of December 31, 2020. We recorded US\$498.6 million of amount due from SINA as of June 30, 2021. As of December 31, 2018, 2019, 2020 and June 30, 2021, the amount due from SINA also included loans to and interest receivable from SINA of US\$43.6 million at an annual interest rate of 4.8%, US\$236.6 million at an annual interest rate of 4.5%, US\$547.9 million and US\$480.7 million at annual interest rates ranging from 1.0% to 4.5% of maturity within one year, respectively. For a detailed description, see “Related Party Transactions — Transactions with SINA.”

We cannot assure you that we will be able to collect payment fully and in a timely manner on our existing and future outstanding amount due from SINA. Our failure to collect payment would adversely impact our business operations and financial positions.

**Our financial results could be adversely affected by 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 the fiscal years ended December 31, 2018, 2019, 2020 and the six months ended June 30, 2021, we recognized impairment charges of US\$23.6 million, US\$230.9 million, US\$126.8 million and US\$66.6 million, respectively, on the carrying value of our investments. We may continue to incur impairment charges in the future, which could depress our profitability or subject us to incur a net loss.

As of June 30, 2021, our investments included US\$881.7 million in private companies, which may not have the resources nor level of controls in place like public companies to timely and accurately provide updates about their company to us. Furthermore, many of our investments are at an early, pre-revenue stage of development, and their impairment may be difficult to assess as market information on internet-related startups is not readily available. After our

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adoption of ASU 2016-01 “Classification and Measurement of Financial Instruments” starting January 1, 2018, we measure long-term investments other than equity method investments at fair value through earnings. 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. For example, identification of observable price change in orderly transaction for those investments without readily determinable fair value may result in our recognition of gain or loss on such investments.

Determination of estimated fair value of these investments require complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information. Consequently, we may not receive information about our investments on a timely basis to properly account for them. We recognized a net loss of US\$69.5 million for the six months ended June 30, 2021 as a result of fair value changes. We are unable to control these factors and an impairment charge recognized by us, especially untimely recorded, may adversely impact our financial results and share price.

### **Fluctuation of fair value change of short-term investments may affect our financial position.**

During the Track Record Period, we have spent a portion of our capital in short-term investments, which represent bank time deposits and certain wealth management products. For wealth management products whose interest rates are indexed to performance of the underlying assets, we carried these investments at fair value. We measure the fair value of our short-term investments on a recurring basis and the fair value of our short-term investments are determined based on the quoted market price for similar products. Changes in fair value are reflected in our consolidated statements of income.

Any change in securities prices and market conditions could lead to volatility in the fair values of our short-term investments accounted for at fair value, which could impact our financial condition and results of operations and may also impact our ability to dispose of these investments at favorable prices.

### **If we cannot obtain sufficient cash when we need it, we may not be able to meet our payment obligations under our notes.**

In October 2017, we issued US\$900 million principal amount of convertible senior notes due 2022, which we refer to as 2022 Notes in this document. The 2022 Notes bear an annual interest rate of 1.25%, payable semiannually in arrears on May 15 and November 15 of each year, beginning on May 15, 2018, and will mature on November 15, 2022. In July 2019, we issued US\$800 million in aggregate principal amount of senior notes due 2024, which we refer to as 2024 Notes in this document. The 2024 Notes were issued at par value and bear an annual interest rate of 3.50%, payable semiannually in arrears on January 5 and July 5 of each year, beginning on January 5, 2020. The 2024 Notes will mature on July 5, 2024, unless previously repurchased or redeemed in accordance with their terms prior to maturity. In July 2020, we issued US\$750 million in aggregate principal amount of senior notes due 2030, which we refer to as 2030 Notes in this document. The 2030 Notes bear an annual interest rate of 3.375%, payable semiannually in arrears on January 8 and July 8 of each year, beginning on January 8, 2021. The 2030 Notes will mature on July 8, 2030, unless previously repurchased or redeemed in accordance with their terms prior to maturity. We may not have sufficient funds to pay the interest or fulfill other obligations under these notes.

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## RISK FACTORS

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We derive most of our revenues from, and hold most of our assets through, our subsidiaries. As a result, we may rely in part upon distributions and advances from our subsidiaries in order to help us meet our payment obligations under the notes and our other obligations. Our subsidiaries are distinct legal entities and do not have any obligation, legal or otherwise, to provide us with distributions or advances. We may face tax or other adverse consequences, or legal limitations, on our ability to obtain funds from these entities. In addition, our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- our financial condition, results of operations and cash flows;
- general market conditions for financing activities by internet companies; and
- economic, political and other conditions in the PRC and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, we may not be able to meet our payment obligations under our convertible notes. If we fail to pay interest on the notes, we will be in default under the indenture governing the notes, which in turn may constitute a default under existing and future agreements governing our indebtedness.

**We may need additional capital, and financing may not be available on terms acceptable to us, or at all.**

We may require additional cash resources if we experience changes in business conditions or other developments. In addition to the 2022 Notes, 2024 Notes and 2030 Notes, we may seek to issue equity or equity linked securities or obtain debt financing. 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.

**Many of our products and services contain open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.**

We use open source software in our products and services and will use open source software in the future. In addition, from time to time, we contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by domestic or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source

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software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

**We may not be able to adequately protect our intellectual property, which could cause us to be less competitive.**

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property, seek court declarations that they do not infringe upon our intellectual property rights, or allege that certain of our products and services, or user content, infringe their intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce or defend our intellectual property rights, which could result in substantial costs and diversion of our resources. For example, the Trademark Review and Adjudication Board, or TRAB, issued decisions in June and July, 2017 to cancel the two trademarks owned by Weibo Interactive due to the lack of the proof of use. We have appealed TRAB’s decisions through the Beijing Intellectual Property Court. On December 25, 2017, Beijing Intellectual Property Court made two first instance judgments, each lifting TRAB’s decision and instructing TRAB to issue new decisions on the application for review regarding the two trademarks. On May 8, 2018, TRAB issued that the trademarks are valid for all registered items including computer programs and computer game software.

**We may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.**

Companies in the internet, technology and media industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation, and other violations of other parties’ rights. In addition, various “non-practicing entities” that own patents and other intellectual property rights often attempt to aggressively assert their rights in order to extract value from technology companies. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims. Furthermore, from time to time we may introduce or acquire new products or services, including in areas where we historically have not competed, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities.

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## RISK FACTORS

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We allow users to upload written materials, images, pictures and other content on our platform and download, share, link to and otherwise access games and applications (some of which are developed by third parties) as well as audio, video and other content either on our platform or from other websites through our platform. We have procedures designed to reduce the likelihood that content might be used without proper licenses or third-party consents. However, these procedures may not be effective in preventing the unauthorized posting of copyrighted content.

With respect to games and applications available on our platform, we have procedures designed to reduce the likelihood of infringement. However, such procedures might not be effective in preventing games and applications, particularly those developed by third parties, from infringing upon other parties' rights. We may face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through our platform.

We may receive notice from patent holders and other parties alleging that certain of our products and services, or user content, infringe their intellectual property rights. Defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

**User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control.**

We make our products and services available across a variety of operating systems and through websites. We are dependent on the interoperability of our products and services with popular devices, desktop and mobile operating systems and web browsers that we do not control, such as Windows, Mac OS, Android, iOS, and others. Any changes in such systems, devices or web browsers that degrade the functionality of our products and services or give preferential treatment to competitive products or services could adversely affect usage of our products and services. Further, if the number of platforms for which we develop our products increases, it will result in an increase in our costs and expenses. In order to deliver high quality products and services, it is important that our products and services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. In addition, because a majority of our users access our products and services through mobile devices, we are particularly dependent on the interoperability of our products and services with mobile devices and operating systems. We may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices, web browsers and standards. In the event that it is difficult for our users to access and use our products and services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

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### **Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China.**

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China’s internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. Web traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at internet data centers in large cities such as Beijing are scarce. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We had not experienced material disruptions to our business operations as a result of service capacity constraints during the Track Record Period. However, we cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage. If we are unable to increase our online content and service delivering capacity accordingly, we may not be able to continuously grow our traffic, and the adoption of our products and services may be hindered, which could adversely impact our business and our share price.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, particularly as content shifts toward video, some users may be prevented from accessing the internet and thus cause the growth of internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base and increase our attractiveness to online customers.

### **Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.**

One of the reasons people come to Weibo is for real-time information. We have experienced, and may in the future experience, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, capacity constraints due to an overwhelming number of people accessing our products and services simultaneously, computer viruses and denial of service, fraud and security attacks. Any disruption or failure in our infrastructure could hinder our ability to handle existing or increased traffic on our platform or cause us to lose content stored on our platform, which could significantly harm our business and our ability to retain existing users and attract new users.

As the number of our users increases and our users generate more content, including photos and videos on our platform, we may be required to expand and adapt our technology and infrastructure to continue to reliably store and analyze this content. It may become increasingly difficult to maintain and improve the performance of our products and services, especially during peak usage times, as our products and services become more complex and our user traffic increases. In addition, because we lease our data center facilities, we cannot be assured that we will be able to expand our data center infrastructure to meet user demand in a timely manner, or on favorable economic terms, or at all. We rely on SINA, our controlling

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shareholder, and third-party vendors to provide infrastructure services. We cannot assure you that their infrastructure will operate without interruptions and that we can maintain a relationship with these parties on favorable economic terms. If our users are unable to access Weibo or we are not able to make information available rapidly on Weibo, or at all, users may become frustrated and seek other channels to obtain the information, and may not return to Weibo or use Weibo as often in the future, or at all. This would negatively impact our ability to attract users and customers and maintain the level of engagement of our users.

**We prioritize product innovation and user experience over short-term operating results, which may harm our revenues and operating results.**

We encourage employees to quickly develop and help us launch new and innovative features. We focus on improving the user experience for our products and services and on developing new and improved products and services for the customers on our platform. We prioritize innovation and the experience for users and customers on Weibo over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and performance for customers, which we believe will improve our operating results over the long term. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect, in which case our user growth and user engagement, our relationships with customers and our business and operating results could be adversely and materially harmed. In addition, our focus on the user experience may negatively impact our relationships with our existing or prospective customers. This could result in a loss of customers and platform partners, which could adversely and materially harm our revenues and operating results.

**We may face lawsuits or incur liability as a result of content published, made available through, or linked to our social media platform.**

As a social media platform, we have faced and will continue to face liability relating to content that is published, made available through, or linked to our platform. In particular, the nature of our business exposes us to claims related to defamation, intellectual property rights, rights of publicity and privacy, illegal content, content regulation and personal injury torts. The law relating to the liability of providers of online products or services for activities of their users remains somewhat unsettled in China. In addition, the public nature of communications on our platform exposes us to risks arising from the creation of impersonation accounts intended to be attributed to our users or customers. We could incur significant costs investigating and defending these claims. If we incur costs or liability as a result of these events, our business, financial condition and operating results could be adversely affected.

**We may be subject to litigation for user-generated content provided on our platform, which may be time-consuming and costly to defend.**

Our platform is open to the public for posting user-generated content. Although we have required our users to post only legally compliant and inoffensive materials and have set up screening procedures, our screening procedures may fail to screen out all potentially offensive or non-compliant user-generated content. Even if properly screened, a third party may still find user-generated content postings on our platform offensive and take actions against us in connection with the posting of such information. As with other companies who provide user-generated content on their websites, we have had to deal with such claims in the past and anticipate that such claims will increase as user-generated content becomes more popular in China. Any such claim, with or without merit, could be time-consuming and costly to defend, and may result in litigation and divert management’s attention and resources.

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### **We may face certain risks related to financial products available on our Weibo wallet.**

Weibo wallet enables users to purchase different types of financial products and services, including micro-loan facilitation offered by our related party, insurance, funds and other financial services offered by Weibo’s business partners who are third-parties with relevant licenses. The Chinese laws and regulations on internet finance have been developing rapidly in recent years. To ensure the services provided on Weibo wallet remain in compliance with PRC laws and regulations on internet finance services, we have made relevant adjustments to the services available through Weibo wallet from time to time over the past several years. We were not subject to any penalty or punishment with respect to our services available on Weibo wallet during the Track Record Period.

For example, on March 28, 2018, the Internet Financing Risks Special Rectification Work Leading Group under the State Council issued a Notice on Strengthening the Rectification and Inspection of Asset Management Operations via Internet (《關於加大通過互聯網開展資產管理業務整治力度及開展驗收工作的通知》), which requires any entity that issues or sells fund and asset management products via the internet to obtain an asset management business license or asset management product sales license issued by the central financial management department. We have engaged third parties with relevant operating licenses to provide the services and products legally. After our adjustments, Weibo wallet now acts as a platform for, instead of an operator of, the financial products, including micro-loan facilitation offered by our related party, insurance, funds and other financial services offered by Weibo’s business partners who are third parties with relevant licenses. As advised by our PRC legal adviser, such practice is in compliance with the current PRC laws and regulations.

On January 13, 2021, the General Office of the China Banking and Insurance Regulatory Commission and the General Office of the People’s Bank of China jointly issued a Circular on Regulating the Personal Deposit Business Conducted by Commercial Banks through the Internet (《關於規範商業銀行通過互聯網開展個人存款業務有關事項的通知》), pursuant to which commercial banks are not allowed to engage in the business of providing fixed deposits or time-demand optional deposits through non-self-operated online platforms. On February 19, 2021, the General Office of the China Banking and Insurance Regulatory Commission issued a Circular on Further Regulating the Internet Loan Business of Commercial Banks, pursuant to which local banks engaged in online loan business shall serve local customers and are not allowed to operate online loan business outside of their registered local administrative areas, subject to certain exemptions. As such, we ceased our internet deposit cooperation with commercial banks and delisted all internet deposit services.

On March 12, 2021, the People’s Bank of China issued the Announcement of the People’s Bank of China [2021] No.3 (《中國人民銀行公告[2021]第3號》), pursuant to which all loan products shall explicitly indicate their annualized loan interest rate, and we have included the requested information timely after the issuance of this announcement.

On December 7, 2020, the China Banking and Insurance Regulatory Commission issued the Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》), effective February 1, 2021, which provides that self-operated network platforms with insurance sales or insurance application functions and information management systems shall be under security protection of class III or above, with appropriate customer information protection systems. As such, our cooperation partner for the relevant business is preparing for an application for the certification of security protection of Class III for our core system and anticipate completing this before December 31, 2021. In addition, we formulated Rules on Users’ Rights Protection of Weibo Insurance Mall to strengthen the protection of users’ information and privacy rights.



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Although we believe our operation of Weibo wallet complies with relevant PRC laws and regulations in all material aspects during the Track Record Period, we cannot assure you that the government authorities will deem the business operation by our related party or our third-party business partners to be compliant with PRC laws and regulations. If any of the financial products or services available on Weibo wallet are found to be in violation of relevant regulations, Weibo may face warnings, fines, confiscation of illegal gains, license revocations or the discontinuation of the relevant business, and our business, financial condition and operating results could be adversely affected.

**We have limited business insurance coverage.**

The insurance industry in China is still young and the business insurance products offered in China are limited. We have limited business liability or disruption insurance coverage for our operations. Any business disruption, litigation or natural disaster may cause us to incur substantial costs and divert our resources.

**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.**

In addition to the impact of COVID-19, our business could be adversely affected by the effects of Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS, COVID-19 or other epidemics, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations and financial performance could be adversely affected to the extent that any of these epidemics 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 factories and businesses. These emergency measures have been significantly relaxed by the Chinese government as of the Latest Practicable Date. However, there has been an increasing number of COVID-19 cases, including the COVID-19 Delta variant cases, in various cities in China, and the Chinese local authorities have reinstated certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders. In addition, the highly-transmissible Delta variant of COVID-19 has caused authorities in various countries to reimpose restrictions such as mask mandates, curfews and prohibitions on large gatherings. The COVID-19 pandemic has caused material negative impact to our total revenues, slower collection of accounts receivables and additional allowance for credit losses in the year of 2020, particularly in its first half. Although our advertising business has gradually recovered, if the impact of COVID-19, including subsequent outbreaks driven by new variants of COVID-19, is prolonged or worsens further, it may still disrupt our business, which may in turn adversely affect our revenue and financial conditions. 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 business 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. There remain significant uncertainties surrounding

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COVID-19 and its further development as a global pandemic, including the effectiveness of vaccine programs against existing and any new variants of COVID-19, and their impacts on our customers' advertising budget and spending more broadly. The extent to which COVID-19, including subsequent outbreaks driven by new variants of COVID-19, impacts our financial position, results of operations and cash flows in 2021 will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the spread of new variants, the actions to contain the coronavirus or treat its impact, the availability of vaccine and treatment for COVID-19, among others.

We are also vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide products and services on our platform.

**Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition.**

We may undertake in the future, partial or complete divestitures or other disposal transactions in connection with certain of our businesses and assets, particularly ones that are not closely related to our core focus areas or might require excessive resources or financial capital, to help our company meet its objectives. These decisions are largely based on our management's assessment of the business models and likelihood of success of these businesses. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from these transactions. Our financial results could be adversely affected by the impact from the loss of earnings and corporate overhead contribution/allocation associated with divested businesses.

Dispositions may also involve continued financial involvement in the divested business, such as through guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of our control could affect our future financial results. We may also be exposed to negative publicity as a result of the potential misconception that the divested business is still part of our consolidated group. On the other hand, we cannot assure you that the divesting business would not pursue opportunities to provide services to our competitors or other opportunities that would conflict with our interests. If any conflicts of interest that may arise between the divesting business and us cannot be resolved in our favor, our business, financial condition, results of operations could be materially and adversely affected.

Furthermore, reducing or eliminating our ownership interests in these businesses might negatively affect our operations, prospects, or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. Our ability to diversify or expand our existing businesses or to move into new areas of business may be reduced, and we may have to modify our business strategy to focus more exclusively on areas of business where we already possess the necessary expertise. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting businesses to dispose of or spin off, finding buyers for them (or the equity interests in them to be sold) and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

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[We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to list a subsidiary entity on the Hong Kong Stock Exchange within three years of the Listing.] While we currently do not have any plan with respect to any spin-off listing on the Hong Kong Stock Exchange, we may consider a spin-off listing on the Hong Kong Stock Exchange for one or more of our businesses within the three year period subsequent to the Listing. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that it would not render our Company incapable of fulfilling the eligibility requirements under Rule 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity or entities to be spun-off at the time of the Company’s Listing (calculated cumulatively if more than one entity is spun-off). For additional information, see “Waivers and Exemptions — Three Year Restrictions to Spin-offs.”

### **RISKS RELATING TO OUR CARVE-OUT FROM SINA AND OUR RELATIONSHIP WITH SINA**

**We rely on SINA for a broad range of support and there can be no assurance that SINA will continue to provide the same level of support.**

SINA is a leading internet media company in China, and our social media business has benefited significantly from SINA’s strong market position in China and its expertise in both internet and media-related businesses. For example, our advertising and marketing revenues have benefited from SINA’s ability to attract large brand advertisers that are interested in advertising on the internet. Prior to our initial public offering in April 2014, SINA provided us with financial, administrative, sales and marketing, human resources and legal services and the services of a number of its executives and employees. After we became a stand-alone public company, SINA has continued to provide us with certain support services.

Although we have entered into a series of agreements with SINA relating to our ongoing business partnership and service arrangements with SINA, we cannot assure you we will continue to receive the same level of support from SINA going forward. To the extent that SINA does not continue to provide us with such support, we will need to create our own support systems. We may encounter operational, administrative and strategic difficulties if we are to adjust to providing these support services on our own, which may cause us to react slower than our competitors to industry changes, may divert our management’s attention from running our business or may otherwise harm our operations.

On March 22, 2021, New Wave Mergersub Limited (a wholly owned subsidiary of Sina Group Holding Company Limited, formerly known as New Wave Holdings Limited) merged with and into SINA, with SINA continuing as the surviving company. As a result of this merger, SINA became a wholly owned subsidiary of Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited, a business company incorporated in the British Virgin Islands and controlled by Mr. Charles Chao. Following the completion of the merger, SINA has ceased to be a reporting company under the Exchange Act and its shares have ceased trading on NASDAQ.

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**Our agreements with SINA may be less favorable to us than similar agreements negotiated between unaffiliated parties. In particular, our non-competition agreement with SINA limits the scope of business that we are allowed to conduct.**

We have entered into a series of agreements with SINA and the terms of such agreements may be less favorable to us than would be the case if they were negotiated with unaffiliated third parties. In particular, under the non-competition agreement we have entered into with SINA, we agreed not to, during the non-competition period (which will end on the later of (1) five years after the first date when SINA ceases to own in aggregate at least 20% of the voting power of our then outstanding securities and (2) the fifteenth anniversary of the completion of our initial public offering in 2014), compete with SINA in the business currently conducted by SINA, as described in its periodic filings with the SEC, other than the microblogging and social networking business currently operated by us and any business developed by us operating under either the domain names or the brands owned by us as of the date of the agreement. Such contractual limitations significantly affect our ability to diversify our revenue sources and may materially and adversely impact our business and prospects should the growth of social media in China slow down. In addition, pursuant to our master transaction agreement with SINA, we have agreed to indemnify SINA for liabilities arising from litigation and other contingencies related to our business and assumed these liabilities as part of our carve-out from SINA. The allocation of assets and liabilities between SINA and our company may not reflect the allocation that would have been reached by two unaffiliated parties. Moreover, so long as SINA continues to control us, we may not be able to bring a legal claim against SINA in the event of contractual breach, notwithstanding our contractual rights under the agreements described above and other inter-company agreements entered into from time to time.

**Our sales, marketing and brand promotion have benefited significantly from our association with SINA. Any negative development in SINA’s market position or brand recognition may materially and adversely affect our marketing efforts and the strength of our brand.**

As a controlled subsidiary of SINA, we have benefited significantly from our association with SINA in marketing our brand and our platform. For example, we have benefited by providing services to SINA’s clients. We also benefit from SINA’s strong brand recognition in China, which has provided us credibility and a broad marketing reach. If SINA loses its market position, the effectiveness of our marketing efforts through our association with SINA may be materially and adversely affected. In addition, any negative publicity associated with SINA will likely have an adverse impact on the effectiveness of our marketing as well as our reputation and our brand.

**SINA will control the outcome of shareholder actions in our company.**

SINA held approximately 44.6% of our total issued and outstanding ordinary shares, representing 70.7% of our total voting power as of June 30, 2021. SINA has advised us that it does not anticipate disposing of its voting control in us in the near future. SINA’s voting power gives it the power to control actions that require shareholder approval under Cayman Islands law, our memorandum and articles of association and Nasdaq requirements, including the election and removal of a majority of our board of directors, approval of significant mergers and acquisitions and other business combinations, changes to our memorandum and articles of association, the number of shares available for issuance under share incentive plans, and the issuance of significant amounts of our ordinary shares in private placements.

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SINA’s voting control may cause transactions to occur that might not be beneficial to holders of Class A ordinary shares and/or ADSs and may prevent transactions that would be beneficial to you. For example, SINA’s voting control may prevent a transaction involving a change of control of us, including transactions in which you as a holder of our Class A ordinary shares and/or ADSs might otherwise receive a premium for your securities over the then-current market price. In addition, SINA is not prohibited from selling a controlling interest in us to a third party and may do so without the approval of the Class A ordinary shares and/or ADS holders and without providing for a purchase of the Class A ordinary shares held by investors and/or ADSs held by the ADS holders. If SINA is acquired or otherwise undergoes a change of control, any acquirer or successor will be entitled to exercise the voting control and contractual rights of SINA, and may do so in a manner that could vary significantly from that of SINA.

**We are a “controlled company” within the meaning of the Nasdaq Stock Market Rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.**

We are a “controlled company” as defined under the Nasdaq Stock Market Rules because SINA holds more than 50% of our voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely, and will rely, on certain exemptions from corporate governance rules, including:

- an exemption from the rule that our director nominees must be selected or recommended solely by independent directors; and
- an exemption from having a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

As a result, the ADS holders do not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

**We may have conflicts of interest with SINA and, because of SINA’s controlling ownership interest in our company, we may not be able to resolve such conflicts on favorable terms for us.**

Conflicts of interest may arise between SINA and us in a number of areas relating to our past and ongoing relationships. Potential conflicts of interest that we have identified include the following:

- *Indemnification arrangements with SINA.* We have agreed to indemnify SINA with respect to lawsuits and other matters relating to our social media business, including operations of that business when it was a private company and a subsidiary of SINA. These indemnification arrangements could result in our having interests that are adverse to those of SINA, for example, with respect to settlement arrangements in litigation. In addition, under these arrangements, we have agreed to reimburse SINA for liabilities incurred (including legal defense costs) in connection with any litigation, while SINA will be the party prosecuting or defending the litigation.

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- *Non-competition arrangements with SINA.* We and SINA have entered into a non-competition agreement under which we agree not to compete with each other’s core business. SINA agrees not to compete with us in a business that is of the same nature as the microblogging and social networking business operated by us as of the date of the agreement. We agree not to compete with SINA in the business currently conducted by SINA, as described in its periodic filings with the SEC, other than the microblogging and social networking business operated by us as of the date of the agreement.
- *Employee recruiting and retention.* Because both SINA and we are engaged internet-related businesses in China, we may compete with SINA in the hiring of new employees, in particular with respect to media and advertising-related matters. We have a non-solicitation arrangement with SINA that restricts us and SINA from hiring any of each other’s employees.
- *Our board members or executive officers may have conflicts of interest.* Two directors of our company are also executive officers of SINA. In addition, we may continue to grant incentive share compensation to SINA’s employees and consultants from time to time. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for SINA and us.
- *Sale of shares in our company.* SINA may decide to sell all or a portion of our shares that it holds to a third party, including to one of our competitors, thereby giving that third party substantial influence over our business and our affairs. Such a sale could be contrary to the interests of our employees or our other shareholders.
- *Allocation of business opportunities.* Business opportunities may arise that both we and SINA find attractive, and which would complement our respective businesses. SINA may decide to take the opportunities itself, which would prevent us from taking advantage of those opportunities.
- *Developing business relationships with SINA’s competitors.* So long as SINA remains as our controlling shareholder, we may be limited in our ability to do business with its competitors, such as other online media companies in China. This may limit our ability to market our services for the best interests of our company and our other shareholders.

Although our company has become a stand-alone public company, we expect to operate, for as long as SINA is our controlling shareholder, as an affiliate of SINA. SINA may from time to time make strategic decisions that it believes are in the best interests of its business as a whole, including our company. These decisions may be different from the decisions that we would have made on our own. SINA’s decisions with respect to us or our business may be resolved in ways that favor SINA and therefore SINA’s own shareholders, which may not coincide with the interests of our other shareholders. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with a non-controlling shareholder. Even if both parties seek to transact business on terms intended to approximate those that could have been achieved among unaffiliated parties, this may not succeed in practice.

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### RISKS RELATING TO OUR CORPORATE STRUCTURE

**Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.**

The National People’s Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the “Implementation Regulations”) on December 26, 2019, effective from January 1, 2020, which replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Supreme People’s Court of China issued the Interpretation on the Application of the Foreign Investment Law of the PRC on December 26, 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the Foreign Investment Law. According to the judicial interpretation, courts in China shall not, among other things, support contracted parties to claim foreign investment contracts in sectors not on the Special Administrative Measures for Access of Foreign Investment (Negative List) as void because the contracts have not been approved or registered by administrative authorities. The Foreign Investment Law and Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

However, since these rules are relatively new, uncertainties still exist in relation to their interpretation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations, or whether they may be invalid in whole or in part. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

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**If the PRC government finds that the agreements establishing the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in internet and other related businesses, or if these regulations or their interpretation change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.**

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet and other related businesses, including the provision of internet content and online game operations. Specifically, foreign ownership of an internet content provider may not exceed 50%. We are a company incorporated in the Cayman Islands and Weibo Technology, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct our business in China principally through Weimeng, and its subsidiaries based on a series of contractual arrangements by and among Weibo Technology, Weimeng and its shareholders. We also operate certain investments in China through Beijing Weimeng Chuangke Investment Management Co., Ltd., or Weimeng Chuangke, and its subsidiaries, based on a series of contractual arrangements by and among Weibo Technology, Weimeng Chuangke and its shareholders. As a result of these contractual arrangements, we exert control over Weimeng and Weimeng Chuangke and treat them as consolidated VIEs. Consequently, we consolidate their operating results in our financial statements under U.S. GAAP. Weimeng and Weimeng Chuangke hold certain assets that are important to our business operations, including the Internet Content License, the Online Culture Operating Permit and domain names held by Weimeng and our investments held by Weimeng Chuangke. For a detailed description of these contractual arrangements, see “Contractual Arrangements.” We conduct our operations in China through our PRC subsidiaries and our VIEs with which we maintained these contractual arrangements. Investors in our Class A ordinary shares or the ADSs are not purchasing equity interest in our VIEs in China but instead are purchasing equity interest in a Cayman Islands holding company with no direct equity ownership of our VIEs.

In the opinion of our PRC Legal Adviser, TransAsia Lawyers, our current ownership structure, the ownership structure of our PRC subsidiaries and our VIEs, and the contractual arrangements among our PRC subsidiaries, the VIEs and their respective shareholders are in compliance with existing PRC laws, rules and regulations. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Adviser.

Weibo Corporation, our VIEs and investors of our company face uncertainties about potential actions by the PRC government that could affect the enforceability of the contractual arrangements with our VIEs and, consequently, the business, financial condition, and results of operations of our VIEs and our company as a group. It is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted, or, if adopted, what requirements would be made. In particular, the National People’s Congress approved the Foreign Investment Law and the PRC State Council approved the Implementation Rules of Foreign Investment Law in 2019. There are uncertainties as to how the Foreign Investment Law and its implementation rules would be further interpreted and implemented, and if it would represent a major change to the laws and regulations relating to the VIE structures. See “— Risks Relating to Doing Business in China — Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.” If we are found in violation of any PRC laws or regulations, the relevant governmental authorities would have



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broad discretion in dealing with such violation, including, without limitation, levying fines, restricting our right to collect revenues, confiscating our income or the income of our VIEs, revoking our business licenses or the business licenses of our VIEs, requiring us to restructure our ownership structure or operations, and requiring us or our VIEs to discontinue any portion or all of our business. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations.

**We rely on contractual arrangements with our VIEs and their respective shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.**

Due to the PRC restrictions or prohibitions on foreign ownership of internet and other related businesses in China, we operate our business in China through our VIEs, in which we have no ownership interest. We rely on a series of contractual arrangements with our VIEs and their respective shareholders to control and operate their business. These contractual arrangements are intended to provide us with effective control over these VIEs and allow us to obtain economic benefits from them. See “History and Corporate Structure — Corporate Structure — Contractual Arrangements” for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Adviser, TransAsia Lawyers, that these contractual arrangements are valid, binding and enforceable under existing PRC laws and regulations, these contractual arrangements may not be as effective in providing control over these VIEs as direct ownership. If any of these VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these contractual arrangements are governed by and interpreted in accordance with PRC law, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal system in China, particularly as it relates to arbitration proceedings, is not as developed as in other jurisdictions, such as the United States. See “Risk Factors — Risks Relating to Doing Business in the People’s Republic of China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.” There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity (“VIE”) should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of arbitration should legal action become necessary. These uncertainties could limit our ability to enforce these contractual arrangements. In addition, arbitration awards are final and can only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in enforcing these contractual arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by our VIEs and their subsidiaries. As a result, we may be unable to consolidate Weimeng or Weimeng Chuangke and their respective subsidiaries in our consolidated financial statements, our ability to conduct our business may be negatively affected, and our business operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.

In April 2020, WangTouTongDa (Beijing) Technology Co., Ltd., an entity affiliated with ZhongWangTou (Beijing) Technology Co., Ltd, made an investment of RMB10.7 million in Weimeng for 1% of Weimeng’s enlarged registered capital. Such third party minority stake holder is not a party to the contractual arrangements that are currently in effect among Weimeng, Weibo Technology and Weimeng’s other shareholders. As such, despite the fact that we are still able to enjoy economic benefits and exercise effective control over Weimeng and

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its subsidiaries, we are not able to purchase or have the third party minority stake holder pledge its 1% equity interests in Weimeng in the same manner as agreed under existing contractual arrangements, nor are we granted the authorization of voting rights over these 1% equity interests. However, we believe Weibo Technology, our wholly-owned PRC subsidiary, still controls and is the primary beneficiary of Weimeng as it continues to have a controlling financial interest in Weimeng pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

**Shareholders of our VIEs may have potential conflicts of interest with us, which may affect the performance of the contractual arrangements with our VIEs and their respective shareholders, which may in turn materially and adversely affect our business and financial condition.**

Other than the third-party minority stake holder that holds 1% of Weimeng’s equity interests, our VIEs’ shareholders (the “Individual Shareholders”) are PRC employees of our company or SINA. Although each of these Individual Shareholders has authorized Weibo Technology to exercise all of his/her voting powers in Weimeng or Weimeng Chuangke, and we may replace any of these Individual Shareholders at any time pursuant to the share transfer agreements, we cannot assure you that these Individual Shareholders will act in the best interest of our company should any conflict arise. If they were to act in bad faith towards us, we may have to take legal actions to enforce their contractual obligations, which may be expensive, time-consuming and disruptive to our operations. As there remain significant uncertainties regarding the ultimate outcome of a legal action due to the limited number of precedents and lack of official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, we cannot assure you that conflicts will be resolved in our favor. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.

**We may lose the ability to use and enjoy assets held by any of our VIEs that are important to the operation of our business if such VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.**

Our VIEs hold certain assets that are important to our business operations, including the Internet Content Provision License, the Online Culture Operating Permit and domain names held by Weimeng and our investments held by Weimeng Chuangke. Under our contractual arrangements with our VIEs, the Individual Shareholders may not voluntarily liquidate the VIE or approve the VIE to sell, transfer, mortgage or dispose of its assets or legal or beneficial interests in the business in any manner without our prior consent. However, in the event that the Individual Shareholders breach this obligation and voluntarily liquidate any VIE, or any VIE declares bankruptcy, or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if any of our VIEs or their subsidiaries undergoes a voluntary or involuntary liquidation proceeding, their shareholders or unrelated third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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**Contractual arrangements we have entered into with our VIEs may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.**

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We may be subject to adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries, our VIEs and their Individual Shareholders are not on an arm’s length basis and therefore constitute favorable transfer pricing. As a result, the PRC tax authorities could require any of our VIEs to adjust its taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing such VIE’s tax expenses without reducing the tax expenses of our PRC subsidiaries, subjecting such VIE to late payment fees and other penalties for under-payment of taxes, and resulting in our PRC subsidiaries’ loss of its preferential tax treatment. Our results of operations may be adversely affected if any of our VIEs’ tax liabilities increase or if it is subject to late payment fees or other penalties.

**If the chops of our PRC subsidiaries, our VIEs and their respective subsidiaries are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.**

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiary, our VIEs and their respective subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the holders of such chops at any of our VIEs failed to employ them in accordance with the terms of the various VIE-related agreements or removed them from the premises, the operation of such VIE could be significantly and adversely impacted.

### **RISKS RELATING TO DOING BUSINESS IN THE PEOPLE’S REPUBLIC OF CHINA**

**Regulation and censorship of information disseminated over the internet in China may adversely affect our business and subject us to liability for information displayed on Weibo, or Yizhibo.**

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying the internet content that, among other things, impairs the national dignity of China, is reactionary, obscene, superstitious, fraudulent or defamatory, or otherwise violates PRC laws and regulations. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses and the closure of the concerned websites and levy of fines. The website operator may also be held liable for such censored information displayed on or linked to the website.

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In addition, the MIIT has published regulations that subject website operators to potential liability for content displayed on their websites and for the actions of users and others using their systems, including liability for violations of PRC laws prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security stops the dissemination over the internet of information which it believes to be socially destabilizing. The State Administration for the Protection of State Secrets is also authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information. Cyberspace Administration of China, or the CAC, set up in May 2011 to supervise internet content management nationwide, has also promulgated regulations and taken a number of other measures to regulate and monitor online content.

We endeavor to eliminate illicit content from our platform, including through the use of our “Blue Plan” system on Weibo since July 2019, and for a detailed description of the procedures we implement, see “Business — Risk Management and Internal Control — Internal Control Risk Management.” Although we attempt to monitor the content posted by users on Weibo and Yizhibo, we are not able to effectively control or restrict content generated or placed on Weibo or Yizhibo by our users. In particular, with various features such as posts, comments and chat groups and the growing popularity of multimedia content, such as photos, videos and live streaming, and long-form articles, content monitoring has become much more complicated and challenging than text-based feeds.

To the extent that PRC regulatory authorities find any content displayed on Weibo or Yizhibo objectionable, they may require us to limit, prevent, or eliminate the dissemination of such information on our platform. The CAC launched the “Clear and Bright” campaign (清朗行動) to rectify various areas of online misconduct in May 2021, in response to which, certain policies were issued and actions were launched. On June 15, 2021, the CAC launched the “Fan Group Chaos Rectification” special action, followed by issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to modify behavior in the online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancellation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but the network platforms should optimize and adjust ranking rules to focus on the art works themselves and to base rankings on professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spend money on supporting idols, or act as the organizer or manager of a fan group. As of the Latest Practicable Date, we have taken measures specified in this notice to the extent applicable to our business, including removing the function of the “star power list” on our platform. In August 2021, we started to conduct self-examinations and self-rectifications in response to the PRC regulatory authorities’ recent regulatory focus on financial blogs. We have identified and rectified certain for-profit bloggers, including KOLs, with inappropriate nicknames, self-descriptions, marketing events, and publication of financial and economics related information. We have publicly disclosed the rectification results on our platform, and established a hotline for users to report any inappropriate events. During the Track Record Period, we have identified and disposed of around 438 million pieces of inappropriate or illegal content, via removal, blocking or other measures. We do not believe our rectifications have made a material adverse impact on our business. Failure to comply with the requirements from PRC regulatory authorities on content

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regulation may subject us to liabilities and penalties and may even result in the temporary blockage or complete shutdown of our online operations. During the Track Record Period, we received 43 penalties for inappropriate or illegal content transmitted on our platform, and we have cooperated with the relevant government authorities to take corrective measures in all cases. For example, in June 2020, CAC imposed a fine of RMB500,000 on us for failing to timely discover and remove user posts violating PRC laws and regulations from our platform, and required us to rectify and suspend the operation of Weibo hot search feature for one week. During the Track Record Period, we have received an aggregate penalties of RMB11.3 million for disseminating illegal content on our platform from the relevant regulatory authorities. We believe these past incidents, individually or in the aggregate, did not have a material adverse effect on our business, financial condition or results of operations during the Track Record Period. In addition, the restrictions on internet content under rules and regulations promulgated by PRC regulatory authorities may negatively impact the operation results of our live streaming business. During the Track Record Period, we generated less than 5% of total revenues from live streaming business. However, government standards and interpretations may change in a manner that could render our current monitoring and managing efforts insufficient. The PRC government has wide discretion in regulating online activities and, irrespective of our efforts to control the content on our platform, government campaigns and other actions to reduce inappropriate or illegal content and activities could subject us to negative press or regulatory challenges and sanctions, including imposition of fines, suspension or revocation of our licenses to operate in China or a ban of our platform, including closure of one or more parts of or our entire business. If government actions or sanctions are brought against us, or if there are widespread rumors about any actual or potential government actions or sanctions against us, our reputation could be harmed, we may lose users and other customers, and our revenues and results of operation may be materially and adversely affected.

In addition, the Judicial Interpretation on the Application of Law in Trial of Online Defamation and Other Online Crimes (《關於辦理利用信息網絡實施誹謗等刑事案件適用法律若干問題的解釋》) jointly promulgated by the Supreme People’s Court and Supreme People’s Procuratorate, which became effective on September 10, 2013, imposes up to a five-year prison sentence on internet users who fabricate or knowingly share defamatory false information online. The implementation of this judicial interpretation may have a significant and adverse effect on the traffic of our platform and discourage the creation of user-generated content, which in turn may impact the results of our operations and ultimately the trading price of our Class A ordinary shares and/or ADSs. Regulation and censorship of information disseminated over the internet in China may adversely affect our user experience and reduce users’ engagement and activities on our platform as well as adversely affect our ability to attract new users to our platform. Any and all of these adverse impacts may ultimately materially and adversely affect our business and results of operations.

**Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.**

The cybersecurity legal regime in China is relatively new and evolving rapidly, and their interpretation and enforcement involve significant uncertainties. As a result, it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations in certain circumstances.

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Network operators in China are subject to numerous laws and regulations, and have the obligations to, among others, (i) establish internal security management systems that meet the requirements of the classified protection system for cybersecurity, (ii) implement technical measures to monitor and record network operation status and cybersecurity incidents, (iii) implement data security measures such as data classification, backups and encryption, and (iv) submit for cybersecurity review under certain circumstances.

On November 7, 2016, the Standing Committee of the National People’s Congress issued the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017. Cyber Security Law imposes more stringent requirements on operators of “critical information infrastructure,” especially in data storage and cross-border data transfer. See “Regulatory Overview — Regulations on Information Security.” On April 13, 2020, twelve PRC governmental authorities, including the CAC, issued the Measures for Cybersecurity Review (《網絡安全審查辦法》), effective from June 1, 2020, which provide detailed cybersecurity review procedures for the purchase of network products and services by operators of “critical information infrastructure.” Before purchasing any network products or services, an operator of “critical information infrastructure” shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected.

There can be no assurance that we will not be identified as an operator of “critical information infrastructure.” If we are identified as an operator of “critical information infrastructure,” we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services. During cybersecurity review, we may be required to suspend providing any existing or new services to our users, and we may experience other disruptions of our operations, which could cause us to lose users and customers therefore leading to adverse impacts on our business. The cybersecurity review could also lead to negative publicity and a diversion of time and attention of our management and our other resources. It could be costly and time-consuming for us to prepare application materials and make the applications. Furthermore, there can be no assurance that we will obtain the clearance or approval for these applications from the Cybersecurity Review Office and the relevant regulatory authorities in a timely manner, or at all. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines, request app stores to take down our apps and cease to provide viewing and downloading services related to our apps, prohibit the registration of new users on our platform, or require us to change our business practices in a manner materially adverse to our business. Any of these actions could cause significant disruptions to our business operations and materially and adversely affect our business, financial condition, and results of operations.

On July 10, 2021, the CAC published a discussion draft of the proposed amended Measures for Cybersecurity Review (《網絡安全審查辦法(修訂草案徵求意見稿)》), or the Draft Amended Measures for Cybersecurity Review, which provides that the relevant operators shall apply with the Cybersecurity Review Office for a cybersecurity review under the following circumstances: (i) operators of “critical information infrastructure” or data processors holding over one million users’ personal information when listing abroad (國外上市), (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security, and (iii) data processors carrying out data processing that will or may affect national security. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. The Draft Amended Measures for Cybersecurity Review, if enacted as proposed, may materially impact business

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operations in many aspects. As advised by our PRC Legal Adviser, the exact scope of operators of “critical information infrastructure” under the Draft Amended Measures for Cybersecurity Review and current regulatory regime remains unclear, and is subject to the decisions of the relevant PRC government authorities that have been delegated the authority to identify operators of “critical information infrastructure” in their respective jurisdictions (including regions and industries). Those PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including the identification of operators of “critical information infrastructure” and the interpretation and enforcement of requirements potentially applicable to such operators of “critical information infrastructure.” As a major internet platform, we are at risk of being deemed to be an operator of “critical information infrastructure” and a data processor meeting the above criteria under PRC cybersecurity laws. In such case, we would be required to fulfill various obligations as required under PRC cybersecurity laws and other applicable laws for such operators of “critical information infrastructure,” including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills. In addition, although the internet products and services we purchase are primarily bandwidth, copyright content and marketing services, we cannot assure you that we will not be subject to any cybersecurity review. As of the date of this document, we have not been involved in any investigations or cybersecurity reviews by the CAC for making those purchases of internet products and services during the Track Record Period, and we have not received any inquiry, notice, warning, or sanction in such respect. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. We have already met several key obligations currently applicable to operators of “critical information infrastructure,” including setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills, but if we are deemed to be an operator of “critical information infrastructure” or a relevant data processor, such designation may disrupt our operations and adversely affect our business, results of operations and financial condition.

On November 14, 2021, the CAC published a discussion draft of the Administrative Measures for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the date of this document as to the standards for determining such activities that “affects or may affect national security”. The CAC has solicited comments on this draft until December 13, 2021, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation, including the standards for determining whether a listing in Hong Kong “affects or may affect national security”. The Draft Measures for Internet Data Security, if enacted as proposed, may materially impact our capital raising activities. If our proposed Listing is considered a listing in Hong Kong that affects or may affect national security, we may be required to apply for cybersecurity review,

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but there can be no assurance that we are able to obtain approval from the regulatory authorities in a timely manner, or at all. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

The interpretation and application of these cybersecurity laws, regulations and standards are still uncertain and evolving, especially the draft Amended Measures for Cybersecurity Review and the Draft Measures for Internet Data Security. We cannot assure you that relevant governmental authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us.

**We are required to, but have not been able to, verify the identities of all of our users who post on Weibo or Yizhibo, and our noncompliance exposes us to potentially severe penalty by the Chinese government.**

The Rules on the Administration of Microblog Development (《北京市微博客發展管理若干規定》), issued by the Beijing Municipal Government in 2011, stipulate that users who post publicly on microblogs are required to disclose their real identity to the microblogging service provider, though they may still use pen names on their accounts. Microblogging service providers are required to verify the identities of their users. In addition, microblogging service providers based in Beijing were required to verify the identities of all of their users, including existing users who post publicly on their websites. Furthermore, pursuant to the Cyber Security Law passed by the Standing Committee of the National People’s Congress, which came into effect on June 1, 2017, we will also be required to verify users’ real identities when they sign up. Further, both the Administrative Measures on Group Chat Service (《互聯網群組信息服務管理規定》), which was issued on September 7, 2017 and became effective on October 8, 2017, and the Administrative Measures on Internet User Public Account Information Service (《互聯網用戶公眾賬號信息服務管理規定》), which was issued on September 7, 2017 and became effective on October 8, 2017 and amended on January 22, 2021, require verification of any user’s identity. On August 1, 2018, the CAC and the other five PRC governmental authorities jointly issued the Circular on Tightening the Administration of Online Live streaming Services (《關於加強網絡直播服務管理工作的通知》), or the Online Live streaming Services Circular, which specifies that online live streaming service providers are required to implement real name verification system for users. Several additional regulations, including the Cyber Security Law, the Administrative Measures on Group Chat Service, and the Administrative Measures on Internet User Public Account Information Service, also requires verification of users’ identify when they sign up.

We have made significant efforts to comply with the user verification requirements. However, for reasons including existing user behaviors, the nature of the microblogging product and online live streaming and the lack of clarity on specific implementation procedures, we have not been able to verify the identities of all of the users who post content publicly on Weibo or Yizhibo. We are potentially liable for our noncompliance and may be subject to penalties including the deactivation of certain features on Weibo or Yizhibo, a written warning, suspension or termination of Weibo or Yizhibo operations, fines, revocation of licenses or business license, or other penalties imposed by the Chinese government. Any of the above actions may have a material and adverse impact on the trading price of our Class A ordinary shares and/or ADSs.



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**Regulatory investigations could cause us to incur additional expenses or change our business practices in a manner materially adverse to our business.**

Internet content regulation in China is continuously evolving, which can at times result in sustained periods of enhanced enforcement of content censorship, cyber security reviews, user privacy compliance, and internet financial services oversight. In April 2018, relevant regulators have ordered the suspension or significant curtailment of four of China’s most popular news content apps as well as one of the most popular humor platforms, all in connection with content being shared or accessed by users.

In a period of enhanced scrutiny of internet content, we may be become subject to regulatory investigations or audits in connection with products or services we provide or for information or content displayed on, retrieved from or linked to our platform, or distributed to our users. During such investigation, some or all of our products, services, features or functionalities could be terminated, and our Apps could be removed from relevant App stores. It is also possible that a regulatory investigation could result in changes to our policies or practices, could result in reputational harm, prevent us from offering certain products, services, features or functionalities, cause us to incur substantial costs, or require us to change our business practices in a manner materially adverse to our business.

**We may have to register our encryption software with Chinese regulatory authorities. If they request that we change our encryption software, our business operations could be disrupted as we develop or license replacement software.**

Pursuant to the Regulations for the Administration of Commercial Encryption (《商用密碼管理條例》) promulgated in 1999, foreign companies or individuals in China are required to seek approval from the Office of the State for Cipher Code Administration, the Chinese encryption regulatory authority, for the use of commercial encryption products or equipment involving encryption technology. Companies operating in China are allowed to use only commercial cipher code products approved by this authority and are prohibited to use self-developed or imported cipher code products without approval. In addition, all cipher code products shall be produced by those producers appointed and approved by this authority. Additional rules became effective in 2006 and amended in 2017 regulating many aspects of commercial cipher code products in detail, including development, production and sales.

Because these regulations do not specify what constitutes a cipher code product, we are unsure as to whether or how they apply to us and the encryption software we utilize. We may be required to register or apply for permits for our current or future encryption software. If the PRC authorities request that we register our encryption software or change our current encryption software to an approved cipher code product produced by an appointed producer, it could disrupt our business operations.

**Regulations on virtual currency may adversely affect our game operations revenues.**

We have provided Weibo Credit as an online virtual currency for users to purchase in-game virtual items or other types of fee-based services on our platform. In the fourth quarter of 2020, we acquired the majority equity shares of JM Tech, a company operating several online interactive entertainment apps in China including “Pocket Werewolves.” JM Tech provides “gold coin” as an online virtual currency for users to purchase items to be used in those apps. The Notice on the Strengthening of Administration on Online Game Virtual Currency (《文化部、商務部關於加強網絡遊戲虛擬貨幣管理工作的通知》), jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly

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or indirectly by the game users by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises, which specifically defines “issuing enterprise” and “trading service enterprise” and stipulates that a single enterprise may not operate both types of business.

Although we believe our operations are in compliance with the Notice on the Strengthening of Administration on Online Game Virtual Currency (《文化部、商務部關於加強網絡遊戲虛擬貨幣管理工作的通知》), as we do not offer online game virtual currency trading services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours, in which case we may be subject to fines or even required by the PRC regulators to change our practices related to Weibo Credit or “gold coin” in games operated by JM Tech, which consequently will have an adverse effect on our game-related revenues.

**Adverse changes in China’s or global economic and political policies could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.**

Substantially all of our operations are conducted in China and substantially all of our revenues are sourced from China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including the extent of the government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The PRC government has significant authority to exert influence on the ability of a China-based company, such as us, to conduct its business. Therefore, investors of our company and our business face potential uncertainties from the PRC government.

While the PRC economy has experienced significant growth in the past decades, growth has been uneven across different regions and between economic sectors, and the growth rate of the Chinese economy has gradually slowed since 2010, which trend may continue. Furthermore, China’s GDP growth turned negative in the first quarter of 2020. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our products and services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

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COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. The COVID-19 pandemic has impacted the global and Chinese economy severely in 2020. Our results of operations and financial condition have been affected negatively by the spread of COVID-19 during the year of 2020. Any severe or prolonged slowdown in the global or Chinese economy may further materially and adversely affect our business, results of operations and financial condition.

**Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.**

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

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### **We face uncertainties with respect to the enactment, interpretation and implementation of Notice 78.**

On November 12, 2020, the NRTA issued the Notice on Strengthening the Management of Online Show Live Streaming and E-commerce Live Streaming, or the Notice 78. According to the Notice 78, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, register their information and business operations by November 30, 2020, ensure real-name registration for all live streaming hosts and virtual gifting users, prohibit users that are minors or without real-name registration from virtual gifting, and set a limit on the maximum amount of virtual gifting per time, per day, and per month.

There is currently no explicit provisions as to what limits on virtual gifting will be imposed by the NRTA pursuant to Notice 78 and it is unclear how and to what degree any such limits would be imposed on different platforms. Given there is no explicit provisions on how to set the limit on virtual gifting, we are currently not able to assess the potential impact from this requirement under Notice 78 on the virtual gifting spending activities on our platform. Any such limits ultimately imposed may negatively impact our revenues derived from virtual gifting and our results of operations.

Notice 78 requests the live streaming platforms for online shows and e-commerce to register in the National Internet Audio-Visual Platforms Information Management System. Weibo has completed such registration, which was valid until May 1, 2021 and is currently under the annual renewal process. Notice 78 also sets forth requirements for certain live streaming businesses with respect to, among others, real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live streaming review personnel requirements, and content tagging requirements. We have implemented real-name registration system for all of our live streaming hosts and users. See “Business — Risk Management and Internal Control — Internal Control Risk Management.” For more information on Notice 78, see “Regulatory Overview — Regulations on Online Live streaming Services.”

Since Notice 78 was only issued in November 2020 and some of the requirements in Notice 78 are unclear and have no explicit provisions or implementation standards, we are still in the process of getting further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. Any further rulemaking under Notice 78 or other intensified regulation with respect to live streaming may increase our compliance burden in the live streaming business, and may have an adverse impact on our business and results of operations.

### **Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.**

The PRC anti-monopoly enforcement agencies have strengthened enforcement under the PRC Anti-Monopoly Law in recent years. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《國家市場監督管理總局關於反壟斷執法授權的通知》), pursuant to which its province-level branches are authorized to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti-Monopoly Commission of the State Council issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires operators to establish anti-monopoly compliance management systems under the PRC Anti-Monopoly Law to manage

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anti-monopoly compliance risks. On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities. On March 12, 2021, the SAMR published several administrative penalty cases about concentration of business operators that violated PRC Anti-Monopoly Law in the internet sector. On April 13, 2021, we, together with 33 other major internet platforms in China, attended an administrative guidance meeting for Internet platform enterprises jointly convened by the CAC, the China Taxation Administration and the SAMR. In the meeting, we were instructed to conduct a self-inspection within one month to focus on rectifying possible violation of anti-monopoly laws, such as exclusivity arrangements known as “pick one out of two,” abuse of dominant market position, monopolistic agreements, and the illegal concentration of business operators, and to submit compliance commitments for public supervision. The rectification procedures generally include three steps: first, our company to conduct a self-examination and self-rectification and deliver a report to the relevant government authority for review; second, the government authority to provide comments on the report and guidance for our company to achieve compliance with the relevant PRC laws and regulations; and third, the government will make an inspection and confirm the rectification results. Weibo has initiated a self-inspection and rectification following the instructions received in this meeting, and submitted a report which is currently under the review of government authority. It is still uncertain how these requirements will be implemented and whether there will be further legislation and administration activities.

In August 2021, the SAMR issued two investigation notices to Weimeng Chuangke regarding recent share acquisitions by Weimeng Chuangke, namely, acquisition of 68.8591% shares of Shanghai Jiamian Information Technology Co., Ltd. (上海假面信息科技有限公司) from its existing shareholders for the aggregate consideration of US\$218.6 million and acquisition of 36% shares of Jinhua Ruian Investment Management Co., Ltd. (金華睿安投資管理有限公司), the holding entity of Shanghai Benqu Network Technology Co., Ltd., a developer of Wuta beauty camera app, from its existing shareholders for the aggregate consideration of US\$41.7 million, in respect of potential illegal concentration of business operators under the Anti-Monopoly Law. Both acquisitions reached the threshold for a prior-filing under the Provisions of the State Council on the Threshold for the Reporting of Concentration of Business Operators (國務院關於經營者集中申報標準的規定) but Weimeng Chuangke did not make the filing before the consummation of these transactions.

On October 22, 2021, Weimeng Chuangke received a prior notification of administrative penalty by the SAMR with a fine of RMB500,000 based on the determination that Weimeng Chuangke’s share acquisition of Jinhua Ruian Investment Management Co., Ltd. (金華睿安投資管理有限公司) constituted a concentration of business operators without prior filing pursuant to the Anti-Monopoly Law (中華人民共和國反壟斷法). Weimeng Chuangke replied in writing to the SAMR on October 25, 2021 with no objection to such punishment. Weimeng Chuangke will timely pay the fine when it receives the decision of administrative penalty issued by the SAMR.

As of the date of this document, the investigation into the share acquisition of Shanghai Jiamian Information Technology Co., Ltd. (上海假面信息科技有限公司), or JM Tech, is ongoing and Weimeng Chuangke is actively cooperating with the SAMR. We are not able to predict the status or the results of the investigation at this stage. According to the PRC Anti-Monopoly Law (中華人民共和國反壟斷法), if a business operator carries out a concentration in violation of the law, the relevant authority shall order the business operator to terminate the concentration, dispose of the shares or assets or transfer the business within

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a specified time limit, or take other measures to restore the pre-concentration status, and may impose a fine of up to RMB500,000. As such, our PRC legal adviser is of the view that we could be subject to fines of up to RMB500,000 and other legal actions disclosed above for such share acquisition, which however would not have a material adverse effect on our business since JM Tech contributed US\$11.5 million of revenues and US\$7.2 million of net income to the Group in 2020. On October 23, 2021, the Standing Committee of the National People’s Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to “no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competition; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition.” The draft also proposes for the relevant authority to investigate transaction where there is evidence that the concentration has or may have the effect of eliminating or restricting competition, even if such concentration does not reach the filing threshold.

We are of the view that (i) the strengthened enforcement of the Anti-Monopoly Law could result in investigations on our acquisition transactions conducted in the past and make our acquisition transactions in the future more difficult due to the prior filing requirement; (ii) although we do not expect that the PRC anti-monopoly laws will materially and adversely affect our business, it may increase our compliance burden, particularly in the context of relevant PRC authorities recently strengthening supervision and enforcement of the Anti-Monopoly Law against internet platforms; given that we do not hold a dominant market position in the relevant markets and we have not entered into any monopolistic agreement, our PRC legal adviser is of the view that, except for our acquisitions that are under investigation for concentration of business operators, we are in compliance with the currently effective PRC anti-monopoly laws in all material aspects; however, if the PRC regulatory authorities identify any of our activities as monopolistic under the PRC Anti-Monopoly Law or the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, or identify us holding a dominant market position or of abusing such dominant position, we may be subject to other investigations and administrative penalties, such as termination of monopolistic act and confiscation of illegal gains; and (iii) there are significant uncertainties associated with the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in China, especially with respect to the enactment timetable, final content, interpretation and implementation of the amended Anti-Monopoly Law. If it is enacted as proposed, it will be more difficult to complete the acquisition transaction. It will be costly for us to adjust our business practices in order to comply with these evolving laws, regulations, rules, guidelines and implementations. Any non-compliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, lead to negative publicity, liabilities or administrative penalties, therefore materially and adversely affect our financial conditions, operations and business prospects. If we are required to take any rectifying or remedial measures or are subject to any penalties, our reputation and business operations may be materially and adversely affected.

**We may be adversely affected by the complexity, uncertainties and changes in PRC licensing and regulation of internet businesses.**

The PRC government extensively regulates the internet industry, including the licensing and permit requirements pertaining to companies in this industry. Internet-related laws and regulations in China are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations in certain circumstances.

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Weimeng holds an Internet Content Provision License and an Online Culture Operating Permit that are necessary for operating our current business in China. Weimeng also holds an inter-regional Value-Added Telecommunications Services Operating License for provision of value-added telecommunication services nationwide. However, we cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses if required by any new laws or regulations. Companies engaging in internet broadcasting activities, such as the Yizhibo live streaming business we acquired in October 2018, must first obtain an audio/video program transmission license. See “Regulatory Overview — Regulations on Broadcasting Audio/Video Programs through the Internet” for more details. Weimeng is not qualified to obtain the internet audio/video program transmission license under the current legal regime as it is not a wholly state-owned or state-controlled company and it was not operating prior to the issuance of the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56. Weimeng plans to apply for an internet audio/video program transmission license when feasible to do so. In June 2017, the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China issued a public notice stating that it had requested the local competent authorities to take measures to suspend several companies’ video and audio services due to their lacking of an internet audio/video program transmission license and posting of certain commentary programs with content in violation of government regulations on their sites, and Weibo is named as one of these companies. In 2018 and 2019, Beijing Integrated Law Enforcement on the Cultural Market issued three decisions on administrative penalties to Weimeng, each of which imposed a warning and a fine of RMB30,000 on Weimeng on the grounds that Weimeng carried on internet audio/video program services without obtaining the internet audio/video program transmission license and provided online broadcasting services for relevant programs posted by certain registered users of Weibo. We have cooperated with the relevant government authorities to take corrective measures, including, among other measures, immediate removal of relevant audio/video programming, warning or banning live streaming hosts, and improving our ability to identify and intercept illegal content. We have registered with the National Internet Audio-Visual Platforms Information Management System, through which our operations is supervised and guided by the National Radio and Television Administration and its local branches. This registration was valid until May 1, 2021 and is currently under the annual renewal process. However, there can be no assurance that there will not be any further enforcement action, the occurrence of which may result in further liabilities, penalties and operational disruption. In addition, we may be required to obtain an internet publishing permit due to the online game related services we provided and the contents generated by our users. See “Regulatory Overview — Regulations on Online Game Operations and Cultural Products.” Weimeng has been actively communicating with the relevant regulator for the application of an internet publishing permit. Weimeng may not be able to obtain such license due to inappropriate or illegal content generated by users. Before we obtain such licenses or any additional licenses required by new laws and regulations, we could be subject to liabilities and penalties for providing online publishing services without the relevant licenses, including removal of the relevant online publications, confiscation of illegal income, fines, and/or the closure of our relevant websites, which could lead to severe disruption to our business operation.

Foreign investment in online game operation is prohibited under PRC law. We currently provide our online game services through Weimeng, Weibo Interactive and Weimeng Chuangke’s subsidiaries. However, certain contracts relating to our online game services were entered into between our PRC subsidiaries, Weimeng and the game developers, under which our PRC subsidiaries, together with Weimeng, provides certain technical services through our website. Under these agreements, our PRC subsidiaries, foreign-invested enterprises, may be deemed to be providing value-added telecommunication services without the necessary licenses. If so, we may be subject to sanctions, including payment of delinquent taxes and fines, which may significantly disrupt our operations and materially and adversely affect our business, results of operations and financial condition.

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Furthermore, the operation of online games in China is highly regulated by the PRC government. The publication of a new online game or a significant upgrade of an existing online game requires approval from the National Press and Publication Administration, or the NPPA. There are uncertainties with respect to the interpretation and implementation of the laws and regulations governing online games. Although most of the games on our website have obtained approval from the NPPA, certain games may not be able to obtain such approval due to the narrow interpretation of the scope of “game” adopted by NPPA in practice. For example, “Pocket Werewolves” operated by JM Tech may not be able to obtain the approval from NPPA as it is considered a social app instead of a game app. If any online game operated on our platform or by JM Tech fails to timely obtain necessary regulatory approval, the operator of the relevant game may be subject to various penalties and the operation of the relevant game could be suspended or discontinued, which could adversely affect our business. The Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》) that was issued by the Ministry of Culture, on June 3, 2010, and last amended on December 15, 2017, comprehensively regulated the activities related to online game business until July 10, 2019 when it was abolished by the Culture and Tourism of the PRC according to the Decision on Abolishing the Interim Measures for the Administration of Online Games and the Measures for the Administration of Tourism Development Planning. As of the Latest Practicable Date, the governmental authorities have not issued laws or regulations to replace the Interim Measures on Administration of Online Games.

In addition, due to the increasing popularity and use of the internet, online games and other online services, it is possible that additional laws and regulations may be adopted with respect to the internet, online games or other online services covering issues such as user privacy, pricing, content, copyrights and distribution. The adoption of additional laws or regulations may decrease the growth of the internet, online games or other online services, which could in turn decrease the demand for our products and services and increase our cost of doing business.

If the game publishers and operators fail to maintain the normal publication and operation of their online games, or if they fail to complete or obtain the necessary approvals of their online games, our operations may be negatively impacted, and we may be subject to penalties for live streaming such games.

Furthermore, the PRC government has taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見) on September 17, 2021, which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established, and classified security management of algorithms shall be promoted. In addition, the Cyberspace Administration of China issued a discussion draft of Administrative Provisions on Algorithm Recommendation of Internet Information Services (互聯網信息服務算法推薦管理規定(徵求意見稿)) on 27 August 2021, which provides that algorithms recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and that users should be given the option to easily turn off algorithm recommendation services. Although the CAC has solicited comments on this draft since August 27, 2021, there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. Our social interest graph recommendation engine, which leverages our database of users’ social interest graphs based on their engagement actions on our platform, allows us to push the content that the users may find more relevant and interesting.



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If the draft of the Administrative Provisions on Algorithm Recommendation of Internet Information Services is enacted as proposed, we may need to further adjust our business and operations. For instance, under this draft, algorithms recommendation service providers are required to publicly disclose the basic principles, purposes, intention, and operating mechanism of our algorithm-related products. In response to this draft, we have publicly disclosed the operation mechanism for “Weibo hot search” and provided an option for our users to limit algorithm-driven recommendations for content and advertisements in certain ways. However, the impact on our business operations is still substantially uncertain since the draft is not yet enacted. In the event the draft is eventually enacted, the impact on our SIG recommendation engine still depends largely on the number of users who actually turn off our algorithm recommendation services. If such opt-out ratio turns out to be on the high end, the advertisement efficiency on our platform may ultimately be lowered and our business operations may be adversely affected.

**PRC regulations of loans to PRC entities and direct investment in PRC entities by offshore holding companies may delay or prevent us from using offshore funds to make loans or additional capital contributions to our PRC subsidiaries.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholder loans or capital contributions. Any loans from us to our PRC subsidiaries, which is a foreign-invested enterprise, cannot exceed statutory limits based on the difference between the registered capital and the investment amount of such subsidiaries or 200% of its net assets, and shall be registered with the State Administration of Foreign Exchange, or SAFE, or its local counterparts. Any capital contributions we make to our PRC subsidiaries is subject to the requirement of necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other governmental authorities. We may not be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015. SAFE Circular 19 adopts a concept of “discretionary conversion,” which is defined as the conversion of a foreign-invested enterprise’s foreign currency registered capital in accordance with the enterprise’s actual business needs. No review of the purpose of the funds is required at the time of conversion under SAFE Circular 19. However, use of any RMB funds converted from its registered capital shall be based on true transactions. In addition, equity investments using converted registered capital are no longer prohibited under SAFE Circular 19.

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, on June 9, 2016, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to RMB on self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC

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laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self-used real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the [REDACTED] from our [REDACTED] and notes offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28. SAFE Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the Negative List and that the target investment projects are genuine and in compliance with PRC laws.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we received from our [REDACTED] and notes offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

**We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders beneficial owners fail to comply with relevant PRC foreign exchange rules.**

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75.

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If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested all of our current shareholders and/or beneficial owners to disclose whether they or their shareholders or beneficial owners fall within the ambit of Circular 37 and have urged relevant shareholders and beneficial owners, upon learning they are PRC residents, to register with the local SAFE branch as required under Circular 37. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

**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.**

The Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) provides that an enterprise established outside China or established pursuant to foreign (regional) laws whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax on its global income. Under the Implementation Rules of the Enterprise Income Tax Law, “de facto management body” is defined as the organizational body which substantially and comprehensively manages and controls the production and operation, personnel, accounting and properties of an enterprise.

Pursuant to the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), issued by the State Administration of Taxation in 2009, a foreign enterprise controlled by PRC enterprises or PRC enterprise groups is considered a PRC resident enterprise if all of the following conditions are met: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management often reside within the PRC. Although the notice states that these standards only apply to offshore enterprises that are controlled by PRC enterprises or PRC enterprise groups, such standards may reflect the general view of the State Administration of Taxation in determining the tax residence of foreign enterprises.

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We believe that neither our company nor our Hong Kong subsidiary is a PRC resident enterprise because neither our company nor our Hong Kong subsidiary meets all of the conditions enumerated. For example, board and shareholders’ resolutions of our company and our Hong Kong subsidiary are adopted in Hong Kong and the minutes and related files are kept in Hong Kong. However, if the PRC tax authorities were to disagree with our position, our company and/or our Hong Kong subsidiary may be subject to PRC enterprise income tax reporting obligations and to a 25% enterprise income tax on our global taxable income, except for our income from dividends received from our PRC subsidiary, which may be exempt from PRC tax. If we and/or our Hong Kong subsidiary are treated as a PRC resident enterprise, the 25% enterprise income tax may adversely affect our ability to satisfy any of our cash needs.

In addition, if we were to be classified as a PRC “resident enterprise” for PRC enterprise income tax purpose, dividends we pay to our non-PRC enterprise shareholders and gains derived by our non-PRC enterprise shareholders from the sale of our shares and ADSs may be become subject to a 10% PRC withholding tax. In addition, future guidance may extend the withholding tax to dividends we pay to our non-PRC individual shareholders and gains derived by such shareholders from transferring our shares and ADSs. In addition to the uncertainty in how the “resident enterprise” classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If PRC income tax were imposed on gains realized through the transfer of our ADSs or ordinary shares or on dividends paid to our non-resident shareholders, the value of your investment in our ADSs or ordinary shares may be materially and adversely affected.

**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.**

We are a holding company, and we rely principally on dividends and other distributions from our PRC subsidiaries for our cash needs, including the funds necessary to pay dividends to our shareholders or service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until the aggregate amount of such reserve funds reaches 50% of its registered capital. Apart from these reserves, our PRC subsidiaries may allocate discretionary portion of their after-tax profits to staff welfare and bonus funds at their discretion. These reserves and funds are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt, the debt instruments may restrict its ability to pay dividends or make other payments to us. We cannot assure you that our PRC subsidiaries will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

Distributions made by PRC companies to their offshore parents are generally subject to a 10% withholding tax under the Enterprise Income Tax Law. Pursuant to the Enterprise Income Tax Law and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by our PRC subsidiaries to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is the beneficial owner of the PRC sourced income. Further, the State Taxation Administration promulgated the Announcement of the Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) in 2018, which sets forth certain detailed factors in determining

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“beneficial owner” status, and specifically, if an applicant’s business activities do not constitute substantive business activities, the applicant will not qualify as a “beneficial owner”. Although our PRC subsidiary is wholly owned by our Hong Kong subsidiary, we will not be able to enjoy the 5% withholding tax rate with respect to any dividends or distributions made by our PRC subsidiary to its parent company in Hong Kong if our Hong Kong subsidiary is not regarded as a “beneficial owner.”

In addition, if Weibo HK were deemed to be a PRC resident enterprise, 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 Corporation 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%.

**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.**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenues in RMB and the majority of our cash inflows and outflows are denominated in RMB. Under our current corporate structure, our cash needs are dependent on dividend payments from our subsidiaries in China after it receives payments from our VIEs under various services and other contractual arrangements. We may convert a portion of our RMB into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our ordinary shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy its foreign currency denominated obligations.

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 is 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. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Class A ordinary shares and/or ADSs.

**Discontinuation of preferential tax treatment or imposition of any additional taxes could adversely affect our financial condition and results of operations.**

The Enterprise Income Tax Law and its implementing rules have adopted a uniform statutory enterprise income tax rate of 25% to all enterprises in China. The Enterprise Income Tax Law and its implementing rules also permit qualified “software enterprises” to enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years. In addition, qualified “key software enterprises” can enjoy a reduced tax rate of 10%. Weibo Technology, our PRC subsidiary, was qualified as a “software enterprise” on December 19, 2011, the qualification of which was renewed each year.

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Accordingly, Weibo Technology is eligible for the relevant preferential tax treatment upon filing with the relevant tax authorities. Its qualification as a “software enterprise” is subject to annual evaluation by the relevant authorities in China. Weibo Technology, a qualified software enterprise, enjoyed the relevant tax holiday from its first accumulative profitable year in 2015 and was subject to a reduced enterprise income tax rate of 12.5% from 2017 to 2019. Although Weibo Technology was qualified as a “software enterprise” in 2020, it will not enjoy a reduced tax rate as it has been five years since it first became profitable in 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, therefore is 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. On February 7, 2021, the NDRC published the Circular on the Requirements for the Formulation of the List of Integrated Circuit Enterprises or Project and Software Enterprises Enjoying Tax Preferences (《關於印發享受稅收優惠的集成電路企業或項目、軟件企業清單制定有關要求的通知(徵求意見稿)》) for the public comment by March 8, 2021, which provides higher requirements on “key software enterprise” than before. If Weibo Technology fails to maintain its “key software enterprise” qualification, its applicable corporate income tax rate would increase to 25%, which could have an adverse effect on our financial condition and results of operations.

Furthermore, certain enterprises may still benefit from a preferential tax rate of 15% under the Enterprise Income Tax Law and its implementing rules if they qualify as a “High and New Technology Enterprise” subject to certain general factors described in the Enterprise Income Tax Law and the related regulations. Weibo Technology is qualified as a High and New Technology Enterprise and is entitled to a preferential tax rate of 15% for the fiscal years from 2017 to 2022. 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. If Weibo Technology fails to maintain its “High and New Technology Enterprise” qualification, its applicable corporate income tax rate would increase to 25%, which could have an adverse effect on our financial condition and results of operations.

**Failure to comply with PRC regulations regarding the registration requirements for stock ownership plans or stock option plans may subject PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rule, replacing the earlier rules promulgated in March 2007 and January 2008. Under the Stock Option Rule, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly listed company are required to register with SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

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## RISK FACTORS

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We and our PRC resident employees who participate in our share incentive plans have been subject to these regulations since our company became publicly listed in the United States. If we or our PRC resident employees who participate in our share incentive plans fail to comply with these regulations in the future, we or our PRC resident employees who participate in our share incentive plans and their local employers may be subject to fines and legal sanctions. See “Regulatory Overview — Regulations on Employee Stock Options Plans.”

**Fluctuation in the value of the RMB may have a material adverse effect on the value of your investment.**

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

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 offerings or debt financing 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.

**PRC laws and regulations establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

A number of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) adopted by six PRC regulatory agencies in 2006 and last amended in 2009, or the M&A Rules, the Anti-Monopoly Law (《中華人民共和國反壟斷法》), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by the Ministry of Commerce in August 2011, or the Security Review Rules, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex. These include requirements in some instances that the Ministry of Commerce be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

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## RISK FACTORS

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The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises have “national security” concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the Ministry of Commerce will look into the substance and actual impact of the transaction. The Security Review Rules further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

There is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular 6 to submit such transactions to the Ministry of Commerce for security review. As we have already obtained the “de facto control” over our affiliated PRC entities prior to the effectiveness of these rules, we do not believe we are required to submit our existing contractual arrangements to the Ministry of Commerce for security review.

However, as there is a lack of clear statutory interpretation on the implementation of the same, there is no assurance that the Ministry of Commerce will not apply these national security review-related rules to the acquisition of equity interest in our PRC subsidiaries. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our PRC subsidiaries’ business or operating licenses, requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Further, if the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**The approval of the CSRC or other PRC government authorities may be required in connection with this offering under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval.**

The M&A Rules purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to the listing and trading of their securities on an overseas stock exchange. However, the interpretation and application of these regulations remain unclear. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval, how long it would take to obtain such approval, or, even if obtained, whether CSRC would rescind it. Any delay in obtaining, failure to obtain CSRC approval for this offering, or rescission of CSRC approval if obtained, would subject us to sanctions imposed by the CSRC and other PRC regulatory authorities.



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## RISK FACTORS

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Our PRC counsel, TransAsia Lawyers, has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval of the [REDACTED] because (i) the CSRC currently has not issued any definitive rules or interpretations concerning whether offerings like ours under this document are subject to such regulation, (ii) our wholly-owned PRC subsidiaries were not established through a merger or acquisition of the equity or assets of a “PRC domestic company” as such term is defined under the M&A Rules, and (iii) no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to its regulation.

However, we cannot assure you that relevant PRC government authorities, including the CSRC, would reach the same conclusion as our PRC counsel, and in such event we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. If it is determined that the approval from the CSRC or other regulatory authorities, or other procedures, are required for this [REDACTED], it would be uncertain whether we can or how long will it take to obtain such approval or complete such procedures. Furthermore, we cannot assure you that any obtained approval or clearance will not be rescinded by the governmental authorities, and in any of such cases, we may face sanctions from the CSRC or other PRC regulatory authorities for the failure to seek approval or clearance from CSRC or other competent regulatory authorities for this [REDACTED]. These sanctions may include fines and penalties for our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, results of operations and financial condition, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] before the settlement and delivery of the securities that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the securities we are offering, you would be doing so at the risk that the settlement and delivery may not occur. In addition, if the CSRC or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for this [REDACTED], we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed shares.

Several PRC authorities recently issued the Opinions on Strictly Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) which emphasize on the prevention of illegal securities activities and tightened supervision over overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules for overseas listings of Chinese entities and affiliates including potential extraterritorial application of China’s securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage. As of the date of this document, we have not received any inquiry, notice, warning, or sanction regarding this [REDACTED] from the CSRC or any other PRC regulatory agencies. However, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. As of the date of this document, we have not received any inquiry, notice, warning, or sanction regarding this [REDACTED] from the CSRC or any other PRC regulatory agencies.

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## RISK FACTORS

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**The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.**

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

Although SAT Circular 7 provides clarity in many important areas, such as reasonable commercial purpose, there are still uncertainties on the tax reporting and payment obligations with respect to future private equity financing transactions, share exchange or other transactions involving the transfer of shares in non-PRC resident companies. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations.

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## RISK FACTORS

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We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. In the future, we may conduct acquisitions or disposals of properties that may involve complex corporate structures. If the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential transactions may be increased, which may have a material adverse effect on our financial condition and results of operations.

**We face certain risks relating to the real properties that we lease.**

We lease office space for our operations in China. Any defects in lessors' title to the leased properties may disrupt our use of our offices, which may in turn adversely affect our business operations. For example, certain buildings and the underlying land are not allowed to be used for industrial or commercial purposes without relevant authorities' approval, and the lease of such buildings to companies like us may subject the lessor to pay premium fees to the PRC government. We cannot assure you that the lessor has obtained all or any of approvals from the relevant governmental authorities. In addition, some of our lessors have not provided us with documentation evidencing their title to the relevant leased properties. We cannot assure you that title to these properties we currently lease will not be challenged. In addition, we have not registered most of our lease agreements with relevant PRC governmental authorities as required by PRC law, and although failure to do so does not in itself invalidate the leases, we may not be able to defend these leases against bona fide third parties.

As of the Latest Practicable Date, we are not aware of any actions, claims or investigations being contemplated by government authorities with respect to the defects in our leased real properties or any challenges by third parties to our use of these properties. However, if third parties who purport to be property owners or beneficiaries of the mortgaged properties challenge our right to use the leased properties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises, which could in turn materially and adversely affect our business and operating results.

**Failure to comply with PRC labor laws and make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.**

Companies operating in China are required to register with governmental authorities and participate in various government sponsored employee benefit plans, including certain social insurance and housing funds, and contribute to these plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government authorities from time to time at the locations where those employees are based. However, requirements relating to employee benefit plans have not been implemented consistently by local governments in China, given the different levels of economic development in different regions. We believe that we have made adequate social insurance and housing fund contributions for the majority of our employees, however, we cannot assure you that local governments will not have different views as to what constitutes strict compliance with the requirements for contributions to employee benefit plans. Our social insurance and housing fund contributions for a small number of our employees with performance-based salaries may not be adequate, as we could not foresee these employees' performance and therefore their salaries accurately. We may be required to make up the contributions for these employee benefit plans as well as to pay late fees and fines.

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## RISK FACTORS

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**Our significant deposits in certain banks in China may be at risk if these banks go bankrupt or otherwise do not have the liquidity to pay us during our deposit period.**

As of June 30, 2021, we had US\$2.4 billion in cash and cash equivalent, bank deposits and short term investments, such as time deposits, with large domestic banks in China. Our remaining cash, cash equivalents and short-term investments were held by financial institutions in the United States and Hong Kong. The terms of these deposits are, in general, up to twelve months. Historically, deposits in Chinese banks were viewed as secure due to the state policy on protecting depositors’ interests. However, the new Bankruptcy Law that came into effect in 2007 contains an article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law, so the law contemplates the possibility that a Chinese bank may go bankrupt. In addition, foreign banks have been gradually permitted to operate in China since China’s accession to the World Trade Organization and have become strong competitors of Chinese banks in many respects, which may have increased the risk of bankruptcy or illiquidity for Chinese banks, including those in which we have deposits. In the event of bankruptcy or illiquidity of any one of the banks which holds our deposits, we are unlikely to claim our deposits back in full since we are unlikely to be classified as a secured creditor based on PRC laws.

On May 1, 2015, China’s new Deposit Insurance Regulation (《中華人民共和國存款保險條例》) came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China will be required to purchase deposit insurance for deposits in RMB and in foreign currency. Under this regulation, depositors will be fully indemnified for their deposits and interests in an aggregate amount up to a limit of RMB500,000. Deposits or interests over such limit will only be covered by the bank’s liquidation assets. Therefore, although this requirement to purchase deposit insurance may help, to a certain extent, prevent Chinese banks from going bankrupt, it would not be effective in providing effective protection for our accounts, as our aggregate deposits are much higher than the compensation limit.

**Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.**

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S. On November 5, 2021, the SEC approved the PCAOB rule that provides a framework for the PCAOB to determine whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. The rule states that the PCAOB will make these determinations promptly.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this document, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

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## RISK FACTORS

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On March 24, 2021, the SEC has adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a “non-inspection” year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above.

On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two.

The SEC may propose additional rules or guidance that could impact us if our auditor that issued the audit report included in our annual report on Form 20-F is not subject to PCAOB inspection. For example, on August 6, 2020, the President’s Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCA Act. However, some of the recommendations were more stringent than the HFCA Act. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCA Act and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition the requirements of the HFCA Act are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded “over-the-counter” earlier than would be required by the HFCA Act. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

The PCAOB’s inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

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## RISK FACTORS

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**Proceedings instituted by the SEC against certain PRC-based accounting firms, including the auditor of our consolidated financial statements in our annual reports on Form 20-F filed with the SEC, could result in our financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.**

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including the auditor of our consolidated financial statements in our annual reports on Form 20-F filed with the SEC, alleging that these firms had violated U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ audit work papers with respect to certain PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the administrative law judge presiding over the matter rendered an initial decision that each of the firms had violated the SEC’s rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, the four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms’ audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms’ compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from Nasdaq or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

**It may be difficult for overseas regulators to conduct investigation or collect evidence within China.**

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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## RISK FACTORS

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### RISKS RELATING TO OUR SHARES, OUR ADSs AND THE LISTING

**As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies [REDACTED] on the Hong Kong Stock Exchange.**

As we are applying for a listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO. As a result, we will adopt different practices as to those matters as compared with other companies [REDACTED] on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers. For additional information, see “Waivers and Exemptions.”

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our Class A ordinary shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict compliance with the requirements under the Hong Kong Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and Articles of Association and we may incur of incremental compliance costs.

**The trading price for our ADSs has been and is likely to continue be, and the trading price of our Class A ordinary shares can be, volatile, regardless of our operating performance, which could result in substantial losses to holders of our Class A ordinary shares and/or the ADSs.**

The trading prices of our ADSs has been and is likely to continue to be volatile and could fluctuate widely in response to in response to a variety of factors, many of which are beyond our control. The trading price of our Class A ordinary shares, likewise, can be volatile for similar or different reasons. For example, the trading price of our ADSs ranged from US\$28.93 to US\$52.33 per ADS in 2020. The trading price of our listed securities is likely to remain volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the United States. A number of Chinese companies have listed or are in the process of listing their securities on stock markets in Hong Kong and/or the United States. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies’ securities after their offerings may affect the attitudes of investors toward Chinese companies listed in Hong Kong and/or the United States in general and consequently may impact the trading performance of our Class A ordinary shares and/or ADSs, regardless of our actual operating performance.

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## RISK FACTORS

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In addition to market and industry factors, the price and trading volume for our Class A ordinary shares and/or ADSs may be highly volatile for factors specific to our own operations, including (but not limited to) the following:

- variations in our revenues, earnings, cash flow and data related to our active user base or user engagement;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us or SINA;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

**Substantial future sales or perceived potential sales of our Class A ordinary shares, ADSs, or other equity or equity-linked securities in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline**

Sales of our Class A ordinary shares, ADSs, or other equity or equity-linked securities in the public market, or the perception that these sales could occur, could cause the market price of our Class A ordinary shares and/or ADSs to decline significantly. All of our Class A ordinary shares represented by ADSs were freely transferable by persons other than our affiliates without restriction or additional registration under the U.S. Securities Act. The Class A ordinary shares held by our affiliates are also available for sale, subject to volume and other restrictions as applicable under Rule 144 of the U.S. Securities Act, under trading plans adopted pursuant to Rule 10b5-1 or otherwise.

Divestiture in the future of our Class A ordinary shares and/or ADSs by shareholders, the announcement of any plan to divest our Class A ordinary shares and/or ADS, or hedging activity by third-party financial institutions in connection with similar derivative or other financing arrangements entered into by shareholders, could cause the price of our Class A ordinary shares and/or ADSs to decline.

**If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Class A ordinary shares and/or ADSs, the trading price for our Class A ordinary shares and/or ADSs and trading volume could decline.**

The trading market for our Class A ordinary shares and/or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Class A ordinary shares and/or ADSs, the trading price for our Class A ordinary shares and/or ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume for our Class A ordinary shares and/or ADSs to decline.



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**The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our listed securities could adversely affect their trading price.**

Sales of substantial amounts of our Class A ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could adversely affect the trading price of our Class A ordinary shares and/or ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the trading price of our Class A ordinary shares and/or ADSs.

**Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.**

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to three votes per share. All of the outstanding ordinary shares held by SINA as of the Latest Practicable Date are Class B ordinary shares. All other ordinary shares that are outstanding as of the Latest Practicable Date are Class A ordinary shares. We intend to maintain the dual-class voting structure in the future. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate (as defined in our Articles of Association) of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. In addition, each Class B ordinary share shall automatically and immediately be converted into one Class A ordinary share if at any time SINA and its affiliates (as defined in our Articles of Association) in the aggregate hold less than five percent (5%) of the issued Class B ordinary shares in our company, and no Class B ordinary shares shall be issued by our company thereafter.

Due to the disparate voting powers attached to these two classes of ordinary shares, SINA owned approximately 44.6% of our total issued and outstanding ordinary shares and 70.7% of the voting power of our outstanding shares as of June 30, 2021. Therefore, SINA will have decisive influence over matters requiring shareholders' approval, including election of directors and significant corporate transactions, such as a merger or sale of our company. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

**Techniques employed by short sellers may drive down the trading price of our Class A ordinary shares and/or ADSs.**

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third-party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers

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publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and stockholder's equity, and any investment in our Class A ordinary shares and/or ADSs could be greatly reduced or rendered worthless.

**Because we do not expect to pay dividends in the foreseeable future, investors must rely on price appreciation of our Class A ordinary shares and/or ADSs for return on their investments.**

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. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, investors should not rely on an investment in our Class A ordinary shares and/or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to Cayman Islands law. 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 declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return to the holders of our Class A ordinary shares and/or ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our listed securities will appreciate in value in the future or even maintain the price at which the investors purchased these securities. Investors may not realize a return on their investment in our Class A ordinary shares and/or ADSs and may even lose their entire investment.

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**Our shareholders may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Class A ordinary shares and/or ADSs.**

Under the Enterprise Income Tax Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and the jurisdiction of residence of the holders of our Class A ordinary share and/or ADSs that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of ADSs or shares by such non-PRC resident enterprise investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC, unless a tax treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of American depositary shares or shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and similar arrangements and PRC laws. Although substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Class A ordinary shares and/or ADSs, or the gain realized from the transfer of our Class A ordinary shares and/or ADSs, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax if we were considered a PRC resident enterprise, as described above. If PRC income tax were imposed on gains realized through the transfer of our ADSs or on dividends paid to our non-PRC resident investors, the value of the investment in our Class A ordinary shares and/or ADSs may be materially and adversely affected. Furthermore, the holders of our Class A ordinary shares and/or ADSs whose jurisdictions of residence have tax treaties or similar arrangements with China may not qualify for benefits under such tax treaties or arrangements.

**We may be classified as a passive foreign investment company under U.S. federal income tax law, which could result in adverse consequences to U.S. investors in our Class A ordinary shares or ADSs.**

Depending upon the value of our assets, which is determined based, in part, on the market value of our Class A ordinary shares and ADSs, and the nature of our assets and income over time, we could be classified as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. We will be classified as a PFIC for any taxable year if either (i) 75% or more of our gross income for the taxable year is passive income or (ii) 50% or more of the value of our assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

Although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for U.S. federal income tax purposes because we control their management decisions and we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of our VIEs for U.S. federal income tax purposes, we would likely be treated as a PFIC for our current taxable year and any subsequent taxable year. Assuming that we are the owner of our VIEs for U.S. federal income tax purposes and based on our income and assets and the value of our Class A ordinary shares and ADSs, we do not expect to be a PFIC for our current taxable year or for the foreseeable future.

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Because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and assets, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Fluctuations in the market price of our Class A ordinary shares or ADSs may cause us to become a PFIC for the current or subsequent taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market price of our Class A ordinary shares or ADSs from time to time (which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our current market capitalization. If our market capitalization declines, we may be classified as a PFIC for the current taxable year or future taxable years. In addition, the overall level of our passive assets will be affected by how, and how quickly, we spend our liquid assets, including the proceeds from this offering. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase. Furthermore, because there are uncertainties in the application of the relevant rules, it is possible that the Internal Revenue Service may challenge our classification of certain income or assets as non-passive, or our valuation of our goodwill and other unbooked intangibles, each of which may result in our company becoming classified as a PFIC for the current or subsequent taxable years.

**Our Articles of Association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.**

Our Articles of Association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class A ordinary shares and/or ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

**Our shareholders may face difficulties in protecting their interests, and the ability to protect their rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.**

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of our shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to our company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under

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statutes or judicial precedent in some jurisdictions in the United States or Hong Kong. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States or a court in Hong Kong.

The Cayman Islands courts are also unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the U.S., the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States and Hong Kong. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers or companies incorporated in Hong Kong.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States.

### **Certain judgments obtained against us by our shareholders may not be enforceable.**

We are a Cayman Islands exempted company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a majority of our directors and senior management named in this document reside outside the United States or Hong Kong. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for our shareholders to bring an action against us or against these individuals in the United States or Hong Kong in the event that such shareholders believe that their rights have been infringed under the U.S. federal securities laws, Hong Kong laws, or otherwise. Even if such shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render such shareholders unable to enforce a judgment against our assets or the assets of our directors and officers.

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**We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.**

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD; and
- certain audit committee independence requirements in Rule 10A-3 of the Exchange Act.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers.

In addition, we are permitted by Nasdaq Stock Market Rules to elect to rely, and have elected to rely, on certain exemptions from corporate governance requirements:

- that the board of directors be comprised of a majority of independent directors under Nasdaq Rule 5605(b)(1); and
- the requirement that an audit committee be comprised of at least three members under Nasdaq Rule 5605(c)(2)(A).

As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

**Holders of our ADSs may have fewer rights than holders of our Class A ordinary shares and must act through the depositary to exercise those rights.**

Holders of our ADSs do not have the same rights as our shareholders and may only exercise the voting rights with respect to the underlying Class A ordinary shares represented by the ADSs in accordance with the provisions of the deposit agreement. Holders of ADSs may not attend general meetings of our shareholders or cast any votes directly at such meetings. Under the deposit agreement, ADS holders must vote by giving voting instructions to the depositary. Under our Articles of Association, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is 14 days. When a general meeting is convened, ADS holders may not receive sufficient advance notice to enable

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them to withdraw the Class A ordinary shares underlying their ADSs and become the registered holder of such shares prior to the record date for the general meeting to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution which is to be considered and voted upon at the general meeting. In addition, under our Articles of Association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent ADS holders from withdrawing the shares underlying their ADSs and becoming the registered holder of such shares prior to the record date, so that ADS holders would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, the depositary will endeavor to notify ADS holders of the upcoming vote and will arrange to deliver our voting materials to them. We cannot assure that ADS holders will receive the voting materials in time to ensure that they can instruct the depositary to vote the shares underlying their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote and may lack recourse if the underlying Class A ordinary shares represented by their ADSs are not voted as they requested.

**If holders of ADSs do not give instructions to the depositary as to how to vote at shareholders' meetings, except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying their ADSs, which could adversely affect their interests.**

Under the deposit agreement for the ADSs, if holders of ADSs do not timely and properly give voting instructions to the depositary as to how to vote the shares underlying their ADSs at any particular shareholders' meeting, the depositary will give us (or our nominee) a discretionary proxy to vote the Class A ordinary shares underlying their ADSs at the shareholders' meeting unless:

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if holders of ADSs do not timely and properly give voting instructions to the depositary as to how to vote the Class A shares underlying their ADSs at any particular shareholders' meeting, they cannot prevent the Class A ordinary shares underlying their ADSs from being voted, except under the circumstances described above. This may make it more difficult for holders of ADSs to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

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**You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.**

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

**Conversion of our convertible notes may dilute the ownership interest of existing shareholders.**

We issued US\$900 million principal amount of convertible senior notes due 2022 in October 2017. The conversion of some or all of these notes may dilute the ownership interests of existing shareholders. Any sales in the public market of the Class A ordinary shares or ADSs issuable upon such conversion could adversely affect prevailing market prices of our ADSs and Class A ordinary shares. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the market prices of our Class A ordinary shares and ADSs. The prices of our Class A ordinary shares and ADSs could be affected by possible sales of our Class A ordinary shares and ADSs by investors who view the convertible senior notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity, which we expect to occur involving our Class A ordinary shares and ADSs.

**Our ADS holders may be subject to limitations on transfer of their ADSs.**

In certain cases, our ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.



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### **We incur increased costs as a result of being a public company.**

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costlier. Operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers.

We will also incur additional costs as a result of the Listing on the Hong Kong Stock Exchange. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

We have been and we may again be involved in class action lawsuits in the United States in the future. For example, we and certain of our current and former directors and officers were named as defendants in two putative securities class actions filed in the United States District Court for the District of New Jersey: *Andrew Goldsmith v. Weibo Corporation. et al.*, Civil Action No. 2:17-cv-04728-SRC-CLW (filed on June 27, 2017) (“Goldsmith Case”) and *Feng Chen v. Weibo Corporation. et al.*, Civil Action No. 2:17-cv-05694 (filed on August 3, 2017) (“Chen Case”). The Goldsmith Case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADSs between April 27 and June 22, 2017; the Chen Case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADSs between April 28, 2016 and June 19, 2017. Both cases’ complaints alleged that our company’s public filings contained material misstatements and omissions in violation of the federal securities laws. On September 28, 2017, the court entered an order appointing a lead plaintiff and consolidating the two cases. On November 27, 2017, the lead plaintiff filed a consolidated class action complaint. On January 26, 2018, our company and one individual defendant filed a motion to dismiss the amended complaint. On June 6, 2018, the court granted our motion to dismiss the class action complaint. Such lawsuits could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuits. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Furthermore, our directors and employees may face additional exposure to claims and lawsuits as a result of their position in other public companies. For example, one of our directors, Mr. Daniel Zhang, was named as a defendant in ongoing putative securities class action lawsuits filed in the U.S. against Alibaba Group, a company listed on the New York Stock Exchange (NYSE: BABA), together with certain officers and directors of Alibaba Group, concerning the suspension of Ant Group’s planned initial public offering and certain antitrust developments, which have subsequently been consolidated. All of these cases concern Mr. Zhang in his capacity as the chief executive officer of Alibaba Group. Mr. Zhang was also named as a defendant in ongoing putative securities class action lawsuits filed in the U.S. against another U.S. listed company, which remain in their preliminary stages and concern Mr. Zhang in his

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capacity as a director of this U.S. listed company. Mr. Charles Chao, our chairman of the board of directors, was named as a defendant in ongoing putative securities class action lawsuits filed in the U.S. against another U.S. listed company in connection with a management buyout, which concern Mr. Chao in his capacity as a director of this public company and as an officer of a buyer group member. The securities class action was dismissed on September 29, 2021. On October 20, 2021, plaintiffs informed the court that they would not file an amended complaint. As of the date of this document, plaintiffs have not filed a Notice of Appeal. The existence of the litigation, claims, investigations and proceedings against our directors and employees, even if they do not involve our Company, may harm our reputation and adversely affect the trading price of our shares and/or ADSs.

**The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our Class A ordinary shares and/or ADSs.**

Upon the Listing, we will be subject to Hong Kong and Nasdaq listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and Nasdaq have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of our Class A ordinary shares after the [REDACTED].

**Exchange between our Class A ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.**

Our ADSs are currently traded on Nasdaq. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depository in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on the Nasdaq may be adversely affected.

**The time required for the exchange between our Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.**

There is no direct trading or settlement between the Nasdaq and the Hong Kong Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances or other factors may delay the deposit of Class A ordinary shares in exchange for ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange for Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

## **RISK FACTORS**

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Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A ordinary shares, cancelation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

[REDACTED]

## **RISK FACTORS**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**SUMMARY OF EXEMPTIONS AS A FOREIGN PRIVATE ISSUER IN THE U.S.**

As required by Rule 19C.14 of the Hong Kong Listing Rules, set out below is a summary of the exemptions from obligations under U.S. securities laws and Nasdaq rules that we enjoy as a foreign private issuer in the U.S.

**Exemptions from Nasdaq Rules**

Foreign private issuers are permitted to follow home country practice, i.e. for us, the practice of the Cayman Islands, in lieu of certain corporate governance requirements under Nasdaq listing standards, as long as they disclose any significant ways in which their corporate governance practices differ from those required under Nasdaq listing standards and explain the basis for the conclusion that the exemption is applicable. Specifically, we are currently entitled to rely upon the exemptions from requirements to (i) hold annual shareholders meetings (ii) have a majority of independent directors, and (iii) have an audit committee comprising of at least three members. Furthermore, because SINA owns more than 50% of the total voting power of our ordinary shares, we are a “controlled company” under the Nasdaq Rules. We are currently entitled to rely on certain exemptions that are available to controlled companies from Nasdaq corporate governance requirements, including the requirements (i) that our director nominees must be selected or recommended solely by independent directors, and (ii) that we

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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities. Other than described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Rules.

### **EXEMPTIONS FROM SEC RULES AND REGULATIONS UNDER U.S. FEDERAL SECURITIES LAWS**

Foreign private issuers are exempted from Regulation FD under the U.S. Exchange Act. Regulation FD provides that when a domestic U.S. issuer, or someone acting on its behalf, discloses material non-public information to certain persons (including securities analysts, other securities market professionals, and holders of the issuer’s securities who could reasonably be expected to trade on the basis of the information), it must make simultaneous public disclosure of that information (in the case of intentional disclosure) or prompt public disclosure (in the case of non-intentional disclosure). However, the SEC expects foreign private issuers to conduct themselves in accordance with the basic principles underlying Regulation FD.

Section 16 of the U.S. Exchange Act does not apply to foreign private issuers. Therefore, directors, executive officers and 10% beneficial owners of foreign private issuers are not required to file Forms 3, 4 and 5 with the SEC, and are not required to disgorge to the issuer any profits realized from any non-exempt purchase and sale, or non-exempt sale and purchase, of the issuer’s equity securities or security-based swap agreements within a period of less than six months.

Foreign private issuers are exempt from the SEC’s rules prescribing the furnishing and content of proxy statements under the U.S. Exchange Act, which specify the procedures and required documentation for soliciting shareholder votes. Accordingly, foreign private issuers are not required to disclose certain information in their annual proxy statements, such as whether the work of any compensation consultant has played any role in determining or recommending the form or amount of executive and director compensation has raised a conflict of interest, and, if so, the nature of the conflict and how it is being addressed.

Foreign private issuers are also not required under the U.S. Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. issuers with securities registered under the U.S. Exchange Act. As a result, our shareholders may be afforded less protection than they would under the U.S. Exchange Act rules applicable to domestic U.S. issuers. Unlike domestic U.S. issuers, foreign private issuers are not required to file quarterly reports (including quarterly financial information) on Form 10-Q. They also are not required to use Form 8-K for current reports, and instead furnish (not file) current reports on Form 6-K with the SEC.

Annual reports on Form 10-K by domestic U.S. issuers are due within 60, 75, or 90 days after the end of the issuer’s fiscal year, depending on whether the company is a “large accelerated filer,” a “accelerated filer,” or a “non-accelerated filer.” By contrast, the deadline for foreign private issuers to file annual reports on Form 20-F is four months after the end of their fiscal year.

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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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### OUR ARTICLES OF ASSOCIATION

We are an exempted company incorporated in the Cayman Islands with limited liability and our affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands.

The laws of Hong Kong differ in certain respects from the Cayman Companies Act, and our Articles of Association are specific to us and include certain provisions that may be different from common practices in Hong Kong. For example:

- (a) Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that an issuer such as our Company seeking a listing under Chapter 19C has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules for standards of shareholder protection if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07.
- (b) Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of a Qualifying Issuer’s (as defined in the Hong Kong Listing Rules) members or other body that is independent of the issuer’s board of directors, but our Articles of Association do not contain this or a similar provision.
- (c) Pursuant to Rule 19C.07(6) of the Hong Kong Listing Rules, a member must abstain from voting to approve a matter in circumstances required by the Hong Kong Listing Rules. We undertake to put forth a resolution at the next general meeting of our Company to revise our Articles of Association so that a member’s right to vote is subject to the Hong Kong Listing Rules.
- (d) Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in an issuer’s total number of issued shares must be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the of the issuer, while the minimum stake set out in our Articles of Association is not less than one-third of the votes attaching to all issued and outstanding Shares. We undertake to put forth resolutions at the next general meeting of our Company to revise our Articles of Association, so that (i) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be one-tenth of the voting rights, on a one vote per share basis, in the share capital of our Company; and (ii) the quorum for a general meeting of our Company will be lowered from the current one or more shareholders holding at least one-third of the aggregate voting power of our Company to one or more shareholders holding at least one-tenth of the aggregate voting power of our Company. We have [obtained] an irrevocable undertaking from our controlling shareholder prior to the Listing to be present and vote in favor of the proposed resolutions outlined above with a view to ensuring that there may be adequate quorum and votes in favor of such resolutions.

See “Waivers and Exemptions” in this [REDACTED] and “Summary of our Constitution and Cayman Company Law” as set out in Appendix III to this [REDACTED] for further details.

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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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As we are seeking a listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C (Secondary Listings of Qualifying Issuers) of the Hong Kong Listing Rules with a WVR structure, certain shareholder protection measures and governance safeguards under Chapter 8A (Weighted Voting Rights) of the Hong Kong Listing Rules do not apply to us pursuant to Rule 19C.12 of the Hong Kong Listing Rules and our Articles differ from Chapter 8A in a number of ways. Material differences in shareholder protection and corporate governance safeguards are set out below:

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### Requirements under Chapter 8A of the Hong Kong Listing Rules

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Rule 8A.13 of the Hong Kong Listing Rules prohibits the increase in the proportion of shares with WVRs after the Listing.

Rule 8A.15 of the Hong Kong Listing Rules requires that, where there is a reduction in the number of issued shares, the weighted voting rights must be reduced proportionately.

Rule 8A.17 of the Hong Kong Listing Rules require cessation of weighted voting rights if (i) the beneficiary is deceased; (ii) no longer a member of the issuer's board of directors; (iii) deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his or her duties as a director; or (iv) deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules.

Rule 8A.18(1) of the Hong Kong Listing Rules requires weighted voting rights attached to a beneficiary's shares to cease upon transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise).

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### Our weighted voting rights structure

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Our Articles do not contain such restrictions on the Class B ordinary shares.

Subject to the provisions of our Articles of Association, each Class B ordinary share is convertible into one Class A ordinary share at any time by the shareholder. If at any time SINA Corporation and its affiliates in aggregate hold less than 5% of the total number of issued and outstanding Class B ordinary shares, each issued and outstanding Class B ordinary shares will be automatically and immediately converted into one Class A ordinary shares, and no Class B ordinary shares could be issued by us thereafter. The Class B ordinary shares will be automatically and immediately converted into an equal number of Class A ordinary share upon any sale, transfer, assignment or disposition of the Class B ordinary shares by the holder of Class B ordinary shares to any person or entity which is not an affiliate of such holder.



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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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### **Requirements under Chapter 8A of the Hong Kong Listing Rules**

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Rule 8A.18(2) of the Hong Kong Listing Rules states that a limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights, provided that such an arrangement does not result in a circumvention of Rule 8A.18(1) of the Hong Kong Listing Rules.

Under Rule 8A.23 of the Hong Kong Listing Rules, non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer.

Rule 8A.24 of the Hong Kong Listing Rules requires weighted voting rights to be disregarded on any resolution to approve certain matters, including (i) changes to the listed issuer’s constitutional documents, however framed; (ii) variation of rights attached to any class of shares; (iii) the appointment or removal of an independent non-executive director; (iv) the appointment or removal of auditors; and (v) the voluntary winding-up of the listed issuer.

Rule 8A.30 of the Hong Kong Listing Rules requires issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules and additional terms as set out under Rule 8A.30 of the Hong Kong Listing Rules.

### **Our weighted voting rights structure**

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Furthermore, we will make certain changes to the Articles at the upcoming general meeting to the effect that, if the Class B ordinary shares are no longer under the control of the existing WVR beneficiaries or their affiliates, all of the relevant Class B ordinary shares held by it shall be automatically converted into Class A ordinary shares. For further details, see the section headed “Waivers and Exemptions – Shareholder Protection Requirements – Other Proposed Amendments to the Articles”.

The minimum stake as currently set out in our Articles of Association is different from the requirement. For further details, see section headed “Waivers and Exemptions – Shareholder Protection Requirements – Requisition of Extraordinary General Meeting by Shareholders”.

Under our weighted voting rights structure, each Class B ordinary share entitles the holder to exercise three votes on all matters subject to the vote at general meetings of our Company.

We do not have a corporate governance committee. Therefore, there is not a charter that contains the terms otherwise required under Rule 8A.30 and Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules.

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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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### Requirements under Chapter 8A of the Hong Kong Listing Rules

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In particular, Rule 8A.30 requires the following terms to be applicable to the Corporate Governance Committee:

- (1) to review and monitor whether the listed issuer is operated and managed for the benefit of all its shareholders;
- (2) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under rule 8A.17 have occurred during the relevant financial year;
- (3) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with rules 8A.14, 8A.15, 8A.18 and 8A.24 throughout the year;
- (4) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;
- (5) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
- (6) to make a recommendation to the board as to the appointment or removal of the Compliance Adviser;
- (7) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of rule 8A.35;

### Our weighted voting rights structure

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With respect to Rule 8A.30 of the Hong Kong Listing Rules, the following requirements (also as set out on the left) which are otherwise applicable to a listed issuer's corporate governance committee will not apply: to (1) review and monitor whether the listed issuer is operated and managed for the benefit of all its shareholders; (2) confirm, on an annual basis, that the beneficiaries of WVR have been members of the listed issuer's board of directors throughout the year and that no matters under rule 8A.17 (relating to cessation of WVR) have occurred during the relevant financial year; (3) confirm, on an annual basis, whether or not the beneficiaries of WVR have complied with rules 8A.14 (relating to issue of shares carrying weighted voting rights), 8A.15 (relating to purchase of own shares), 8A.18 (relating to restriction on transfer of shares with weighted voting rights) and 8A.24 (relating to matters requiring voting on a one vote per share basis) throughout the year; (4) review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of WVR on the other; (5) review and monitor all risks related to the issuer's WVR structure; (6) make a recommendation to the board as to the appointment or removal of the Compliance Adviser; (7) seek to ensure effective and on-going communication between the issuer and its shareholders; (8) report on the work of the committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and (9) to disclose, on a comply or explain basis, its recommendations to the board in respect of the matters in (4) to (6) above.

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## INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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### Requirements under Chapter 8A of the Hong Kong Listing Rules

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### Our weighted voting rights structure

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- (8) to report on the work of the Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
- (9) to disclose, on a comply or explain basis, its recommendations to the board in respect of the matters in sub-paragraphs (4) to (6) above in the report referred to in sub-paragraph (8) above.

Furthermore, Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules requires the following terms to be applicable to the Corporate Governance Committee:

- (1) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- (2) to review and monitor the training and continuous professional development of directors and senior management;
- (3) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (5) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

Rule 8A.29 of the Hong Kong Listing Rules requires that the independent non-executive directors of a listed issuer with a WVR structure must be subject to retirement by rotation at least once every three years.

With respect to Code Provision D.3.1 of Appendix 14 to the Hong Kong Listing Rules, the following requirements (also as set out on the left) which are otherwise applicable to a listed issuer's corporate governance committee will not apply: (1) develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (2) review and monitor the training and continuous professional development of directors and senior management; (3) review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (4) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (5) review the issuer's compliance with the corporate governance code and disclosure in the corporate governance report.

Our Articles provide that our directors are not subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of the shareholders.

As a result, our Articles provide less shareholder protection and have fewer governance safeguards than if our Company were subject to Chapter 8A in its entirety.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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## WAIVERS AND EXEMPTIONS

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In preparation for the Listing, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Hong Kong Listing Rules, the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and have applied for a ruling under the Takeovers Code:

<b>Rules</b>	<b>Subject matter</b>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Acquisition after the Track Record Period
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountant's Report
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rules 19C.07(3), 19C.07(4), 19C.07(6) and 19C.07(7) of the Hong Kong Listing Rules	Shareholder Protection Requirements
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest

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## WAIVERS AND EXEMPTIONS

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<b>Rules</b>	<b>Subject matter</b>
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
[REDACTED]	
Rule 10.04 of and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules	Subscription for Shares by Existing Shareholders
Paragraph 3(b) of Practice note 15 to the Hong Kong Listing Rules	Three-year Restriction on Spin-offs
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under Takeovers Code
Part XV of the SFO	Disclosure of interests under Part XV of the SFO

### PRINTED CORPORATE COMMUNICATIONS

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on the Nasdaq since April 2014. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC which are posted on the SEC's website. Our annual reports on Form 20-F and current reports on Form 6-K and all amendments to these reports are also available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on a publicly accessible website. Those documents will also be available on our website.

## WAIVERS AND EXEMPTIONS

Apart from the [REDACTED] that we will [REDACTED] for [REDACTED] by the [REDACTED] in Hong Kong, the [REDACTED] will be placed to professional, institutional, corporate and other [REDACTED] in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we consider that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we consider that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that we will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange’s website in English and Chinese;
- (b) provide printed copies of proxy materials in English to our shareholders at no costs upon request; and
- (c) ensure that the “Investor Relations” page of our website (<http://ir.weibo.com/>) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

### ACQUISITION AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountant’s report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

#### Acquisition since June 30, 2021

Since the end of Track Record Period, we have completed an acquisition up to the Latest Practicable Date (the “**Acquisition**”). Details of the Acquisition up to the Latest Practicable Date include:

<u>Target</u>	<u>Consideration<sup>(1)</sup></u> <u>(approximately</u> <u>RMB million)</u>	<u>Percentage of interest acquired</u>	<u>Principal</u> <u>business</u> <u>activities</u>
Business A <sup>(2)</sup> . . . . .	200	100%	E-sports team

*Notes:*

(1) The approximate consideration disclosed in the table represents the consideration for the Acquisition after the Track Record Period.

(2) None of the core connected persons at the level of our Company has a controlling interest in the target.

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## WAIVERS AND EXEMPTIONS

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The consideration for the Acquisition was arrived at after commercial arm’s length negotiations, based on factors including market dynamics, a mutually agreed valuation, and capital required for the target company’s operations.

Our directors believe that the Acquisition will complement our Group’s businesses and are therefore expected to create synergies. Accordingly, our directors believe that the Acquisition, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for the Acquisition, if consummated, will be satisfied by our Group’s own source of funds. For the avoidance of doubt, the [REDACTED] of the [REDACTED] will not be used to fund the Acquisition.

### **Conditions for granting the waiver and its scope in respect of the Acquisition**

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Acquisition on the following grounds:

#### ***The percentage ratios of the Acquisition are all less than 5% by reference to the most recent fiscal year of our Track Record Period***

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisition are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, we believe that the Acquisition has not resulted in, or is not expected to result in, any significant changes to our financial position since June 30, 2021, and all information that is reasonably necessary for the potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

#### ***The historical financial information of the target is not readily available***

The Company confirms that the target of the Acquisition does not have available historical financial information which is readily available. In particular, the target of the Acquisition is an E-sports team and it did not have any historical cash flow or profit and loss statements available for inclusion in this [REDACTED].

In addition, having considered the Acquisition to be immaterial and that we do not expect the Acquisition to have any material effect on our business, financial condition or operations, we believe that it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of the target during the Track Record Period in this document. As we do not expect the Acquisition to result in any material changes to our financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interests of the investors.



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## WAIVERS AND EXEMPTIONS

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### *Alternative disclosure of the Acquisition in this document*

We have provided alternative information about the Acquisition in this document. Such information includes those which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, for example, descriptions of the target’s principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of our Company is a controlling shareholder of the target. We have however excluded disclosure on the name of the target in connection with the Acquisition as the Company has entered into confidentiality agreement with the acquisition target and there is no consent for such disclosure. Since the relevant percentage ratio of the Acquisition is less than 5% by reference to the most recent fiscal year of the Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of us. We do not expect to use any [REDACTED] from the [REDACTED] to fund the Acquisition.

### **DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANT’S REPORT**

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (i) balance sheet at a company level;
- (ii) aging analysis of accounts receivables;
- (iii) aging analysis of accounts payables; and
- (iv) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, we have applied the modified retrospective method to account for the impact of the adoption of certain new accounting standards in the Track Record Period. Under the modified retrospective method adopted by our Group, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, we have adopted, among other new accounting standards that did not have a material impact on the Group’s consolidated financial statements, Accounting Standards Update 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, or ASC Topic 326, and Accounting Standards Update 2016-02 “Leases (Topic 842)”, including certain transitional guidance and subsequent amendments, or ASC 842. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the “Accountant’s Report” in Appendix IA.

ASC Topic 326 was adopted on January 1, 2020 which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses. ASC Topic 326 does not permit a full retrospective approach and comparative prior periods should not be adjusted. The adoption had no material impact to the beginning retained earnings on January 1, 2020.

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ASC 842 was adopted on January 1, 2019 using the modified retrospective method by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. Adoption of the new lease standard resulted in the recognition of US\$14.4 million of operating lease asset and US\$14.9 million of operating leasing liability on the consolidated balance sheet as of January 1, 2019, and no impact to the beginning retained earnings on January 1, 2019.

The following alternative disclosures with respect to certain items identified above which are relevant to us have been included in this document: (a) for certain new accounting standards that came into effect in the latest fiscal year, the accounting policies as well as the impact of adoption, if any, to the beginning accumulated deficit of initial application (i.e., January 1, 2019 and 2020) has been disclosed in the “Accountant’s Report” in Appendix IA in accordance with the relevant requirements under U.S. GAAP; and (b) disclosure of the relevant accounting policies adopted for the Track Record Period in the “Accountant’s Report” in Appendix IA.

As this document has included the above alternative disclosures and the current disclosure in this document contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant’s Report in Appendix IA to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from the Hong Kong Stock Exchange to us from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules. We have applied for[, and the SFC has granted,] an exemption from the SFC to us from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption referred to above shall be granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before [November 29], 2021.

### DEALINGS IN SHARES PRIOR TO [REDACTED]

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

We had approximately 70 subsidiaries (including the Company’s consolidated affiliated entities) as of June 30, 2021, and our ADSs are widely held, publicly traded and listed on the Nasdaq. We consider that we are therefore not in a position to control the investment decisions of our shareholders or the [REDACTED] in the US.

Solely based on public filings with the SEC as of the Latest Practicable Date, other than SINA Corporation and Ali WB Investment Holding Limited (“Ali WB”), a wholly-owned subsidiary of Alibaba Group, we had no shareholders who was not a director and held 10% or more of our issued share capital.

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For a company whose securities are listed and traded in the U.S., we note that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the “Rule 10b5-1 Plan(s)”) to buy or sell the company’s securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, we consider that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) Mr. Charles Chao, our chairman of the board of directors since our inception and who controls our Company through SINA, in respect of (i) his use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) his dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”);
- (b) the directors and chief executives of our Company other than Mr. Charles Chao, and the directors and chief executives of our Major Subsidiaries, in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) the respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Major Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder (as defined in the Hong Kong Listing Rules) and who is not its director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor,

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any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and

- (b) persons in Category 1 and Category 2 who use their respective Shares other than as described in this section headed “— Dealings in the Shares prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

We believe, subject to the conditions set forth below, the dealings in our securities by our core connected persons will not prejudice the interests of the potential investors of our Company and align with the principles in the Hong Kong Stock Exchange’s Guidance Letter GL42-12.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules subject to the following conditions:

- (a) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in our ADSs after the plans have been entered into; where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the [REDACTED] and do not possess any of our non-public inside information given that such persons are not in a position with access to information that is considered material to us taken as a whole. Given the large number of our subsidiaries (including our consolidated affiliated entities) and our vast ADS holder base, we and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;
- (c) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. (including the Nasdaq rules) and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (d) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when we become aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under our Group’s share incentive plans.

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### MONTHLY RETURN

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in our equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

Under the Joint Policy Statement, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

- (a) it has received a relevant partial exemption from Part XV of the SFO; or
- (b) it publishes a “next day disclosure return” in strict compliance with Rule 13.25A of the Hong Kong Listing Rules, regardless of the waiver of general effect from this Rule for secondary listed issuers; or
- (c) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Hong Kong Listing Rules and any differences are not material to shareholder protection.

As we [have obtained] a partial exemption from strict compliance with Part XV of the SFO from the SFC, we have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. We will disclose information about share repurchases, if material, in our quarterly earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with the applicable U.S. rules and regulations.

### SHAREHOLDER PROTECTION REQUIREMENTS

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer’s primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.06 of the Hong Kong Listing Rules provides that Appendices 3 and 13 to the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules.

We are a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

### Approval, Removal and Remuneration of Auditors

Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer’s (as defined in the Hong Kong Listing Rules) members or other body that is independent of the issuer’s board of directors (the “**Auditors Provision**”).

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Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, our board has the power to appoint, remove and remunerate the auditors instead. Although the board has such a power, it has formally delegated this function to our audit committee (the "**Audit Committee**") since our listing on the Nasdaq in April 2014.

The Audit Committee is akin to an independent body of the board on the basis of the independence requirements set out in applicable U.S. laws and the Nasdaq rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements of Rule 19C.07(3) of the Hong Kong Listing Rules.

### **Annual General Meeting**

Rule 19C.07(4) of the Hong Kong Listing Rules requires a general meeting to be held each year as the Qualifying Issuer's annual general meeting. The Articles currently provide that the Company shall in each year hold a general meeting as its annual general meeting. Accordingly, the Company has convened an annual general meeting for each year during the Track Record Period.

We will amend the Articles at the upcoming general meeting to comply with Rule 19C.07(4) of the Hong Kong Listing Rules (the "**AGM Provision**") to the effect that we must hold an annual general meeting each year.

Prior to the amendment to the Articles and the AGM Provision being adopted, the Company undertakes to hold an annual general meeting within six months after the end of each financial year with effect from Listing to be in compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules. As advised by the Company's legal adviser as to the laws of Cayman Islands, the Company's undertaking to convene an annual general meeting within the period of six months after the end of each financial year with effect from the Listing pursuant to Rule 13.46(2)(b) does not conflict with or result in a breach of any of the terms or provisions of the Company's existing Memorandum and Articles or any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands.

### **Requisition of Extraordinary General Meeting by Shareholders**

Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in an issuer's total number of issued shares to be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in the Articles is not less than one-third of the votes attaching to all issued and outstanding Shares. In addition, the Articles currently provide that quorum for a general meeting of the Company shall be one or more members holding shares which represent, in aggregate, not less than one-third of the total voting power of the outstanding shares of the Company that are entitled to vote at the meeting.

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We will amend the Articles at the upcoming general meeting to comply with Rule 19C.07(7) of the Hong Kong Listing Rules (the "**Requisition Provision**") so that (i) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company; and (ii) the quorum for a general meeting of the Company will be lowered from the current one-third of the aggregate voting power of the Company to 10% of the aggregate voting power of the Company.

Prior to the amendment to our Articles, we undertake to convene general meetings at the request of shareholders holding in aggregate not less than 10% of our voting rights, on a one vote per share basis.

### **Other Proposed Amendments to the Articles**

In addition, we will make the following amendments (together with the AGM Provision and the Requisition Provision, the "**Proposed Amendments**") to the Articles at the upcoming general meeting:

- (i) to include a new definition for "**Founder**", which shall mean Mr. Charles Chao;
- (ii) to include a new definition for "**Founder's Affiliate**", which shall mean:
  - (a) a partnership of which the Founder is a partner and the terms of which shall expressly specify that the voting rights attached to any and all of the shares held by such limited partnership shall be controlled by the Founder;
  - (b) a trust of which the Founder must in substance retain an element of control of the trust; or
  - (c) a private company or other vehicle controlled by the Founder or by a trust referred to in paragraph (b) above;
- (iii) to amend Article 5(c)(ii) of the Articles as follows:
  - (a) to change "Affiliate" to "Founder or a Founder's Affiliate", such that upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not the Founder or a Founder's Affiliate, such Class B ordinary shares transferred shall be automatically and immediately converted (by way of being re-designated) into Class A ordinary shares;
  - (b) to add a new condition for automatic conversion from Class B ordinary shares to Class A ordinary shares, such that upon a change of control of any direct or indirect holder of any Class B ordinary share, including, but not limited to, any person other than the Founder or a Founder's Affiliate gaining "control" over any of the SINA Parent Companies (e.g. by entering into an agreement with the Founder to jointly control the SINA Parent Companies), and even if the Founder or a Founder's Affiliate remains to have joint "control" of the SINA Parent Companies, all of the Class B ordinary shares held by it shall be automatically and immediately converted (by way of being re-designated) into Class A ordinary shares; and

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- (c) to add the definition of "control" which shall mean having (i) the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of, or (ii) the power to exercise or control the exercise of 50% or more of the voting power (through power of attorney, voting proxies, shareholders' agreements or otherwise) at the general meetings or other equivalent decision-making body of, such corporation, partnership or other entity.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the relevant requirements of Rule 19C.07 of the Hong Kong Listing Rules as set out above, subject to the following conditions:

- (i) our Company put forth resolutions at or before the First GM to revise the Articles to incorporate the Proposed Amendments, and in the event that the proposed resolutions are not approved at the First GM, our Company will continue to put forth the proposed resolutions (to the extent not yet passed) at each of the annual general meetings after the First GM, until the proposed resolutions are passed;
- (ii) each of the Founder and SINA Corporation has [provided] an irrevocable undertaking to our Company and the Stock Exchange prior to the date of this document that, for so long as the Proposed Amendments have not been approved at the general meetings, SINA will not sell, dispose of or transfer any shares in the Company immediately after the Listing if, after such sale, disposal or transfer, its voting power in the Company will be less than 60%, and that SINA will be present and vote in favor of the proposed resolutions outlined above in the First GM, including the meeting of the holders of Class B ordinary shares, with a view to ensuring that there may be adequate quorum and votes in favor of such resolutions, and if the proposed resolutions are not approved at the First GM, continue to be present and vote in favor of such proposed resolutions at each subsequent general meeting at which our Company puts forth such proposed resolutions until all proposed resolutions are approved;
- (iii) the Founder will take all necessary steps to ensure that, before the Articles are formally amended to incorporate the Proposed Amendments, the Class B ordinary shares held by SINA Corporation will not be controlled by persons other than the Founder himself or a Founder's Affiliate, and that he will deliver an advanced notice to our Company prior to Listing to the effect that the relevant Class B ordinary shares shall be converted into Class A ordinary shares in the event that any of the Class B ordinary shares are to be transferred to any persons that are not Founder's Affiliates or if the Class B ordinary shares cease to be "controlled" (as defined above under the Proposed Amendments) by the Founder or a Founder's Affiliate; and
- (iv) our Company has [obtained] an undertaking from Alibaba prior to the date of this document that it will be present and vote in favor of the proposed resolutions outlined above at the First GM and the relevant class meeting (if applicable), and if the proposed resolutions are not approved at the First GM and the relevant class meeting, be present and vote in favor of such proposed resolutions at each subsequent general meeting and class meeting at which our Company puts forth such proposed resolutions until all proposed resolutions are approved.

Notwithstanding the above, the Company intends to hold the First GM on December 1, 2021 to put forth the relevant resolutions for revising the Articles. In the case where the the relevant amendments are approved and adopted at the First GM before the Listing, the above-mentioned waiver as well as the voting undertakings will lapse automatically.



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### **PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES, ALTERATIONS OF CAPITAL AND AUTHORIZED DEBENTURES**

Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraphs 11 and 14 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include the particulars of any commissions, discounts, brokerages or other special terms granted within two years immediately preceding the issue of the listing document in connection with the issue or sale of any capital of any member of the group and the particulars of any alterations of capital within two years immediately preceding the issue of the listing document.

Paragraph 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires particulars of the authorized debentures of our Company and our subsidiaries to be disclosed in this document.

We have identified seven entities as our Major Subsidiaries. For further details, see the section headed “History and Corporate Structure — Corporate Structure — Major Subsidiaries”. We had approximately 70 subsidiaries (including our consolidated affiliated entities) as of June 30, 2021. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries (including our consolidated affiliated entities) as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Major Subsidiaries include all of our subsidiaries (including our consolidated affiliated entities) that meet the financial threshold for “significant subsidiaries” under Regulation S-X in the U.S. (*i.e.*, contributing more than 10% of (a) our Group’s total assets or (b) our Group’s total net revenues and income or loss from continuing operations before income taxes (after intercompany eliminations) attributable to the controlling interest to the absolute value of such consolidated income or loss) and are representative of our business (including those that hold major assets, intellectual property rights, proprietary technologies and R&D). The aggregate net income from continuing operations before income taxes of the Major Subsidiaries accounted for 110.8%, 99.8% and 137.3% of the net income from continuing operations before income taxes of our Group for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021, respectively, as there were other subsidiaries that recorded net loss from continuing operations before income taxes, and the net revenues of the Major Subsidiaries accounted for 98.1%, 92.9% and 95.5% of the total net revenues of our Group for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021, respectively. There was no other individual non-Major Subsidiaries that contributed more than 10% of the total net revenues and net income from continuing operations before income taxes to our Group simultaneously. The total assets of the Major Subsidiaries represented 69.8%, 65.5% and 71.5% of the total assets of our Group as of December 31, 2019 and 2020 and June 30, 2021, respectively. As such, we have disclosed the particulars of the changes in our share capital and the share capital of the Major Subsidiaries in “Statutory and General Information — Further Information About Us” in Appendix IV, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of our Major Subsidiaries are set out in “Statutory and General Information — Other Information — Miscellaneous” in Appendix IV.

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We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from the requirements under Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for[, and the SFC has granted,] an exemption from strict compliance with the requirements under Paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC [has granted] the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before [November 29], 2021.

### **DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO US**

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the accountant’s report or the next published accounts.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in this section headed “— Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures” above. As such, only the particulars in relation to our Major Subsidiaries are set out in “History and Corporate Structure — Corporate Structure — Major Subsidiaries” and “Statutory and General Information — Further Information About Us” in Appendix IV, which should be sufficient for potential investors to make an informed assessment of our Company in their investment decisions.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements under Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for[, and the SFC has granted,] an exemption from strict compliance with the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption [was granted] on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before [November 29], 2021.

### **DISCLOSURE REQUIREMENT OF OPTIONS**

Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules requires our Company to set out in the listing document particulars of any capital of any member of our group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

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Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires our Company to set out in the listing document, among other things, details of the number, description and amount of any of its shares or debentures which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration given or to be given (if any) and the names and addresses of the persons to whom it was given.

We and our subsidiaries (including our consolidated affiliated entities) may, from time to time, adopt equity incentive plans, including: (a) our 2010 Share Incentive Plan adopted in August 2010 and (b) our 2014 Share Incentive Plan adopted in March 2014 (together the “**Share Incentive Plans**”). The Share Incentive Plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The Share Incentive Plans allow us and our subsidiaries (including our consolidated affiliated entities) to grant options to employees, directors and consultants.

Details of the Share Incentive Plans are disclosed in “Directors and Senior Management — Compensation — Share Incentive Plans”. The disclosure is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations. The current disclosure in this document is therefore not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, we believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors. As of June 30, 2021, the total number of shares underlying outstanding options and restricted share units granted pursuant to the Share Incentive Plans represent only 2.2% of our Company’s total issued share capital.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules to the extent not strictly met by the current disclosure in this document. We have applied for[, and the SFC has granted,] an exemption from strict compliance with the requirements under Paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption [has granted] on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before [November 29, 2021].

### **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors’ emoluments during the three financial years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

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Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in the section headed “Directors and Senior Management — Compensation”. We confirm that the current disclosure complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believe that additional disclosure required by Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and would not provide additional meaningful disclosure for potential Hong Kong investors.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements under Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

### DISCLOSURE OF INTERESTS INFORMATION

Part XV of the SFO imposes duties of disclosure of interests in shares. Paragraphs 41(4) and 45 of Part A of Appendix 1 and Practice Note 5 to the Hong Kong Listing Rules require the disclosure of interests information in respect of shareholders’ and directors’ interests in the listing document.

We have applied for[, and the SFC has granted,] a partial exemption from strict compliance with Part XV of the SFO as set out below under the sub-section headed “Disclosure of Interest under Part XV of the SFO”.

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder’s interests can be found in “Major Shareholders”.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with Paragraphs 41(4) and 45 of Part A of Appendix 1 and Practice Note 5 to the Hong Kong Listing Rules on the following conditions:

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) we will file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) we will disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders.

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## WAIVERS AND EXEMPTIONS

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[REDACTED]

### SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 2.03(2) of the Hong Kong Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

Rule 10.04 of the Hong Kong Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his/her/its own name or through nominees if the conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules states that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are as follows:

- (i) that no securities are offered to the purchasers on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (ii) that the minimum prescribed percentage of [REDACTED] required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

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## WAIVERS AND EXEMPTIONS

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Rule 19.31 of the Hong Kong Listing Rules provides that the requirement under Rule 8.08 of the Hong Kong Listing Rules to maintain a minimum percentage of [REDACTED] does not apply to a secondary listing.

The Hong Kong Stock Exchange’s Guidance Letter HKEX-GL85-16 provides that the Hong Kong Stock Exchange will consider granting a waiver from Rule 10.04 of the Hong Kong Listing Rules and consent, pursuant to Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules, allowing an applicant’s existing shareholders or their close associates to participate in an [REDACTED] if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Our Company has been listed on the Nasdaq since April 2014 and has a wide and diverse shareholder base. There is a robust level of trade in our Company’s securities, with significant daily trading volume resulting in daily changes to our existing shareholders. As a company listed on the Nasdaq, we are not in a position to prevent any person or entity from acquiring our listed securities prior to the allocation of shares in connection with the [REDACTED]. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Shares in the [REDACTED].

Since we do not require shareholders’ approval in order to proceed with the [REDACTED], any persons (other than its directors and senior management, SINA Corporation and Ali WB) who may, as a result of dealings, become our shareholders (together, the “**Permitted Existing Shareholders**”) would have no influence over the [REDACTED] and would not be in possession of any non-public inside information and would therefore effectively be in the same position as any of the public investors.

As of June 30, 2021, other than SINA Corporation and Ali WB, we had no shareholder who was not a director and held 10% or more of our issued share capital.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements of Rule 10.04 of and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the restriction on Permitted Existing Shareholders to subscribe for or purchase Shares in the [REDACTED], subject to the following conditions:

- (a) each Permitted Existing Shareholder is interested in less than 5% of our issued share capital immediately before the Listing;
- (b) each Permitted Existing Shareholder is neither our director nor member of our senior management;
- (c) the Permitted Existing Shareholders do not have the power to appoint directors or any other special rights in us;
- (d) the Permitted Existing Shareholders do not have influence over the [REDACTED] process and will be treated the same as other applicants and placees in the [REDACTED];
- (e) the Permitted Existing Shareholders and their close associates will be subject to the same book-building and allocation process as other [REDACTED] in the [REDACTED]; and

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## WAIVERS AND EXEMPTIONS

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- (f) no preferential treatment will be given to the Permitted Existing Shareholders and their close associates in the allocation process by virtue of their relationship with our Company. To the best of our knowledge and belief, each of our Company, the Joint Sponsors and the Joint Global Coordinators (based on (i) its discussions with our Company and the Joint Global Coordinators and (ii) the confirmations in the form as set out in Exhibit A to be submitted to the Stock Exchange by our Company and the Joint Global Coordinators) confirms to the Hong Kong Stock Exchange in writing that, to the best of its knowledge and belief, it has no reason to believe that any preferential treatment has been, or will be, given to the Permitted Existing Shareholders or their close associates as a placee in the [REDACTED] by virtue of their relationship with our Company.

We expect to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 so that no actual or perceived preference will be given to the Permitted Existing Shareholders due to their existing shareholdings in our Company.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for shares as [REDACTED]) unless such permitted existing shareholders are interested in 5% or more of our issued share capital after the [REDACTED] as disclosed in any public filings with the SEC, as it would be unduly burdensome for us to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under section 12 of the U.S. Exchange Act.

### THREE YEAR RESTRICTIONS TO SPIN-OFFS

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 to the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. This exception is limited to circumstances where the spun-off assets or businesses are not to be [REDACTED] on the Hong Kong Stock Exchange's markets and the approval of shareholders of the Parent is not required.

Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the Parent, because the original listing of the Parent will have been approved on the basis of the Parent's portfolio of businesses at the time of listing, and the expectation of investors at that time would have been that the Parent would continue to develop those businesses.

Our Company, from time to time, consider different opportunities to bring value to our Shareholders, including spinning off any of our business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, we have not identified any target for a potential spin-off and as a result we do not have any information relating to the identity of any spin-off target or any other details of any spin-off; and accordingly, there is no material omission of any information relating to any possible spin-off in this document. Any potential spin-offs by our Company will be subject to compliance with all applicable requirements under the Hong Kong Listing Rules, including Practice Note 15 to the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

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## WAIVERS AND EXEMPTIONS

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No shareholders’ approval with respect to a potential spin-off will be required under our Articles under applicable U.S. regulations and Nasdaq listing rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules, no shareholders’ approval will be required under the Hong Kong Listing Rules as well.

The effect of a spin-off to our Shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be [REDACTED] on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a potential spin-off by our Company.

Our Company and any subsidiary in respect of which a potential spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 to the Hong Kong Listing Rules and the applicable listing eligibility requirements under the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

Under U.S. securities laws and Nasdaq rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules in relation to the spin-offs of its business subsidiaries, nor is there any requirement for us to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan.

Our directors owe fiduciary duties to our Company, including the duty to act in what they consider in good faith to be in the best interests of our Company; as such they will only pursue a potential spin-off if there are clear commercial benefits both to our Company and the entity to be spun off; and the directors will not direct our Company to conduct any spin-off if they believe it will have an adverse impact on the interests of our Shareholders.

We have applied for[, and the Hong Kong Stock Exchange has granted,] a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules, on the following grounds:

- (i) we will not within three years after the Listing spin off any of our business subsidiaries until we confirm with the Hong Kong Stock Exchange with basis that the potential spin-off would not render our Company, excluding any subsidiary to be spun off, failing to meet the eligibility requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of any subsidiary to be spun off at the time of the Listing, and where more than one subsidiary is to be spun off, the assessment will be made on a cumulative basis;
- (ii) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs. See “Risk Factors — Risks Relating to Our Business — Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition”;



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## WAIVERS AND EXEMPTIONS

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- (iii) any potential spin-offs by our Company will be subject to the requirements of Practice Note 15 to the Hong Kong Listing Rules (other than paragraph 3(b) thereof), including that each of our Company and any business subsidiary to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in this document.

### **NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to "public companies in Hong Kong." The note to Section 4.2 of the Introduction to the Takeovers Code provides that a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Code. Where the bulk of trading in the shares of a Grandfathered Greater China Issuer migrates to Hong Kong such that it would be treated as having a dual-primary listing in Hong Kong pursuant to Rule 19C.13 of the Listing Rules, the Takeovers Code will apply to it.

We have applied for[, and the SFC has granted,] a ruling that our Company is not a "public company in Hong Kong" for the purposes of the Takeovers Code.

### **DISCLOSURE OF INTERESTS UNDER PART XV OF THE SFO**

Part XV of the SFO imposes duties of disclosure of interests in the securities of companies whose securities are listed on the Hong Kong Stock Exchange on the relevant company, its substantial shareholders and its directors/chief executives. Under the U.S. Exchange Act, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We have applied for[, and the SFC has granted,] a partial exemption from Part XV of the SFO (other than Divisions 5, 11 and 12) on the following conditions:

- (a) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules;
- (b) the disclosures of interest filed in the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosure in the same manner as disclosures made under Part XV of the SFO; and
- (c) we will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange.

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Charles Guowei Chao	Room 2403, No. 3, 258 Lane, Puming Road, Pudong New District, Shanghai, China	Hong Kong, Chinese
Hong Du	No. 2202, Building No. 22, Yiyuan, Anhui Beili, Chaoyang District, Beijing, China	Chinese
Daniel Yong Zhang	Room 501, Building No. 21, Lane 259, Huan Long Road, Shanghai, China	Chinese
Pochin Christopher Lu	No. 30, Lane 666, She Bei Road, Shanghai 201602, China	American
Pehong Chen	93 Ridgeview Drive, Atherton, California, the U.S.A.	American
Gaofei Wang	No. 2503, Building No. 26, Jingtongyuan, Chaoyang District, Beijing, China	Chinese
Yan Wang	Flat D, 32/F, Tower 1, University Heights, 23 Pokfield Road, Pokfulam, Hong Kong	Hong Kong, Chinese

Further information about our directors and other senior managers are set out in “Directors and Senior Management”.

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Parties Involved in the [REDACTED]**

**Joint Sponsors**

**Goldman Sachs (Asia) L.L.C.**  
68/F Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Credit Suisse (Hong Kong) Limited**  
Level 88 International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**CLSA Capital Markets Limited**  
18/F, One Pacific Place  
88 Queensway  
Hong Kong

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

[REDACTED]

**Our Legal Advisers**

*As to Hong Kong and U.S. laws:*

**Skadden, Arps, Slate, Meagher &  
Flom and affiliates**  
42nd Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC laws:*

**TransAsia Lawyers**  
Suite 2218, China World Office 1  
1 Jianguomenwai Avenue  
Beijing  
PRC

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to Cayman Islands laws:*

**Maples and Calder (Hong Kong) LLP**  
26th Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**Legal Advisers to the Joint Sponsors and  
the [REDACTED]**

*As to Hong Kong and U.S. laws:*

**Simpson Thacher & Bartlett**  
35/F ICBC Tower  
3 Garden Road  
Central, Hong Kong

*As to PRC laws:*

**Haiwen & Partners**  
20/F, Fortune Financial Center  
5 Dong San Huan Central Road  
Chaoyang District  
Beijing  
China

**Auditor and Reporting Accountant**

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F Prince's Building  
Central  
Hong Kong

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Vistra (Cayman) Limited P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205, Cayman Islands
<b>Principal Executive Offices of Main Operations</b>	8/F, Qihao Plaza, No. 8 Xinyuan S. Road Chaoyang District Beijing 100027
<b>Address in Hong Kong</b>	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Company's Website</b>	<a href="http://ir.weibo.com/">http://ir.weibo.com/</a> <i>(The information on the website does not form part of this document)</i>
<b>Authorized Representative</b>	<b>Yunyun Zhang</b> 7/F, SINA Plaza, No.8 Courtyard 10 West Xibeiwang East Road, Haidian District Beijing 100193, PRC

[REDACTED]

<b>Compliance Advisor</b>	<b>Somerley Capital Limited</b> 20/F China Building 29 Queen's Road Central Hong Kong
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## CORPORATE INFORMATION

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### Principal Banks

#### **China Merchants Bank**

39, Central East Third Ring Road  
Chaoyang District  
Beijing  
PRC

#### **China Minsheng Bank**

The bottom merchant of Tongjing Garden  
Jiukeshu West Road  
Tongzhou District  
Beijing  
PRC

#### **Guangdong Development Bank**

No. 4 Foreign enterprise building  
Block B, No. 14 west Dawang Road  
Chaoyang District  
Beijing  
PRC

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## HISTORY AND CORPORATE STRUCTURE

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### OVERVIEW

We incorporated our Company under the laws of the Cayman Islands on June 2010. We are a leading social media platform in China for people to create, discover and distribute content. We have transformed the way people express themselves and interact with others in the public internet space. We serve a wide range of users including ordinary people, celebrities, key opinion leaders and other public figures or influencers, as well as media outlets, businesses, government agencies, charities, and other organizations, making us a microcosm of the Chinese society.

### KEY MILESTONES

Our key business milestones are summarized below:

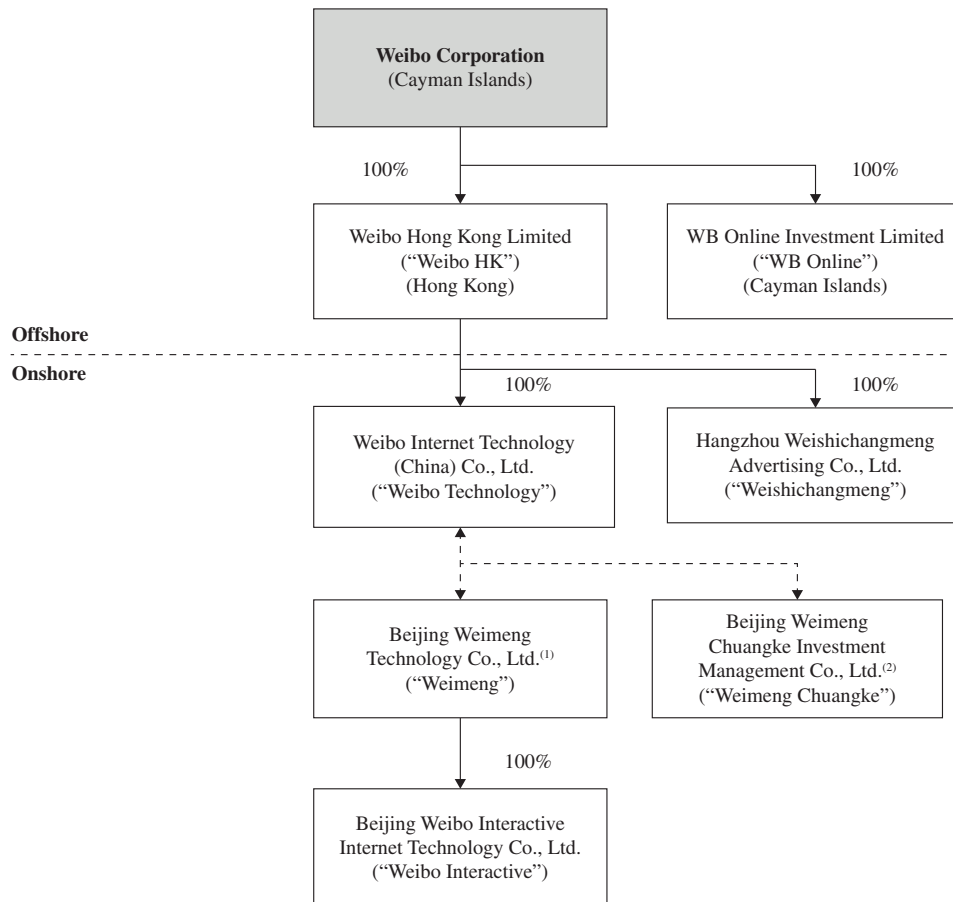
<b>Date</b>	<b>Event</b>
2009	Weibo was first launched by SINA Corporation as one of the earliest social media platforms providing microblogging service.
2010	We introduced the first generation of Weibo mobile app.
2012	We started monetization through advertising business.
2013	We launched FST, a real time bidding advertising system.  We began to explore other monetization models through value-added service, such as membership service and online gaming.  In April, Alibaba invested in us with 18% of the then outstanding shares of our Company.
2014	In April, our Company completed the initial public offering (IPO) and was listed on the Nasdaq under the symbol “WB”.  Alibaba further increased its shareholding of our Company after the IPO on Nasdaq.  We introduced Weibo Hot Search as an early mover in China to introduce hot topic ranking chart, which facilitates the discovery of breaking news and trendy content on a real time basis.
2016	We launched the live steaming feature.
2017	Our annual revenue crossed the US\$1 billion mark.
2018	Our average DAUs reached the 200 million milestone.
2019	Our MAUs surpassed the 500 million milestone.

## HISTORY AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE

#### Our corporate structure

Weibo Corporation is the offshore holding company of our group and conducts business operations in China through wholly owned and partially owned subsidiaries, and consolidated VIEs and VIEs’ subsidiaries. The following diagram illustrates our corporate structure, including our major subsidiaries and VIEs, as of September 30, 2021:



→ Equity interest.

← Contractual arrangements including loan agreements, share transfer agreements, loan repayment agreements, agreements on authorization to exercise shareholder’s voting power, share pledge agreements, exclusive technical services agreement, exclusive sales agency agreement and trademark license agreement.

- (1) The shareholders of Weimeng are four PRC employees of us or SINA, namely, Yunli Liu, Wei Wang, Wei Zheng and Zenghui Cao, holding 29.70%, 29.70%, 19.80% and 19.80% of Weimeng’s equity interests, respectively, and WangTouTongDa (Beijing) Technology Co., Ltd., a third-party minority stake holder, holding 1% of Weimeng’s equity interest.
- (2) The shareholders of Weimeng Chuangke are two PRC employees of our company or SINA, namely, Yunli Liu and Wei Wang, holding 50% and 50% of Weimeng Chuangke’s equity interests, respectively.



## HISTORY AND CORPORATE STRUCTURE

### Major Subsidiaries

The principal business activities and date of establishment of each of our Major Subsidiaries are shown below:

Major Subsidiaries	Principal Business Activities	Date and Jurisdiction of Establishment
WB Online Investment Limited	investment holding	June 4, 2014, Cayman Islands
Weibo Hong Kong Limited (formerly known as T.CN Hong Kong Limited)	investment holding	July 19, 2010, Hong Kong
Weibo Internet Technology (China) Co., Ltd.	provision of technical and consulting services	October 11, 2010, PRC
Hangzhou Weishichangmeng Advertising Co., Ltd.	provision of advertising and marketing services	September 25, 2018, PRC
Beijing Weimeng Technology Co., Ltd	provision of advertising, marketing and internet information services	August 9, 2010, PRC
Beijing Weibo Interactive Internet Technology Co., Ltd.	provision of game-related services	September 8, 2011, PRC
Beijing Weimeng Chuangke Investment Management Co., Ltd.	investment holding	April 9, 2014, PRC

### Acquisitions, Disposals and Strategic investments

We have not conducted any major acquisition or disposal during the Track Record Period.

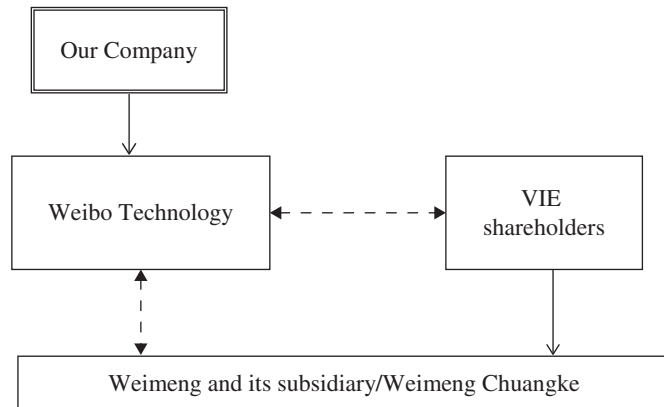
### Contractual Arrangements

In order to comply with the PRC government’s foreign investment restrictions on internet information services and other laws and regulations, we conduct all our internet information services and value-added telecommunication services in China via our significant domestic VIEs. Our consolidated affiliated Chinese entities hold the licenses and assets that are important to our business operations including the Internet Content Provision License, the Online Culture Operating Permit and domain names held by Weimeng and our investments held by Weimeng Chuangke. As of the Latest Practicable Date, the shareholders of Weimeng are four PRC employees of us or SINA, namely, Yunli Liu (Vice President and assistant to the Chairman of SINA Corporation), Wei Wang (Chief Operating Officer of our Company), Wei Zheng (Vice President, Products of our Company) and Zenghui Cao (Senior Vice President, Operation of our Company), holding 29.70%, 29.70%, 19.80% and 19.80% of Weimeng’s equity interests, respectively, and WangTouTongDa (Beijing) Technology Co., Ltd., a third-party minority stake holder holding 1% of Weimeng’s equity interest. The shareholders of Weimeng Chuangke are two PRC employees of our company or SINA, namely, Yunli Liu, and Wei Wang, holding 50% and 50% of Weimeng Chuangke’s equity interests, respectively.

## HISTORY AND CORPORATE STRUCTURE

Due to historical reasons, there was overlap in terms of management and manpower between SINA and us when Weimeng and Weimeng Chuangke were established in August 2010 and April 2014 respectively, and certain SINA employees were nominated to be the registered shareholders of our VIE entities.

The diagram below illustrates the general structure of the economic flow and control under the VIE structure created by the contractual arrangements:



*Notes:*

(1) “—>” denotes the direction of legal and beneficial ownership.

“<-.->” denotes the contractual arrangements among the VIEs, VIE shareholders, and our subsidiaries.

The capital investments in both Weimeng and Weimeng Chuangke were funded through Weibo Technology and recorded as interest-free loans to the respective shareholders of Weimeng and Weimeng Chuangke. As of June 30, 2021, the total amount of interest-free loans to the shareholders of Weimeng was RMB555.0 million (US\$86.0 million) and to the shareholders of Weimeng Chuangke was RMB30.0 million (US\$4.6 million). Under various contractual agreements, the shareholders of our consolidated VIEs are required to transfer their ownership in the VIEs to our wholly owned subsidiary in China, Weibo Technology, when permitted by PRC laws and regulations, or to our designees at any time for the amount of the outstanding loans, and all voting rights of our consolidated VIEs are assigned to Weibo Technology. Through Weibo Technology, we have also entered into an exclusive technical services agreement and other service agreements with each of our consolidated VIEs, under which Weibo Technology provides technical services and other services to these VIEs in exchange for substantially all of their economic benefits. In addition, the shareholders of our consolidated VIEs have pledged their shares in these VIEs as collateral for repayment of loans and payment of fees on technical and other services due to us.

Weibo Technology recognized service fees from all the VIEs in the amount of US\$842.6 million, US\$832.4 million, US\$766.8 million and US\$438.5 million for the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 in consideration for services provided to the VIEs. Net revenues from VIEs and VIEs’ subsidiaries accounted for 82.4%, 83.4%, 78.1% and 76.9% of our Company’s net revenues for the years ended December 31, 2018, 2019, and 2020 and the six months ended June 30, 2021. The contractual arrangements currently in force in relation to Weimeng were first established on October 11, 2010 and certain agreements were subsequently entered into on January 19, 2018. The

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## HISTORY AND CORPORATE STRUCTURE

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contractual arrangements currently in force in relation to Weimeng Chuangke were first established on April 9, 2014 and certain agreements were subsequently entered into on February 17, 2020. See “Statutory and General Information — Further information about our business — Summary of the contractual arrangement” in Appendix IV for a full list of the contracts constituting the contractual arrangements.

### **Terms of the arrangements with consolidated affiliated Chinese entities**

The following is a summary of the VIE agreements with Weimeng. The VIE agreements with Weimeng Chuangke are substantially the same as those described below:

#### ***Loan Agreements***

Weibo Technology has granted interest-free loans to the shareholders of Weimeng with the sole purpose of providing funds necessary for those shareholders to make capital injections to Weimeng. The term of the loans is 10 years and Weibo Technology has the right, at its own discretion, to shorten or extend the term of the loans if necessary. In our consolidated financial statements, these loans are eliminated with the capital of Weimeng during consolidation.

#### ***Share Transfer Agreements***

Each shareholder of Weimeng has granted Weibo Technology an option to purchase his shares in Weimeng at a purchase price equal to the amount of capital injection. Weibo Technology may exercise such option at any time until it has acquired all shares of Weimeng, subject to applicable PRC laws. The options will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

#### ***Loan Repayment Agreements***

Each shareholder of Weimeng has agreed with Weibo Technology that the interest-free loans under the loan agreements shall only be repaid through share transfers. Once the share transfers are completed, the purchase price for the share transfer will be set off against the loan repayment. These agreements will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

#### ***Agreement on Authorization to Exercise Shareholder’s Voting Power***

Each shareholder of Weimeng has authorized Weibo Technology to exercise all his voting power as a shareholder of the applicable VIE on all matters requiring shareholders’ approval under PRC laws and regulations and the articles of association of Weimeng, including without limitation appointment of directors, transfer, mortgage or disposal of Weimeng’s assets, transfer of any equity interest in Weimeng, and merger, split, dissolution and liquidation of Weimeng. The authorizations are irrevocable and will not expire until Weimeng dissolves.

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## HISTORY AND CORPORATE STRUCTURE

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### *Share Pledge Agreements*

Each shareholder of Weimeng has pledged all of his shares in Weimeng and all other rights relevant to his rights in those shares to Weibo Technology as security for his obligations to pay off all debts to Weibo Technology under the loan agreement. In the event of default of such obligations, Weibo Technology will be entitled to certain rights, including transferring the pledged shares to itself and disposing of the pledged shares through sale or auction. During the term of the agreements, Weibo Technology is entitled to receive all dividends and distributions paid on the pledged shares. The pledges will be effective until the earlier of (i) the third anniversary of the due date of the last guaranteed debt, (ii) Weimeng and its shareholders have fully performed their obligations under these agreements, and (iii) Weibo Technology consents to terminate these agreements. We have completed registration of equity pledges with the relevant office of the administration for industry and commerce in accordance with the PRC Civil Code.

### *Exclusive Technical Services Agreement, Exclusive Sales Agency Agreement and Trademark License Agreement*

Weimeng has entered into an exclusive technical services agreement, an exclusive sales agency agreement and a trademark license agreement with Weibo Technology. Under the exclusive technical services agreement, Weibo Technology is engaged to provide technical services for Weimeng's online advertising and other related businesses. Under the exclusive sales agency agreement, Weimeng has granted Weibo Technology the exclusive right to distribute, sell and provide agency services for all the products and services provided by Weimeng. Due to its control over Weimeng, Weibo Technology has the right to determine the service fee to be charged to Weimeng under these agreements by considering, among other things, the technical complexity of the services, the actual cost that may be incurred for providing such services, the operations of Weimeng, applicable tax rates, planned capital expenditure and business strategies. These agreements can only be prematurely terminated by Weibo Technology, and will not expire until Weimeng dissolves. Under the trademark license agreement, Weibo Technology has granted Weimeng trademark licenses to use the trademarks held by or licensed to Weibo Technology in specific areas, and Weimeng is obligated to pay license fees to Weibo Technology. The term of this agreement is one year and is automatically renewed provided there is no objection from Weibo Technology.

### *Spousal Undertakings*

Each of the spouses of the shareholders of Weimeng and Weimeng Chuangke, namely Yunli Liu, Wei Wang, Wei Zheng and Zenghui Cao, signed the spousal consent letters. Yunli Liu, Wei Wang, Wei Zheng and Zenghui Cao collectively hold 99% equity interest in Weimeng. Yunli Liu and Wei Wang collectively hold 100% equity interest in Weimeng Chuangke. Pursuant to the spousal consent letters, each signing spouse unconditionally and irrevocably agreed that the spouse is aware of the abovementioned loan agreements, share transfer agreements, loan repayment agreements, agreement on authorization to exercise shareholder's voting power and share pledge agreements and has read and understood the contractual arrangements. Each signing spouse has committed not to make any assertions in connection with the equity interests of the relevant shareholder's interest in Weimeng and Weimeng Chuangke, to execute all necessary documents and take all necessary actions to ensure appropriate performance of the abovementioned agreements, and, if the spouse obtains any equity interests of Weimeng or Weimeng Chuangke, to be bound by the abovementioned agreements, comply with the obligations thereunder as a shareholder of Weimeng or Weimeng Chuangke and sign a series of written documents in substantially the same format and content as the abovementioned agreements.

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## HISTORY AND CORPORATE STRUCTURE

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### Minority Investment in Weimeng

In April 2020, WangTouTongDa (Beijing) Technology Co., Ltd., an entity affiliated with ZhongWangTou (Beijing) Technology Co., Ltd., made an investment of RMB10.7 million in Weimeng for 1% of Weimeng's enlarged registered capital. Such third party minority stake holder is entitled to customary economic rights in proportion to its equity ownership, and certain minority shareholder rights such as the right to appoint a director to Weimeng's three-member board of directors, and veto rights over certain matters related to content decision, and certain future financings of Weimeng.

The third party minority stake holder is not a party to the contractual arrangements that are currently in effect among Weimeng, Weibo Technology and Weimeng's other shareholders. As such, despite the fact that we are still able to enjoy economic benefits and exercise effective control over Weimeng and its subsidiaries, we are not able to purchase or have the third party minority stake holder pledge its 1% equity interests in Weimeng in the same manner as agreed under existing contractual arrangements, nor are we granted the authorization of voting rights over these 1% equity interests. We believe Weibo Technology, our wholly-owned PRC subsidiary, still controls and is the primary beneficiary of Weimeng as it continues to have a controlling financial interest in Weimeng pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

Although we have been advised by our PRC counsel, TransAsia Lawyers, that our arrangements with Weimeng are not in conflict with current PRC laws and regulations, we cannot assure you that we will not be required to restructure our organization and operations in China to comply with the changing and new PRC laws and regulations. Restructuring of our operations may result in disruption to our business. If PRC tax authorities were to determine that our VIE structure was not done on an arm's-length basis and therefore constitutes favorable transfer pricing, they could request Weimeng to adjust its taxable income upward for PRC tax purposes. Such a pricing adjustment may not reduce the tax expenses of Weibo Technology but could adversely affect us by increasing Weimeng's tax expenses, which could subject Weimeng to late payment fees and other penalties for tax underpayment and/or could result in the loss of tax benefits available to Weibo Technology in China. Any of these measures may result in adverse tax consequences to us and adversely affect our results of operations.

### Confirmations and risks relating to the variable interest entity structure

Our PRC Legal Adviser is of the opinion that:

- (a) our current ownership structure, the ownership structure of our PRC subsidiaries and our VIEs, and the contractual arrangements among our PRC subsidiaries, the VIEs and their respective shareholders are in compliance with existing PRC laws, rules and regulations.
- (b) each of the contractual arrangements among our PRC subsidiaries, the VIEs and their respective shareholders governed by PRC laws and regulations is valid, legal and binding except that the pledge on the shareholders' equity interests in Weimeng and Weimeng Chuangke would not be deemed validly created until it is registered with the competent SAMR, and does not and will not violate any applicable PRC laws and regulations or their respective articles of association currently in effect; and
- (c) each of the contractual arrangements entered into among our PRC subsidiaries, the VIEs and their respective shareholders governed by PRC laws and regulations is not void under the Civil Code of the PRC.

## HISTORY AND CORPORATE STRUCTURE

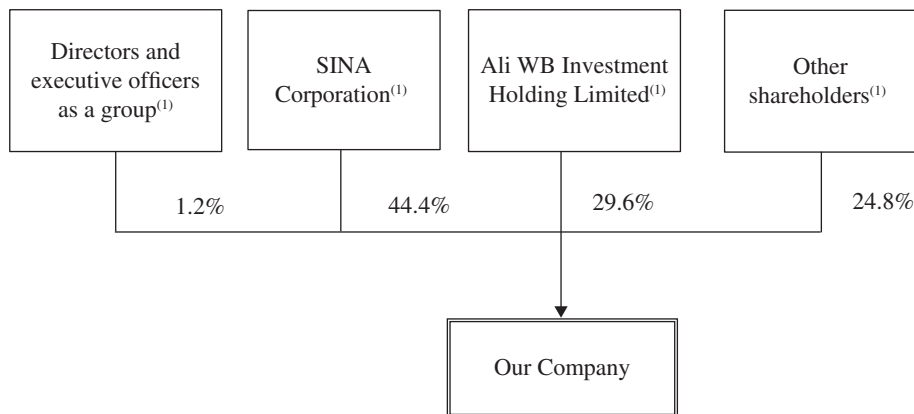
Based on the above, our directors believe that the agreements underlying the contractual arrangements as described above that confer significant control and economic benefits from the VIEs on us are enforceable under the relevant laws. Nevertheless, any violations by the VIE or its shareholder of our agreements with them could disrupt our operations or adversely affect our services. See “Risk Factors — Risks Relating to Our Corporate Structure”.

Additionally, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws. Accordingly, PRC regulatory authorities or courts may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any new PRC laws relating to contractual arrangements will be adopted, what the Laws would provide. If we or any of the VIEs is found to be in violation of existing or future PRC laws, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authority would have broad discretion to take action in dealing with the violation or failure, in which case we could be subject to severe penalties, including being prohibited from continuing our operations or unwinding the contractual arrangements. See “Risk Factors — Risks Relating to Our Corporate Structure” and “Risk Factors — Risks Relating to Doing Business in the People’s Republic of China”.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC regulators in operating our business through our VIEs under the contractual arrangements.

### Shareholding Structure

The following diagram illustrates our shareholding structure as at September 30, 2021 (excluding 8,700,524 Class A Ordinary Shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans or any allotment and issuance of Class A ordinary shares upon exercise of the [REDACTED]):



*Note:*

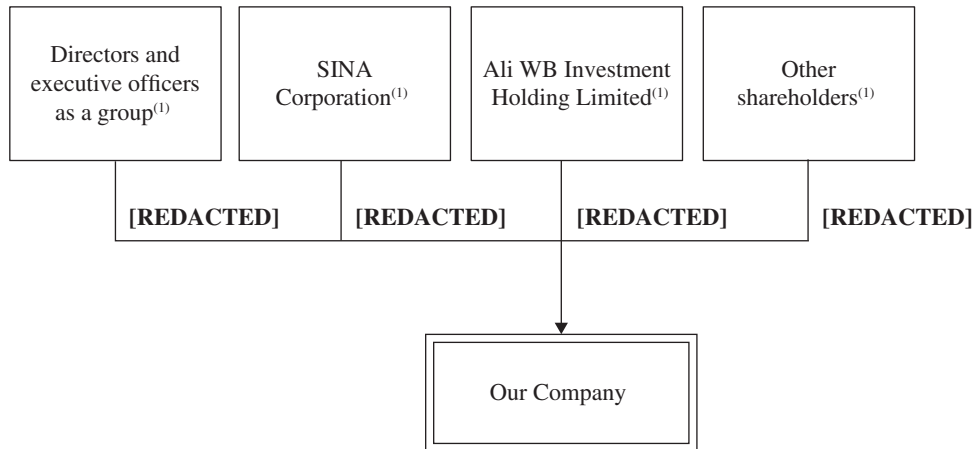
- (1) See “Major Shareholders” for further details on the voting rights and the beneficial ownership of our directors and executive officers as a group, SINA Corporation, Ali WB and other shareholders. Each holder of Class A ordinary shares is entitled to one vote per share and the holder of our Class B shares is entitled to three votes per share on all matters submitted to them for a vote.

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## HISTORY AND CORPORATE STRUCTURE

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The following diagram illustrates our shareholding structure immediately upon the completion of the [REDACTED] (assuming all major shareholders’ shareholdings remain unchanged as of the Latest Practicable Date, the [REDACTED] is not exercised, and no additional Shares are issued under the Share Incentive Plans):



*Please refer to the details contained in Note (1) above.*

### Listing on the Nasdaq Global Selected Market

In April 2014, our company completed the initial public offering and has been listed on the Nasdaq Global Selected Market since then. Since the date of our listing on the Nasdaq and up to the Latest Practicable Date, our directors confirm that we had no instances of non-compliance with the rules of the Nasdaq in any material respects and to the best knowledge of our directors having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on the Nasdaq.

We believe that the [REDACTED] on the Hong Kong Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

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## INDUSTRY OVERVIEW

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The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by China Insights Consultancy Limited (“CIC”), which was commissioned by us. We believe that the information has been derived from appropriate sources such as CIC’s database, publicly available information sources, industry reports, as well as data obtained from surveys and other sources. We believe that we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED] or any of our or their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party involved in the [REDACTED], and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon.

### SOURCE OF INFORMATION

CIC was commissioned to conduct research, provide an analysis of, and to produce a report (the “CIC Report”) on, the social platform industry in China, and other related economic data, at a fee of US\$95,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

CIC is an investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so on.

CIC undertook both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including the National Bureau of Statistics of China, Chinese Government releases, annual reports published by relevant industry participants, industry associations, CIC’s own internal database, etc.

The market projections in the commissioned report are based on the following key assumptions: (i) that the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) that related key industry drivers are likely to continue driving growth in China’s social media industry during the forecast period; and (iii) that there is no extreme force majeure or set of industry regulations in which the market situation may be affected either dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors.

### EVOLVEMENT OF SOCIAL PLATFORMS IN CHINA

China has the world’s largest base of internet users, which reached 989.0 million in 2020, with almost all of its netizens using some form of social platform to communicate and share information on their daily lives, according to the CIC Report. Social platforms are where users virtually connect with each other through the creation, sharing, or exchanging of ideas, interests, and other content, often in the form of text, picture, audio, video or other content formats. Social platforms include social media platforms, social networking platforms, and live streaming platforms.



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## INDUSTRY OVERVIEW

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The evolution of social platforms has been fueled by the human impulse to communicate and by the advancements in digital technologies. Social platforms have shifted from desktop to mobile and continued to advance into more diversified and engaging content formats. In recent years, platforms focusing on short-form video sharing and live streaming have become more prevalent. With a well-balanced mix of content formats, encompassing text, picture, video, live streaming, audio and other formats, social platforms are capable of attracting users to create content and engage in social interactions.

Driven by the increasing popularity of social platforms, the penetration rate for the social platforms, measured by the ratio of social platform users to all mobile users, has already come to hover near the 100% mark in 2020.

### **SOCIAL MEDIA PLATFORMS SERVE AN IMPORTANT ROLE IN PEOPLE’S DAILY LIVES**

A social media platform is a subset of social platform that allows users to create, discover and distribute diversified content in a public forum. More people are turning to social media platforms to follow breaking news, discuss hot topics, and browse any content of personal interest, among other activities. Social media platforms are public in nature and enable every user, including celebrity, organization, or ordinary people, to publicly discuss events of interests and debate social issues and concerns. At the same time, social media platforms cover comprehensive topics such as news, art, fashion, lifestyle, travel, game and entertainment, etc.

Attributable to the important role social media platforms serve in people’s daily lives, the user base of social media platforms in China has been expanding at a rapid pace. The combined total user base for China’s social media platforms in terms of MAUs increased from 488.9 million in 2016 to 738.3 million in 2020, representing 74.9% of the total number of mobile internet users in China in 2020, according to the CIC Report. As the penetration of social media platforms have already reached a relatively high level, the MAUs of social media platforms is anticipated to increase moderately in the coming years at a CAGR of 3.7% from 2020 to 2025 to 883.4 million by 2025.

### **MAJOR TRENDS FOR SOCIAL MEDIA PLATFORMS IN CHINA**

The major trends for the social media platforms in China include:

#### **Diversification of content formats**

Content made available in different formats is suitable for meeting users’ different preferences and consumption needs. For example, text is more efficient when distributing breaking news and presenting thought-provoking content. At the same time, people increasingly enjoy consuming content in richer and more interesting formats, such as video, which can capture moments in a real-time, rich multi-sensory and condensed short-form manner. Therefore, the continuous diversification of content formats, including text, picture, video and live streaming, is expected to lead to an increase in both content generation and content consumption.

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## INDUSTRY OVERVIEW

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### **KOL gaining more influence**

Top content creators may often become the authoritative figures on certain topics or areas of interests and the opinion leaders among their followers, and therefore creating a considerable amount of influence on their followers. The influence on followers presents significant commercial potential, which attracts more users to become influencers or KOLs by continuously creating high-quality content and engaging with followers. The resources and tools provided by social media platforms are also catalyzing this trend by making it easier for talented content creators to stand out.

### **More users from the younger generation**

Adoption by younger generation is one of the driving forces behind the growth of social media platforms. In China, many millennials and younger generations of users are increasingly seeking novel ways to express themselves and connect with other people so as to share their individual values and interests. Social media platforms serve as an ideal channel for millennials and younger generations of users to engage with others, and to develop a sense of community based on a wide range of topical categories offered on these platforms. At the same time, as younger users are relatively more likely to access social media on their mobile devices at greater frequencies, and often do so over fragmented periods of time, condensed content and short format of content are therefore expected to gain more popularity among these users.

### **Prevalence of social e-commerce**

Social e-commerce emerges as an important segment of China’s social media platforms, which reflects a trend for purchasers to share experiences with a broader audience online, as well as a growing appetite for authentic real-world information shared by others virtually. Social e-commerce, such as influencer driven purchases and live streaming e-commerce, encourages users to share their experiences and interact with other purchasers and merchants online. At the same time, KOLs who seek to monetize their social assets are incentivized to contribute more high-quality content for these platforms. As a result, the emergence and increasing prevalence of social e-commerce is expected to further enrich the content ecosystem of and drive new traffic to social media platforms, and to create new monetization opportunities accordingly.

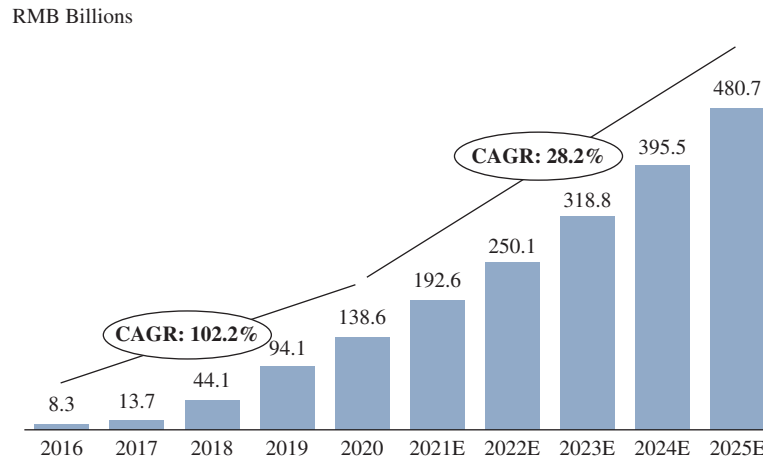
## **TRENDS AND DRIVERS FOR SOCIAL MEDIA ADVERTISING**

As social media platforms are gaining more popularity, they are tapping into more monetization opportunities. Advertising has become the most mature form of monetization for social media platforms, according to the CIC Report. Compared with traditional advertising, social media advertising is more effective in terms of reach, targeting and delivery results for advertisers.

As a result of their greater efficiency, the advertising revenue generated by social media platforms increased from RMB8.3 billion in 2016 to RMB138.6 billion in 2020, representing a CAGR of 102.2%, and is anticipated to further increase to RMB480.7 billion in 2025 at a CAGR of 28.2% during the period from 2020 to 2025.

## INDUSTRY OVERVIEW

### Advertising Revenue of Social Media Platforms, China, 2016-2025E



Source: CIC Report

Social media advertising is becoming more important as a monetization channel, due to its ability to attract users and retain their attention. The overall market share of social media advertising in the online advertising market is therefore anticipated to keep expanding. The market share of social media platforms in the online advertising industry in terms of revenues expanded from 2.9% in 2016 to 18.2% in 2020, and is expected to increase even further to 26.1% in 2025, according to the CIC Report.

The growth of social media advertising has been fueled by the expansion of user base and an increase in user engagement of social media platforms as well as innovations in advertising and marketing solutions. Ongoing advancements in mobile internet infrastructure, such as 5G, are expected to drive the growth of the user base and user engagement for social media platforms, enabling users to consume and share digital content more efficiently and conveniently. In addition, more interactive advertising and marketing solutions are expected to emerge by leveraging big data and AI technologies, so as to further attract wallet shares from advertisers.

The social media advertising market in China is now demonstrating the following key trends and drivers:

- **Preference for targeted advertising solutions.** Social media advertising helps advertisers more effectively and accurately reach their target customers as well as build up and improve their brand image as they interact with users. Advertisements on social media platforms enable advertisers to better reach their audience based on factors such as demographics, gender, and interests. More and more advertisers are therefore planning to spend more of their budgets on social media advertising in the years to come due to its greater efficiency, according to the CIC Report.

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## INDUSTRY OVERVIEW

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- **Rise of KOL marketing.** KOLs can have a strong influence on audiences’ purchasing decisions, which reflects the fact that people tend to give more credit to those words or experiences shared by the people they follow and trust. Advertisers are increasingly willing to adopt the KOL marketing strategy, which allows them to reach specific audiences at a relatively low cost while stimulating discussions and sharing in a positive feedback loop. MCNs also contribute to maximizing the revenue-generating impact and the overall development of social media advertising, since they facilitate closer cooperation among advertisers, KOLs, and social media platforms.
- **Demand for integrated marketing solutions.** Advertisers are now seeking a full stack solution that includes branding ads and performance-based ads to help them simultaneously build brand awareness, generate enhanced interest, advance sales opportunities and inspire customer loyalty. Depending on their budgets and demands, different advertisers may seek to implement a mix of advertising and marketing services, including display ads, in-stream feeds, search ads, KOL content marketing and other products and services. At the same time, advertisers will favor solutions where each advertisement is traceable, in terms of, for example, the number of views and clicks, the number of clicks leading to sales, and the number of comments or shares, etc., in order to better evaluate the actual impact of any marketing campaign.
- **Innovations in solutions.** More innovative advertising and marketing products and services are expected to emerge in the future, especially in the field of content marketing or KOL marketing. Social media platforms are offering a more diversified array of advertising and marketing solutions that use big data and AI technologies, enabling advertisers to directly and effectively interact and engage with their target audience. At the same time, social media platforms are actively building their ecosystem to empower celebrities, MCNs, and KOLs with marketing capabilities such as content generation tools and user interaction functions, as well as a diverse selection of advertiser and commercial resources.

### KEY SUCCESS FACTORS

The following key success factors affect the performance of social media platforms in the online social media industry in China.

#### **The ability to expand, retain and energize the user base and increase user engagement to create network effects**

Social media platforms rely on network effects where user engagement attracts more new users, which acts as a multiplier in generating activities and traffic on social media platforms. A social media platform that enjoys a large, active and engaged user base is more likely to attract content creators and commercial partners who in turn contribute more content to the platform in a virtuous cycle. Early entrants in the market generally enjoy the advantage of strong brand recognition and large user base, and therefore have more leverage in their relationships with advertisers and other customers. Successful social media platforms typically have the ability to continuously launch innovative features and adopt advanced technologies to enlarge their user base, increase user engagement and attract influencers and advertisers to the platform, while capturing additional commercial opportunities.

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## INDUSTRY OVERVIEW

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### **Comprehensive coverage of content formats and categories**

Social media platforms with comprehensive content categories and formats, and vibrant content ecosystems are better positioned to address the evolving needs of users with different backgrounds and interests. A diversified mix of content formats can better match users’ preferences in different scenarios. A wider coverage of content categories can attract users with a variety of interests and can therefore increase the scale of the active user base. An engaging content ecosystem, powered by comprehensive content formats and categories, is vital for the success of social media platforms to build thriving social scenes bolstered by robust communication and the frequent sharing of high-quality content by users.

### **Sustainable supply of rich, interesting and comprehensive content**

A sustainable supply of content will attract users, which is important to the continued success of social media platforms. Social media platforms develop new tools and resources to lower the barrier and cost of content generation, and plan new community management strategies to further increase user activity. The capacity of social media platforms to develop and adopt new technologies and new tools to facilitate active user interactions within their ecosystem empowers these platforms to be better positioned to excel among their competitors. In addition, strong relationships with various types of content creators such as KOLs, MCNs, celebrities, and organizations are vitally important for social media platforms if they hope to ensure the sustainable supply of high-quality and interesting content.

### **The ability to develop innovative and effective advertising technologies and solutions**

Social media platforms that can constantly provide innovative and effective advertising technologies and solutions are more likely to be favored by advertisers. The ability to leverage AI and big-data analytics to develop a deeper understanding of individual users is becoming growingly important. Emerging business models such as KOL marketing and live streaming e-commerce have shown new monetization opportunities. Therefore, a social media platform that has strong technological capabilities, comprehensive product offerings and a mature user ecosystem is better positioned to compete in the market for online social media.

## **COMPETITIVE LANDSCAPE FOR SOCIAL PLATFORMS**

Driven by the increasing popularity of social platforms, the penetration rate for the social platforms, measured by the ratio of overall social platform users to all mobile users, has already come to hover near the 100% mark in 2020. New user acquisition has been one of the key challenges that each of the social platforms faces and accordingly, established social platforms with a large user base may experience weak growth in user base. In addition to expanding user base, social platforms mainly leverage the network effect to build their competitive moat.

Weibo is one of the top 5 social platforms in China in terms of MAUs and DAUs in June 2021, according to the CIC report.

## INDUSTRY OVERVIEW

### Ranking of China’s Social Platforms, June 2021

Ranking	Platform	Platform Type	MAUs (in millions)	DAUs (in millions)
1	Platform A <sup>(1)</sup>	Social network	1,251	813
2	Platform B <sup>(2)</sup>	Social media	645	377
3	Platform C <sup>(3)</sup>	Social network	591	289
4	Weibo	Social media	566	246
5	Platform D <sup>(4)</sup>	Social media	506*	293*

Source: CIC Report

Notes:

- \* Representing average MAUs and DAUs for the three months ended June 30, 2021.
- (1) Platform A is a social network platform that provides instant messaging services for smart terminals and enables users to send free voice messages, videos, pictures and texts over the network. It is owned by a Hong Kong-listed company headquartered in Shenzhen, was launched in 2011 and originated from mobile instant messaging.
  - (2) Platform B is a social media platform that hosts a variety of short-form videos and enables users to create short videos, which often feature music in the background. It is owned by a private company headquartered in Beijing, was launched in 2016 and originated from a variety of short-form videos.
  - (3) Platform C is a social network platform that provides Internet-based instant messaging services and supports multiple functions such as online chat, group chat, video chat, file transfer and online social games. It is owned by a Hong Kong-listed company headquartered in Shenzhen, was launched in 1999 and originated from PC instant messaging.
  - (4) Platform D is a social media platform that hosts a variety of short-form videos and focuses on recording and sharing people’s daily life. It is owned by a Hong Kong-listed company headquartered in Beijing, was launched in 2011 and originated from a variety of short-form videos.

Weibo offers the most comprehensive coverage of content categories and content creators among social platforms in China, according to the CIC Report. In February 2021, CIC calculated the coverage ratio of multiple content categories and content creators among leading social platforms in China. The types of content creators include government, media, celebrities, sports (basketball, football, and e-sports), and fast-moving consumer goods brands. As compared to other social platforms, Weibo covers all selected categories, and has the highest coverage ratio among leading social platforms in terms of the content categories and content creators.

Weibo offers the most comprehensive content formats among social platforms in China, according to the CIC Report. In February 2021, CIC tested the availability of content format among leading social platforms. All the six content formats, namely text only, text and image, topic#, audio, video, and live streaming, are available on Weibo, and Weibo has the most balanced distribution of different content formats among leading social platforms.

Weibo has the largest celebrity and KOL network among social platforms in China, according to the CIC Report. In February 2021, CIC calculated the coverage ratio of a sample of top celebrities, defined as the persons with the top 50 Baidu search index on the day of February 18, 2021, among leading social platforms. As compared to other social platforms, Weibo has the highest coverage ratio. In February 2021, CIC calculated the coverage ratio of a sample of top KOLs among leading social platforms. The sample list was collected from several KOL lists issued by reputable research firms. As compared to other social platforms, Weibo has the highest coverage ratio.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE FOR SOCIAL MEDIA PLATFORMS

Those social media platforms with a large active user base and strong marketing capabilities are regarded as competent commercial partners to advertisers. Early entrants in the market typically have well established brand recognition with a large number of loyal users, therefore creating high entry barriers against newcomers. Advertisers, when deciding which platforms to use for marketing, normally consider key factors such as scale of reach, level of engagement, format availability, and pricing. The MAUs and DAUs of a social media platform generally reflect the size of its user base and measure the loyalty of users to that platform. With a large and active user base, social media platforms are better able to attract advertisers who seek to engage directly with their audiences in gaining broad-based and targeted exposure.

Weibo is one of the top 3 social media platforms in China in terms of MAUs and DAUs in June 2021, according to the CIC Report. Among the leading social media platforms in China, some focus on specific content formats such as video and live streaming, while others provide comprehensive content formats to cater to the diverse user needs. Platforms with more diverse content formats and more vibrant content creation ecosystems are better equipped to address the evolving user needs with diverse backgrounds and interests.

#### Ranking of China’s Social Media Platforms, June 2021

Ranking	Platform	MAUs (in millions)	DAUs (in millions)	Total Revenue in 2020 (in US\$ billion)	Total Advertising Revenue in 2020 (in US\$ billion)
1	Platform B <sup>(1)</sup>	645	377	N/A	N/A
2	Weibo	566	246	1.7	1.5
3	Platform D <sup>(2)</sup>	506*	293*	9.1	3.4
4	Platform E <sup>(3)</sup>	237*	63*	1.8	0.3
5	Platform F <sup>(4)</sup>	121	40	N/A	N/A

Source: CIC Report

Notes:

- \* Representing average MAUs and DAUs for the three months ended June 30, 2021.
- (1) Platform B is a social media platform that hosts a variety of short-form videos and enables users to create short videos, which often feature music in the background. It is owned by a private company headquartered in Beijing, was launched in 2016 and originated around a variety of short-form videos. CIC is unable to reliably estimate the total revenue and advertising revenue of Platform B as it is privately owned.
  - (2) Platform D is a social media platform that hosts a variety of short-form videos and focuses on recording and sharing people’s daily life. It is owned by a Hong Kong-listed company headquartered in Beijing, was launched in 2011 and originated from a variety of short-form videos.
  - (3) Platform E is a social media platform that hosts videos on various themes, including anime, music, dance, technology and video games, and enables users to submit, view and add overlaid commentary on videos. It is owned by a U.S. and Hong Kong-dual-listed company headquartered in Shanghai, was launched in 2009 and originated from videos of animation, comics and games. The total revenue and advertising revenue of Platform E were derived from its 2020 financial report upon currency translation at a rate of RMB6.5250 to US\$1.0000.
  - (4) Platform F is a social media platform that enables users to share various consumption experiences and lifestyles, such as information about beauty, sports, travel, hotels and restaurants. It is owned by a private company headquartered in Shanghai, was launched in 2013 and originated from sharing of overseas shopping experience. CIC is unable to reliably estimate the total revenue and advertising revenue of Platform F as it is privately owned.

See also “Business — Competition” for a discussion of the competitions faced by us from a broader array of competitors.

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## INDUSTRY OVERVIEW

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### MAJOR CHALLENGES FACED BY THE SOCIAL PLATFORMS AND SOCIAL MEDIA PLATFORMS IN CHINA

#### Competition for user acquisition and user engagement

Driven by the increasing popularity of social platforms, the penetration rate for the social platforms, measured by the ratio of overall social platform users to all mobile users, has already come to hover near the 100% mark in 2020. Currently, almost every mobile user uses some forms of social platform to stay current or connect with others. As a result, new user acquisition has been one of the key challenges that each of the social platforms faces and accordingly, established social platforms with a large user base may experience weak growth in user base. In addition to expanding user base, social platforms mainly leverage the network effect to build their competitive moat. Therefore, social platforms and social media platforms need to devote significant resources to retain existing users and content creators, and improve the quality and diversity of content ecosystems, such as content formats and categories, in order to continuously attract and engage users and boost their time spent. See “Risk Factors – Risks Relating to Our Business – If we fail to grow our active user base, or if user engagement on our platform declines, our business, financial condition and operating results may be materially and adversely affected.,” “Risk Factors – Risks Relating to Our Business – If our users and platform partners do not continue to contribute content or their contributions are not valuable to other users, we may experience a decline in user traffic and user engagement.,” and “Risk Factors – Risks Relating to Our Business – If we are unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.”

In recent years, social platforms are exploring and developing new monetization opportunities such as KOL marketing, live streaming e-commerce and other types of social e-commerce. However, as their business models evolve, social platforms may influence consumers’ online-shopping habits since certain users may shift to social platforms from other types of e-commerce platforms. As a result, such exploration of new monetization models may subject social platforms to competition from other types of online businesses or industries.

#### Technology

Social media platforms that can constantly provide innovative and effective advertising technologies and solutions are more likely to be favored by advertisers. More innovative advertising and marketing products and services are expected to emerge in the future, especially in the field of content marketing or KOL marketing. Therefore, social media platforms need to continuously enhance their technology capabilities to capitalize on the latest trends to compete in the market for online social media. Furthermore, technology infrastructure is critical to providing users, customers and platform partners access to social media platform, particularly during major events when activities on the platforms increase substantially. A social media platform must continue to upgrade and expand its technology infrastructure to keep pace with the growth of its business and to ensure that technical difficulties do not detract from user experience or deter new users, customers or platform partners from accessing its platform. See “Risk Factors – Risks Relating to Our Business – We generate a substantial majority of our revenues from online advertising and marketing services. If we fail to generate sustainable revenue and profit through our advertising and marketing services, our result of operations could be materially and adversely affected.,” “Risk Factors – Risks Relating to Our Business – User growth and engagement depend upon effective interoperation with operating systems, networks, devices, web browsers and standards that we do not control.,” and “Risk Factors – Risks Relating to Our Business – Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.”



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## INDUSTRY OVERVIEW

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### Regulations

The PRC government has, in recent years, heightened its oversight over various aspects of the operation of social platforms and social media platforms as well as the provision of online content in China in certain areas, including but not limited to, cybersecurity, protection of personal information, review of illegal and inappropriate content, and real-name authentication on live broadcasting businesses and online mobile games and etc. Internet information service providers are required to ensure that the large amount of content available on their platforms and the operation and services fully comply with relevant PRC laws and regulations. Social media platforms are also required to monitor the advertising content shown on their platforms to ensure that such content is true and accurate and in compliance with relevant PRC laws and regulations. Due to these intensified laws and regulations, social platforms may be severely affected in the short term since some advertisers may no longer be able to conduct marketing activities or display advertisements on social platforms. As a result, social platforms may need to invest additional resources to continuously develop new clients. See “Risk Factors – Risks Relating to Our Business – Advertisements shown on our platform may subject us to penalties and other administrative actions.,” “Risk Factors – Risks Relating to Our Business – Privacy concerns relating to our products and services and the use of user information could damage our reputation, deter current and potential users and customers from using Weibo and negatively impact our business.,” and “Risk Factors – Risks Relating to Our Business – User misconduct and inappropriate content may adversely impact our brand image, business and results of operations, and we may be held liable for information or content displayed on, retrieved from or linked to our app or website or distributed to our users.”

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## BUSINESS

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### OVERVIEW

#### Our Mission

Our mission is to empower people to discover the broader world and be heard publicly.

#### Who We Are

Weibo is a leading social media platform in China for people to create, discover and distribute content. By providing a simple and inspirational way for people and organizations in China and the global Chinese communities to publicly express themselves in real time, interact with others on a platform with vast scale and stay connected with the world, Weibo has had a profound social impact in China. Launched in 2009, Weibo has been committed to enabling faster, easier, and richer connection among people and has become an integral part of many of Weibo users’ daily lives.

Leveraging the early-mover advantage and the accumulated know-hows and insights in the social media industry, Weibo has amassed a large user base in China and in Chinese communities in more than 190 countries around the world. In June 2021, Weibo had 566 million MAUs and 246 million average DAUs. Weibo is one of the top 10 mobile apps and one of the top 3 social media platforms in China in terms of MAUs and DAUs in June 2021, according to the CIC Report.

Weibo has transformed the way people express themselves and interact with others in the public internet space. Any user can create and post a feed and attach multimedia or long-form content. User relationships on Weibo may be asymmetric, and any user can follow any other user and add comments to a feed while reposting. As of June 30, 2021, Weibo had 318 billion “follow” relationships existing on its platform. This simple, asymmetric, and distributed nature of Weibo allows an original feed to become a live viral conversation stream.

Weibo serves a wide range of users including ordinary people, celebrities, key opinion leaders (“KOLs”), and other public figures or influencers, as well as media outlets, businesses, government agencies, charities, and other organizations, making it a microcosm of Chinese society. According to the CIC Report, Weibo has the largest celebrity and KOL network in China. As of June 30, 2021, there are 4.4 million verified accounts, such as celebrities, KOLs, enterprise partners, and media outlets on Weibo. As a leading social media, Weibo allows people in China and the global Chinese communities to be heard publicly and exposed to the rich ideas, cultures, and experiences in a broader world. In June 2021, Weibo had 41.9 million monthly active content creators, generating original posts for public self-expression. In June 2021, top content creators on Weibo platform reached 2.3 million, representing a CAGR of 24% from June 2019.

Weibo offers the most comprehensive content formats among social platforms in China, according to the CIC Report. Weibo users can create, discover, consume and share various formats of content, including text, photo, video, live streaming, audio and topic, etc. on Weibo platform. By aggregating various media formats, Weibo platform allows content creators to have more diverse choices to create content in their most desirable ways, so that more enriched content could be generated and distributed across the platform. Weibo is also well positioned to capture the market trends in media formats transformation. To capitalize on the mega trend of video, Weibo has launched a series of innovative initiatives to improve its video product offerings and to empower and attract more video content creators to its platform. As a result, the average number of daily video viewers grew at a CAGR of 20% from June 2019 to June 2021.

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To support the diverse content offerings, Weibo also has the most comprehensive coverage of content categories and content creators among social platforms in China, according to the CIC Report. In June 2021, Weibo had 46 content verticals, such as celebrities and entertainment, humor, media, variety shows and TV programs, fashion, cosmetics, finance and games. Among these content verticals, 28 of them each has over 10 billion monthly views in June 2021. The diversified content offerings on Weibo platform cater to the evolving and broad interests of Weibo users and cultivate a more vibrant ecosystem on Weibo platform.

### **Foundation of Our Platform**

Weibo provides a compelling and efficient way for people to discover what is happening in the world and engage in public social conversations. By combining the following five core attributes at scale, Weibo continues its evolution for public self-expression, content aggregation and distribution.

*Public.* Weibo’s content is open to any user. User relationships on Weibo may be asymmetric: any user can follow any other user and add comments to a feed while reposting. This asymmetric feature allows Weibo to address users’ differentiated social needs and makes it an ideal public forum of choice for general users, public figures and organizations to participate in trending public conversations and aggregate different opinions on public events.

*Real-time.* Content goes live on Weibo, from ordinary people at the scene of a headline event, from public figures who have a personal announcement to make, and from businesses, government agencies and other organizations that want direct access to a public audience. Our platform promotes a high velocity of information exchange that allows our users to create and distribute and receive content faster than other forms of media or social platforms.

*Viral.* Weibo allows content to be easily and virally distributed on its platform. By clicking on the Repost button, users can easily repost feeds from other users. The asymmetric nature of our platform, together with our continuous efforts in introducing innovative features including trends and topic products, allows feeds to reach users several degrees of followings away, making trendy content virally distributed and generated with an enormous amount of views on Weibo’s platform.

*Comprehensive.* Weibo offers the most comprehensive content formats among social platforms in China, according to the CIC Report. Weibo aggregates diverse media formats, including text, photo, video, live streaming, audio and topic, etc. This allows content creators on Weibo to have more options to create and distribute content in their most desirable ways.

*Social.* Social engagement on Weibo comes in many forms, such as Likes, Comments and Reposts on a feed, or participation in topic discussion. Over the years, Weibo has observed strong growth of social interactions on its platform and cultivated strong network effect as an early mover in the social sector.

### **Our Value Propositions**

Our platform has unique value propositions for our users, content creators and advertising and marketing customers. Our collective relationship with them is crucial to the continued strength and value of our overall platform.

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## BUSINESS

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### *To users*

- *Express and share*
  - We provide an unprecedented experience for people in China and the global Chinese communities to be able to publicly express themselves and share their life moments, opinions and content in real time on a platform with a vast scale.
- *Discover rich content and diversified opinions*
  - Weibo is where people come to discover and learn more about what is going on with the people, organizations and topics that interest them, as well as their diversified opinions.
- *Stay current and connected*
  - Users come to Weibo to stay current on the latest trends and events and connect with other users who share similar interests.
- *Make a social impact*
  - Weibo helps people come together to realize common goals, and to accomplish things that they could not accomplish on their own.

### *To content creators*

- *Build up fan base and social assets*
  - We help the content creators on our platform to engage and interact with their followers and build up their social assets to create social value and monetization opportunities. The top content creators, such as celebrities and KOLs, regularly interact with their followers, and among each other for topics of the same interest on Weibo. This type of interaction is unique to our platform.
- *Monetization*
  - We are committed to creating and enhancing monetization opportunities for content creators through diversified channels such as advertisement, e-commerce and live streaming.

### *To advertising and marketing customers*

- *Broad and targeted reach*
  - We are an early mover of social advertising in China. We provide our customers with social marketing solutions based on our social interest graph recommendation engine that help them reach and engage with their target audience.
- *Full spectrum of tailored solutions*
  - We provide a full spectrum of innovative and tailored advertising and marketing solutions ranging from brand awareness to interest generation, sales conversion and loyalty marketing to cater to the diverse marketing demands of our customers.

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- *Viral effect*
  - Weibo feeds and trends, whether promoted or organic, have the potential to go viral due to the public and distributed nature of our platform. This provides our customers with additional upside value to increase the social elements of their advertising.

### **Our Commitment to a Better Society**

By providing a simple and inspirational way for people and organizations in China and the global Chinese communities to publicly express themselves in real time, interact with others on a global platform with a vast scale and stay connected with the world, Weibo has had a profound social impact in China. Weibo is committed to living up to its social responsibilities and to facilitating meaningful public affairs dialogue. Media outlets use Weibo as a source of information and a distribution channel for their headline news. Government agencies and officials use Weibo as an important official communication channel for disseminating timely information and gauging public opinion to improve public services. Individuals and charities use Weibo to make the world a better place by launching charitable projects, seeking donations and volunteers and leveraging the celebrities and organizations on Weibo to boost their social influence.

As the COVID-19 pandemic unfolded across the country in 2020, Weibo released measures to promote public conversations and to help people find reliable and useful information. Governments, experts, and renowned media outlets played pivotal public service roles, and used their Weibo accounts to reach people with right and timely information. Weibo is proactively seeking ways to amplify this authoritative, official content about the pandemic on its platform by recommending these feeds to show at the top of the flow of users’ feeds and discovery zone. In the first quarter of 2020, over 370 million users viewed pandemic related content while the number of daily views of pandemic related content exceeded 12 billion. To ensure that the users can access information about the pandemic from reliable sources, Weibo had verified over 1,600 new accounts of medical experts, medical staff, patients and their family members, and helped them accumulate approximately 150 million followers in aggregate on Weibo.

We launched Weibo Charity as early as 2012 to allow users to initiate charity projects by posting messages on our platform. Charity organizations and individuals with verified accounts can raise funds and recruit volunteers for public services on Weibo Charity. We leverage the celebrities and KOLs on our platform and work with them to further raise awareness of charitable causes. Weibo Charity has further enriched our content offerings and magnified Weibo’s positive impact on the society.

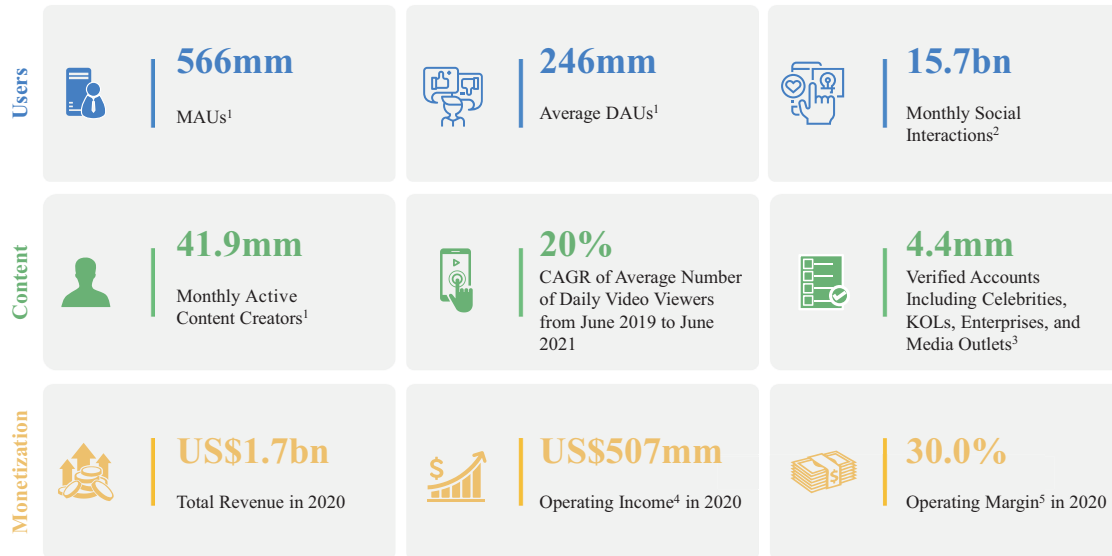
### **Our Scale and Financial Performance**

We began monetization on our platform in 2012, and we have since experienced solid revenue growth and margin expansion. Our revenues increased from US\$1,718.5 million in 2018 to US\$1,766.9 million in 2019 but slightly decreased to US\$1,689.9 million in 2020 mainly due to the negative impact and uncertainties brought forth by the COVID-19 pandemic. Our revenue’s year-on-year growth rate recovered to 10% in the fourth quarter of 2020 and further increased to 42% in the first quarter and 48% in the second quarter of 2021, as the COVID-19 pandemic was gradually contained in China and the advertising demand recovered accordingly.

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We generate revenues primarily from customers who purchase advertising and marketing services, and, to a lesser extent, from fee-based revenues, such as VIP membership. Revenues generated from advertising and marketing services accounted for 88% of our total revenues in 2020 and 86% of our total revenues in the six months ended June 30, 2021. We had income from operations of US\$609.3 million in 2018, US\$597.6 million in 2019 and US\$506.8 million in 2020. Our income from operations increased from US\$164.2 million in the six months ended June 30, 2020 to US\$301.8 million for the same period in 2021.

The following diagram illustrates the metrics that we use to measure our scale and user engagement.



*Notes:*

- (1) In June 2021.
- (2) In June 2021, social interactions include the activities of Like, Comment, Repost and Follow.
- (3) As of June 30, 2021.
- (4) Income from operations.
- (5) Ratio of income from operations to total revenues.

### OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our peers.

#### Pioneer and Leader in Social Media Industry in China

We pioneered China’s social media industry when we launched in 2009 as one of the earliest social media platforms (providing microblogging service) in China, according to the CIC report. Throughout the years, we led the development of and innovation in the industry, according to the CIC report. For instance, Weibo is an early mover and key contributor to the “Internet KOL Economy,” which refers to all activities relating to the monetization of the KOLs’ influence and impact on their fans and social community. We took a unique approach

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towards information feeds, where our content distribution is primarily based on social relationship supplemented by our interest-based recommendation engine. Leveraging our early-mover advantage and our continuous innovations, we have built a high entry barrier in the social media industry in China and developed deep user insights that will continue to help us enhance our products and services.

We are one of the top 3 social media platforms in China in terms of both MAUs and DAUs in June 2021, according to the CIC Report. Our user base has grown rapidly since our inception and reached 566 million MAUs and 246 million average DAUs in June 2021.

As we are the destination of choice where people create, distribute and discover high-quality content of various interests, Weibo has become a unique social media platform with profound social impact in China. Of more than 100,000 Hot Searches generated on Weibo in 2020, around 40% of the Hot Searches were about public events or social affairs, according to the CIC Report. Weibo proactively sought ways to amplify the authoritative, official content about the COVID-19 pandemic on its platform. In the first quarter of 2020, over 370 million users viewed pandemic related content while the daily views of pandemic related content exceeded 12 billion. “Poverty alleviation” related content has generated more than 3,000 topics and over 30 billion views on Weibo’s platform since 2018, according to the CIC Report. By raising awareness to countless social events, Weibo is now more than a social media platform for content distribution. It is playing an indispensable role in promoting public conversions and helping people find real-time and reliable information, and therefore, has made a profound social impact on the Chinese society.

### **Robust Ecosystem with Powerful Network Effects**

We connect users, content creators and customers in a robust, self-reinforcing ecosystem that offers strong value proposition to each participant.

Our large base of content creators acts as a trendsetter for the user base as a whole. There are 4.4 million verified accounts, such as KOLs, influencers, enterprise partners, and media outlets on Weibo as of June 30, 2021. We empower content creators to build up and engage with their fan base and monetize their social assets on Weibo within our ecosystem through diverse monetization methods such as KOL e-commerce, advertising services, etc. Our content creators are therefore motivated to create and distribute more high quality content on our platform, engage with our large base of users in public conversions on our platform, which helps Weibo incur relatively low content costs and achieve higher operating leverage. Our high quality content in turn attracts more customers to promote their products on Weibo through our broad range of innovative advertising services. Many KOLs, MCNs and other users also become customers in order to further build their fan base and brand and to sell their products and services.

We benefit from strong network effects where more users and engagement on Weibo encourages more content creators to share content and capture monetization opportunities on its platform, which attracts more customers with higher advertising efficiency. Weibo’s ecosystem participants are incentivized and rewarded in a sustainable way, resulting in a virtuous and self-reinforcing cycle of value creation and raises significant entry barriers for potential competitors.

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### **Large, Diverse and Engaged User Base**

Since our inception in 2009, we have amassed a large user base. Weibo had 566 million MAUs and 246 million average DAUs in June 2021.

We have demonstrated our proven ability to appeal to younger generations who have a strong need for public conversations and interest-based content consumption. In June 2021, over 75% of our identified MAUs belonged to Generation Z, i.e., the generation that was born in or after 1990, based on our data analytical results. In addition, our success in expanding into lower-tier cities in China has strengthened the growth of our ecosystem. In June 2021, over 85% of our identified MAUs lived in non-tier-1 cities (tier-1 cities include Beijing, Shanghai, Guangzhou and Shenzhen) in China or in overseas cities, based on our data analytical results. Our user demographics and geographical reach are attractive to customers and KOLs who seek to reach a younger and wider audience, which reinforces the virtuous cycle of generating high-quality content.

In addition to our large and diverse user base, there are also significant connections and interactions among users on our platform. Weibo’s ratio of average DAUs to MAUs remains as high as 43% to 45% during the Track Record Period. As of June 30, 2021, we had 318 billion “follow” relationship existing on the platform, demonstrating strong network effect and our competitive moat in the social media industry. In June 2021, our users generated 15.7 billion monthly social interactions on our platform, including the activities of Like, Comment, Repost and Follow, demonstrating users’ high engagement and stickiness to our platform.

### **Ever-Growing Supply of Rich and Comprehensive Content Offerings**

We have built a comprehensive and vibrant content ecosystem that is continuously growing with the evolving interests of our users.

Weibo offers the most comprehensive content formats among social platforms in China, according to the CIC Report. Starting from a social media platform primarily focusing on text and photo, Weibo has been rolling out new formats to meet users’ evolving demands. Now, Weibo users can create, discover, consume and share content of all formats, including text, photo, video, live streaming, audio and topic. In addition, we offer the most comprehensive coverage of content categories among social platforms in China, according to the CIC Report. In June 2021, Weibo had 46 content verticals, such as celebrities and entertainment, humor, media, variety shows and TV programs, fashion, cosmetics, finance and games. Among these content verticals, 28 of them each has over 10 billion monthly view counts.

To capture the growing trend of short video and to cater to the users’ shifting consumption preference towards short video, we have continuously improved the quality, diversity and relevance of video content offerings on our platform by improving and launching new products and features and scaling up the video content generation among top content creators. We launched Video Account program in the second half of 2020 to incentivize Weibo’s top content creators shift towards video creation with our traffic support. As of June 30, 2021, we had over 10 million content creators participating in the Weibo Video Account program, among which over 30,000 content creators had over 1 million followers. We also focus on strengthening the effective distribution of video content in information feeds and video community to boost video content consumption, drive users’ engagement and improve the platform’s video content ecosystem.



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We attract a large number of talented content creators who remain highly engaged and active on our platform. In June 2021, Weibo had 41.9 million monthly active content creators, generating original posts for public self-expression. Furthermore, according to the CIC Report, Weibo has the largest celebrity and KOL network in China. In June 2021, top content creators on Weibo reached 2.3 million, representing a CAGR of 24% from June 2019. As we keep implementing our strategy to increase the engagement for content creators to reach a broader audience through the video format, an increasing number of content creators are incorporating videos in their content creation and distribution on Weibo’s platform.

Our comprehensive content formats, diversified content offerings and distribution, as well as our large base of talented content creators cultivate a vibrant content ecosystem, which enables us to become the go-to social media platform for our users to find diverse content that matches their interests, and for content creators to fully showcase their talent.

### **Proven and Continuous Growth in Monetization**

Starting monetization as early as in 2012, we have since experienced solid revenue growth with margin expansion as our revenues grew at CAGR of 26.7% from 2016 to 2020, and our operating margin improved from 21.5% in 2016 to 30.0% in 2020. We primarily generate revenues from the provision of advertising and marketing services. In 2020, our revenues reached US\$1,689.9 million, with US\$1,486.2 million advertising and marketing revenues. In the six months ended June 30, 2021, our revenues reached US\$1,033.4 million, with US\$892.3 million advertising and marketing revenues.

We have constantly rolled out new and innovative advertising and marketing solutions that were pioneered in the digital advertising market. We are an early mover in launching native ads product that allow advertisers to communicate in a similar format as organic feeds and Real-time Bidding System for information feeds in 2013, the first in China to offer promoted trends and search advertising products in 2014, and an early mover and leading player of KOL marketing solutions in China according to the CIC Report. Leveraging our large user base, and celebrities and KOLs’ influence on Weibo’s platform, our customers are enabled to amplify their visibility and reach of their original marketing campaign on the platform.

To capture the growing trend of video consumption, we have continuously enriched and optimized our video advertising offerings under different video consumption scenarios to deliver better advertising formats and conversion results. To adapt to video content consumption preferences by users, we also rolled out the Watch Plus Product model in 2020, where the promoted product is embedded beneath the user interface of video, so that the viewers can conveniently locate the merchandise and make purchases.

We offer a full spectrum of advertising and marketing solutions ranging from brand awareness to interest generation, sales conversion and loyalty marketing that cater to the diverse needs of customers. For instance, for brand customers, our integrated branding plus performance marketing solutions leverage our unique strength in hot trends, celebrity and KOL marketing and delivery better advertising efficiency. For performance-driven customers, we constantly refine existing products and launch innovative products, such as upgrading Super FST, the real-time bidding ad system and introducing video ad products, to improve the ad placement efficiency and return on investment for customers.

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We leverage our advanced artificial intelligence and data insights to optimize the efficiency of our advertising and marketing products. Our technology and data is constantly enhanced by iteration through our data insights accumulated over our 12 years of operations and from our large and engaging user base.

### **Cutting-Edge Technological Capabilities and Scalable Infrastructure**

Weibo’s platform is based on a scalable infrastructure built from our innovative and proprietary technologies. These systems enable Weibo to deliver the best-in-class experience for users, content creators and customers while distributing huge amount of message, including text, photo, video, live streaming, audio and topics, in real time. As of June 30, 2021, we had a team of 2,770 product development personnel dedicated to technology, data and product development functions. Our product development team is fully involved in all critical operational areas, with an in-depth understanding of our users’ needs.

Our industry-pioneering social interest graph, or SIG, recommendation engine leverages our comprehensive database of users’ social interest graphs, based on users’ engagement actions on our platform, such as Post, Repost, Comment, Like and Follow, and social relationships. The SIG recommendation engine allows us to push the content that the users may find more relevant and interesting, so as to increase user loyalty. We utilize machine learning technologies to semantically understand videos uploaded to our platform, whereby we use this information to accelerate content review of the videos and distribution of the videos on our platform. For example, to improve the user experience for those users we have reactivated through channel investment and hot events, we leverage the SIG recommendation engine to enhance the quality of our content offerings.

Our proprietary hybrid cloud platform can spot hot topics within seconds, automatically and speedily expand its cloud servers within minutes, and support millions of user visits occurring every second. Our distributed storage model allows us to efficiently manage billions of pieces of data while storing data on ordinary servers that are easily scalable, and our geographically distributed architecture enables fast access for users across the country.

### **Visionary and Experienced Management Team with A Proven Track Record**

We have a visionary and experienced management team with strong execution and management capabilities and extensive industry knowledge. Mr. Charles Chao has served as our Chairman of the board of directors since our inception and has been SINA’s Chief Executive Officer since May 2006. Mr. Gaofei Wang has served as our CEO since 2014 and possesses deep entrepreneurship and extensive managerial experience. He has been actively involved in the product and business development of Weibo since its inception.

Other members of our senior management team have extensive and complementary experiences in a wide range of fields, covering technology, internet, entertainment, finance and operations. Our senior management team is entrepreneurial and has constantly launched innovative products and features that pioneered the social media industry in China. Together with Mr. Gaofei Wang, our senior management team led our company to grow Weibo’s user base from 144 million MAU at our IPO in 2014 to 566 million MAU in June 2021, and will continue to execute our growth strategies to achieve a higher level of success.

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### OUR STRATEGIES

We intend to achieve our mission and further solidify our unique position by pursuing the following strategies.

#### **Grow Our User Base and Increase User Engagement**

User scale and user engagement are fundamental to our business. Leveraging our social platform positioning, we intend to focus on growing our user base and increasing user engagement by continuously improving product functionalities, enriching the content ecosystem and executing effective channel marketing strategies.

We plan to continue to optimize our user products and enhance our recommendation capabilities to deliver the most relevant, timely and interesting contents to users. We will continue to expand our cooperation with top content creators to contribute more high quality contents to our platform and enrich our content ecosystem. We also plan to continuously deepen our collaboration with smartphone manufacturers and programmatic buying partners, so as to improve the user acquisition efficiency and enhance user engagement. For instance, in addition to our organic growth in user base, we plan to expand and deepen our cooperation with smartphone manufacturers to pre-install our Weibo application on new smartphones. Leveraging our strengths in public conversation and social distribution, we will further enhance our competitive advantage in hot trends to attract new and dormant users through content recommendation, and improve user frequency and engagement on our platform.

#### **Further Expand and Improve Our Content Ecosystem**

When more and more content creators can thrive on our platform by contributing ever-growing diversified content, we believe our overall user growth, user engagement and commercial value shall flourish as well. Therefore, we plan to further nurture our content ecosystem for our users, customers and content creators.

*Enrich content offerings.* We plan to enrich the content offerings on our platform by attracting more content creators and KOLs and cooperating with more MCNs. We will help content creators to attract more users through improved content search capability, traffic allocation, and SIG recommendation engine. We also plan to deepen the scale and consumption of our content verticals.

*Empower content creators.* Leveraging Weibo’s leading position in the social media industry in China, we plan to continuously empower content creators to boost fan engagement and open up monetization opportunities, so as to create a self-reinforcing virtuous cycle for the thriving of our content creators. We will also improve operational efficiency, content quality and platform’s sustainability, which will in turn stimulate content generation and content creators’ interaction with fans.

*Promote video content.* We will continue enriching the video content offerings by promoting the supply and consumption of video content on our platform. We plan to encourage more top content creators to adopt video as their content creation format. Meanwhile, we will focus on the operation of video content in selected verticals, such as TV series, variety shows and games, to cultivate users’ consumption preference for the differentiated content on our platform, and to further boost users’ loyalty to our platform. In addition, we will introduce innovative features to improve our video recommendation capability so as to recommend more relevant videos to each different user.

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### **Enhance Monetization Capabilities**

We believe we offer a unique value proposition to our customers, as our full spectrum advertising and marketing solutions empower them to reach broad and targeted audiences with viral effect. We will further improve our existing advertising and marketing solutions and develop new solutions to fulfil customers’ demands. We will also diversify our revenue streams through exploring monetization opportunities in non-advertising areas.

*Expand our advertising and marketing customer base.* We believe that continuous improvements in our advertising and marketing solutions will help us expand the customer base. We plan to broaden our coverage of and penetrate businesses of different scales in different industry sectors to attract new customers from these sectors. We believe the vast and growing number of domestic and emerging brands throughout China present a significant opportunity for our advertising and marketing business.

*Improve advertising and marketing solutions.* We plan to further reinforce our unique value proposition for customers to capture higher ad wallet share. We will improve our existing advertising and marketing solutions and develop new solutions tailored to various content formats, including videos and live streaming. We intend to improve our SIG abilities to enhance the accuracy and relevance of our advertising.

*Diversifying our monetization channels.* We plan to further diversify our revenue streams through exploring monetization opportunities in value-added services and offerings, such as a membership service, online games, live streaming and social e-commerce.

### **Selectively Pursue Strategic Alliances, Investments and Acquisitions**

We have adopted a very disciplined approach for investments and acquisitions in the past. As a part of our growth strategy, we have formed strategic alliances and partnerships and completed investments and acquisitions in recent years that are synergistic and complementary to Weibo’s ecosystem.

We will continue to selectively pursue collaborations, investments and acquisitions to complement our current businesses and enhance our growth potentials.

## **PRODUCTS AND SERVICES**

Our product categories include those for users, advertising and marketing customers and platform partners.

### **Products for Users**

Our product development approach is centered on building simple and useful tools to enable our users to access Weibo to discover, create, and distribute content and interact with others on our platform in real time. We employ a “mobile first” philosophy and have designed our platform around the capabilities of mobile devices. We introduced the first generation of the Weibo mobile app in the first quarter of 2010. Our app is compatible with all major mobile operating systems, including Android, iOS and others, and is accessible through mobile apps, mobile websites, computer apps and computer websites. Users can watch videos, read articles, discover hot information feeds and interest-based topics after installing the Weibo app or when visiting Weibo websites. Users registered with a Weibo account can set up their account information, post feeds, upload short videos and post articles. Users can also interact among

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themselves on our platform by following, liking, reposting, adding comments, sending private messages, and participating in topic discussions and group chats. In addition, we officially launched a new product named Oasis in the fourth quarter of 2019, an interest-based social community product for users to share lifestyle related content in the form of photos and short videos.

Starting from a social media platform primarily focusing on text and photo, Weibo has been rolling out new formats, such as video and live streaming, to meet users’ evolving demands. With its continuous efforts in capitalizing on new content formats, Weibo now offers the most comprehensive content format and coverage of content categories and content creators among social platforms in China, according to the CIC Report. Weibo plans to leverage its social attributes and extensive content coverage to attract more users to use Weibo for video posting and consumption. To further improve its competitiveness in video offering, Weibo will promote its Video Account program among its users and accelerate the videolization for Weibo’s content creators. Weibo believes the popularity of the emerging content formats, such as video and live streaming, will further diversify and enhance its content offerings, which will in turn attract more users, forming a thriving self-reinforcing content ecosystem.

Weibo serves a wide range of users including ordinary people, celebrities, KOLs, and other public figures or influencers, as well as media outlets, businesses, government agencies, charities, and other organizations. Weibo has collaborated with industry leading multi-channel networks (MCNs) to provide high-quality content that spans across 46 content verticals in June 2021.

*Discovery.* We offer the following products to help users discover content on our platform:

- *Information Feed.* We organize and present users with information feed in different forms. Among all our offerings, the two most important and most frequently browsed feeds are relationship-based information feed (follow model) and interest-based information feed, both of which reside on users’ home page.

Each user’s relationship-based information feed displays a flow of feeds posted by that user and other users who he or she has opted to follow. Since Weibo allows users to follow other users without establishing a reciprocal relationship, users are able to personalize who they follow based on their interests. In other words, users can as easily follow celebrities and strangers as they follow friends and acquaintances. To improve user experience, the relationship-based information feed has evolved from a chronological timeline to one with multiple dimensions, including content relevancy, content quality, user interest, user engagement, user relationships, etc. Users can also customize their information feed by classifying followed accounts into different groups, e.g. friends, co-workers, celebrities, finance, sports and view feeds from each group separately.

Interest-based information feeds are timelines of feeds recommended by Weibo based on different interest-based themes. The hot information feed is an example of an interest-based information feed that we present on users’ homepages to recommend feeds on recent popular topics, breaking news and feeds generated through user’s individual interest. We also organize other interest-based information feeds on various themes for users to further explore the topics in which they are interested. For example, the video information feed, which is a timeline of recommended videos that appears after a user finishes watching a short video; and the profile information feed, which can be found on a user’s individual page and shows all of the feeds shared by that user.

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We offer our advertising and marketing customers promoted feeds to amplify their visibility and the reach of their original marketing campaign, thus achieve earned media on our platform. See also “— Products for Advertising and Marketing Customers — Promoted Marketing — Promoted Feeds.”

- *Search.* Our search function allows users to search our large content pool for users, feeds, videos, articles, pictures, etc. based on keywords (hashtag), topics or recent popular trending. Through our powerful search function, users can efficiently acquire the most relevant information they seek in real time.

We offer our advertising and marketing customers promoted search. See also “— Products for Advertising and Marketing Customers — Promoted Trends and Search.”

- *Discovery Zone.* The discovery zone is the interface aggregating Search, Channels, Trends and information feeds for users to conveniently access a variety of content and services based on the user’s current location and topical interests such as games, movie reviews, ticket purchasing, online music streaming, online shopping and live streaming. Users can find content related to their interests and interact with others of the same interests in the discovery zone.

We offer social display advertisements that appear on the discovery zone banner. See “— Products for Advertising and Marketing Customers — Social Display Advertisements.”

- *Channels.* Channels gather users based on particular interests or locations and encourage user engagement through interaction within each channel. Users can visit these Channels to find rich content on topics of interest and interact with other users of similar interest. For example, users can watch live streaming content and movie trailers from the respective Channels and write reviews in the discussion zone. With Weibo’s location-based services, users can locate popular points of interest, find information about them such as show times for movie theaters and menus for restaurants, access coupons, post comments, and see reviews shared by other users.
- *Trends.* Trends are lists of hot topics on Weibo. A user can start a topic discussion by adding hashtags (#) around a word or phrase in a feed. The key word or phrase then becomes searchable with a single click. Top trends are listed in the discovery zone. Users may view feeds under each trending topic and participate in the discussion. Weibo hot search is our hot topic ranking chart which is calculated based on data mining of real-time search data on the Weibo platform, presenting to users the most breaking, real-time and trendy content. It is currently the go-to platform for hot trend discovery, consumption and discussion.

We offer our advertising and marketing customers promoted trends. See also “— Products for Advertising and Marketing Customers — Promoted Trends and Search.”

- *Video Community.* The video community is the interface aggregating and recommending video content from different verticals for users to conveniently access and consume. Users can also interact with video content creators and other platform users within the community. Video content offerings are distributed through relationship-based feed and interest-based feed as well.

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*Self-Expression.* We offer the following products to enable our users to express themselves on our platform:

- *Post.* Weibo enables users to express and share their ideas, opinions and stories in the form of text and multimedia content. A post is usually composed of text, and can include rich, descriptive and vivid content such as photos, short videos, live streaming and long-form articles.
- *Individual Page.* Each individual user has an Individual Page to express and share ideas, opinions and stories in the form of text and multimedia content. Basic information about a user, including username, introduction, education, location, liked feeds, accounts followed, follower accounts and Weibo account number, is also available on the user’s Page. Individual users with verified authentic identity information will have an orange “V” mark on their profile picture. Weibo VIP membership, which can be purchased mainly through monthly, quarterly, or annual subscriptions, offers certain additional services and functions not available to free users, such as following more users, more personalization of their Pages, additional options to manage information feeds and followers and access to premium games. Business and other organizations with verified identities can apply for enterprise accounts, create an Enterprise Page and will have a blue “V” mark on their profile picture. We enable organizations to customize their Pages and to increase brand awareness, interact with followers, and perform marketing events, promotion activities, and advertisement campaigns on Weibo. We also enable businesses and other organizations to increase their business efficiency by providing various tools. For example, an e-commerce merchant can facilitate purchase activities through Weibo or offer “red envelop,” and drawings to build a follower base.
- *Videos.* Users can continuously create, share and discover full-screen vertical and horizontal short videos. Videos allow users to more easily create and consume content, and have gained popularity quickly among Weibo users, especially younger generation. In addition, user can use tools such as stickers, filters and music to express their personality.
- *Top Articles.* Top Articles satisfies users’ need for content creation and presentation. Users can create beautifully presented content through Top Articles, and then publish their content through Weibo, which will display the content through information feed.
- *Weibo Q&A.* Weibo Q&A is our question-and-answer platform where users can engage in free Q&A as well as paid Q&A. The creation and interaction of user-generated content strengthens user engagement on Weibo.
- *Weibo Live Streaming.* Weibo Live Streaming includes showcase live streaming and media live streaming that satisfies the broadcasting demand of both individual users and business or organization users.

We generate revenues from live streaming by selling virtual items on the Yizhibo platform. See also “Financial Information— Basis of presentation and use of estimates — Revenue Recognition.”

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*Social.* We offer the following mechanisms to promote social interaction between users on our platform:

- *Follow.* Users can establish relationships with other users by electing to follow them. Feeds that are posted or reposted by a user will automatically appear in the information feed of the user’s followers. Relationships may be asymmetrical. The user being followed does not need to approve the follower’s decision to follow them, although a user can choose to limit access to certain feeds or to blacklist a certain follower.
- *Repost, Comment, Favorite, Like.* By clicking on the Repost button, users can repost feeds from other users. When a feed is reposted, the original author is able to virally reach and influence users beyond that author’s own circle of followers, leveraging the network of the followers of the author’s followers, sometimes many degrees away. Users can add their own comments when they repost and share their view on the original feed with their followers. Users can also leave comments on a feed by clicking on the Comment button. If they like a feed, they can click on the Like button to express their support for the feed. At the bottom of each feed, users can see how many people have Reposted, Commented on or Liked the feed. Users can also save feeds into their favorites by clicking on the Favorite button.
- *Topic Discussion:* By accessing the topic feeds embedded in the Discovery Zone, users can consume hot topics and trends on Weibo, participate in specific topic discussions and interact with other platform users with similar topical interests.
- *Super Topic.* Super Topic is a community product to aggregate content around an influencer or a particular interest for users to follow. Users can join a Super Topic to access curated content, interact with users who share similar interests and participate in topic discussion.
- *@Mention.* Users can involve others into a particular feed and engage with them through @Mention these other users in the feeds. Meanwhile, users can easily participate in topics under which they are mentioned by going to the @Mention Page, which allows users to access all the feeds in which they are mentioned by other users.

### **Products for Advertising and Marketing Customers**

We seek to provide advertising and marketing solutions to enable our customers to promote their brands and conduct effective marketing activities. We provide our customers with analytical tools to enable them to track and improve the effectiveness of their marketing campaigns on our platform. Our advertising and marketing customers include key accounts, Alibaba 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.

The prices of our advertising and marketing solutions depend upon various factors, including the format, display location, and duration of the advertisements. We generally enter into agreements with standard terms and conditions with advertisers and advertising agencies. From time to time, we may provide sales rebates to advertising agencies. For a detailed description of our pricing models for advertising and marketing solutions, see “Financial Information – Critical Accounting Policies and Estimates – Basis of presentation and use of estimates – Revenue Recognition – Advertising and Marketing Revenues.”



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*Social Display Advertisements.* Social display advertisements appear on the app’s opening page, the Discovery Zone banner and the website home page banner. When users click on a display advertisement, they may be redirected to the advertiser’s Weibo Page or a product page on other platforms for further engagement or conversion. Social display advertisements mainly serve key account customers.

*Promoted Marketing.* Leveraging our large and engaged user base, and celebrities and KOLs’ influence on Weibo platform, our customers are enabled to amplify their visibility and the reach of their original marketing campaign, and thus achieve earned media on our platform. Our promoted marketing offerings include the following:

- *Promoted Feeds.* Promoted feeds appear in the user’s information feed alongside organic feeds. We encourage our customers to produce feeds that have relevant information value similar to that of the users’ organic feeds. Customers may use our SIG recommendation engine to better target their audience and improve the relevancy of the advertisement to the users. Super FST is an advertising platform specifically for our promoted feeds advertising products under a real time bidding system. By leveraging Weibo’s data insights, Super FST can help customers precisely target users based on user attributes and social relations, enabling customers to achieve marketing objectives such as improving customers’ branding, increasing website visits and advertisement conversion rate, growing fan bases, increasing app installation rates and collecting sales leads. Customer can place information feeds advertisements either through our authorized distributor, or directly by themselves on Super FST. Super FST provides various advertising formats, such as multi-image post, image-text, video and matrix advertisements. Some of our differentiated promoted feeds advertising offerings include:
  - Fans Headline is a promoted service that guarantees a certain feed from the customer will appear at the top of the information feeds of the customer’s followers or the audience that the customer would like to target, enabling customers to leverage celebrities and KOLs’ rising influence on our platform.
  - Weibo Express is a promoted service mainly offered to key accounts or customers with brand awareness purpose to reach and engage with a broad range of Weibo users; and
- *Promoted Trends and Search.* Promoted trends and search products appear alongside user’s organic trends discovery and search behaviors, based on keywords, topics and trends. Promoted trends, which are labeled as “promoted,” appear among the list of trending topics, and can be virally distributed to reach broader audience on the platform. When a user clicks on a promoted trend, he will be redirected to the sponsor’s landing page. Promoted searches usually appear as the default keyword or topic in the search bar when triggered by users’ search behaviors of certain sponsored keyword or topic.

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### Products for Platform Partners

We seek to provide our platform partners with abundant tools and services, which improves Weibo’s content ecosystem with more diverse and high quality content, increases user engagement, enhances user experience, expands user scale and strengthens platform influence. Our platform partners include traditional and online media outlets, copyright content providers, KOLs, MCNs and other self-media, as well as app developers and data suppliers. We offer different products tailored to different types of platform partners, including:

*Products for copyright content providers.* We work with TV channels, online video websites and operators with copyright content through traffic resource exchange and content traffic sharing. Such cooperation enriches Weibo’s content ecosystem with diversified video content and strengthens Weibo’s brands influence, while at the same time enhancing partners’ user scales, and their brands influence.

- *Standardized products.* Our standardized products to platform partners include, among others, Trends, Search, Video/Live Streaming, and Editing tools.
- *Customized products.* We provide customized products such as content customization, pooling of copyright contents and user interaction development to our platform partners.
- *Resource services.* We provide our platform partners with operational resources to expand their brand influence, such as search list recommendation, trends list recommendation and Weibo app opening advertisements.

*Products for KOLs, MCNs and other self-media.* Self-media refers to organization partners with the ability to manage and provide services to top content creators on Weibo, such as MCNs, unions and e-commerce partners. These top content creators produce various types of content on Weibo in the form of video, live stream, images and text. We provide self-media with standardized products and services to help them build up and monetize social assets, which in return enables them to produce more content and attracts more self-medias to our platform. Our products and services to them include:

- *Back-end management.* We provide standardized and specialized back-end management allowing KOLs and self-media to monitor their traffic performance and manage their accounts in a scalable manner. Our back-end management services include, among others, management of accounts, data, resources and growth.
- *Traffic supports.* We provide traffic distribution supports such as account recommendation, content recommendation and access to certain exclusive functions.
- *Product services.* We provide self-media with product solutions for better displaying and promotion of its account and content through various channels, including information feeds, video feeds and users’ home pages.

*Products for other app developers.* Under user consent, our open application platform allows users to log into third-party applications with their Weibo account, which enables sharing of third-party content on our platform. User privacy is strictly protected during the authorization to third-party applications, which only have access to users’ basic public information. This product helps mobile app developers to acquire users while helps Weibo to acquire shared content from other apps and platforms.

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Platform partners when purchasing our advertising and marketing solutions as specified above, will enter into agreements with us having the standard terms and conditions with advertisers and advertising agencies. For a detailed description of our pricing models for advertising and marketing solutions, see “Financial Information — Critical Accounting Policies and Estimates — Basis of presentation and use of estimates — Revenue Recognition — Advertising and Marketing Revenues.” Platform partners, when creating, sharing, and distributing content on our platform, can use our features for users. Platform partners, including MCNs and KOLs, may enter into service agreements with us, which generally include revenue sharing arrangements for revenues generated from advertising and membership subscription in association with content that they created and posted on our platform. See “— Products and Services — Products for Users.” Some of our platform partners are also our suppliers, and we enter into agreements with them for activities such as purchasing copyright contents.

*Weibo Wallet.* Our Weibo wallet product enables platform partners to conduct interest generation activities on Weibo, such as handing out “red envelopes” and coupons to other users to build a bigger and more active fan base, and drive purchase conversion. Weibo wallet also enables individual users to purchase different types of products and services on Weibo, including those offered by us, such as marketing services and VIP membership, and those offered by our platform partners, such as e-commerce merchandises, financial products and virtual gifts.

## COMPETITION

We provide online social media services for users in China and the global Chinese communities. The social media industry is highly competitive and rapidly changing due to the quickly evolving market demand and user preferences. As a result, we face significant competition for user traffic, user engagement and advertising and marketing spending from a wide array of existing and potential competitors who may launch new websites, apps, platforms or services at a relatively low cost. Many companies offer various content and services that compete with our offerings. With the growth rate of the overall size of the internet community slowing down, the industry is evolving rapidly while witnessing rising competition for traffic and user time. See “Industry Overview — Competitive Landscapes for Social Platforms” and “Industry Overview — Competitive Landscape for Social Media Platforms”.

We are a media platform in nature, and major Chinese internet companies, such as Tencent and Bytedance, that provide online media, including content aggregation and distribution services, compete directly with us for user traffic and user engagement, content, talent and marketing resources. In addition, as a social media platform featuring social networking services and providing a rich variety of multimedia contents, we are subject to intense competition from providers of similar services, such as social networking platforms and multimedia content platforms with social features. We are subject to intense competition from providers of similar services as well as potentially new types of online services. These services include (i) messengers and other social apps and sites, such as Weixin/WeChat, QQ Mobile, Qzone Mobile and Momo; (ii) news apps and sites, such as those operated by other major internet companies, including Tencent, Bytedance, Baidu, NetEase, Sohu and Phoenix News Media; (iii) multimedia apps (photo, video and live streaming, etc.), such as Douyin/TikTok, Kuaishou, Bilibili, iQiyi, Tencent Video, Youku, Xigua Video, Red (Xiaohongshu), Momo and JOYY. In addition, as a media platform in nature, we also compete with traditional media companies for audiences and content. See “Risk factors — If we are unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.”

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For value-added services, we offer membership services, live streaming tools, game services and social commerce solutions to users that enable them to conduct related activities on our platform. Consequently, our value-added service offerings compete with platforms which provide similar services to users. In addition to direct competition, we face indirect competition from companies that sponsor or maintain high traffic volume websites or provide an initial point of entry for internet users, including but not limited to providers of search services, web browsers and navigation pages.

We also face significant competition for advertising and marketing spending. A substantial majority of our revenues is generated from the sale of advertising and marketing services. We compete against online and mobile businesses that offer such services, including but not limited to online media platforms, social media and social networking platforms and multimedia content platforms. We also compete with internet companies that offer online-to-offline, purchase solutions and other performance-based advertising services and digital media tailored to vertical industries, such as automobile, IT and travel. We also compete against traditional media outlets, such as television, radio and print, for advertising and marketing spending.

Some of our larger competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain a larger share of advertising and marketing budgets. We believe that our ability to compete effectively for advertising and marketing spending depends upon many factors, including the size, composition and engagement of our user base, our advertisement targeting capabilities, market acceptance of our advertising and marketing services, our marketing and selling efforts, the return our customers receive from our advertising and marketing services and the strength and reputation of our brands. See “Risk Factors — Risks Relating to Our Business — If we are unable to compete effectively for advertising and marketing spending, our business and operating results may be materially and adversely affected.”

We may also face increasing competition from global social media, social networking services and messengers. Some of our competitors may have substantially more cash, traffic, technical and other resources than we do. See “Risk Factors — Risks Relating to Our Business — If we are unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.”

We experience significant competition for highly skilled personnel, including management, engineers, designers and product managers. Our growth strategy depends in part on our ability to retain our existing personnel and add additional highly skilled employees. See “Risk Factors — Risks Relating to Our Business — Our business and growth could suffer if we are unable to hire and retain key personnel.”

## TECHNOLOGY, RESEARCH AND DEVELOPMENT

Built on our proprietary technology, including machine learning and cloud computing, we have developed a leading social media platform to satisfy users’ customized content consumption need. We devote substantial research and development resources in the areas of artificial intelligence, cloud computing, big-data analytics, as well as live streaming related areas.

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*Unified Platform.* We have developed a unified, open platform that allows our users, customers and platform partners to access a vast amount of content on Weibo from mobile devices, personal computers and other internet-enabled devices in real time. Our platform adopts service-oriented architecture that allows easy up-scaling and frequent upgrading of our products. Our platform is built on technologies that can process and analyze bulk data generated by millions of users instantaneously.

*Artificial Intelligence.* We have in-house designed a social interest graph recommendation engine. We have developed a comprehensive database of our users’ social interest graphs based on user actions such as Post, Repost, Comment, Like and Follow, and social relationships. Our SIG recommendation engine employs multiple algorithms, making it capable of realizing hyperscale online training, allowing us and our customers to push content to Weibo users that they are more likely to find interesting and relevant. We continually refine our recommendation engine to improve the relevance of information we push to users to increase user stickiness. In addition, we believe that advertisements can gain greater relevance from social context and become part of the user experience rather than an interruption of it.

*Cloud Computing.* Our hybrid cloud platform can spot hot topics within seconds, automatically and speedily expand our cloud servers within minutes, and support millions of user visits occurring every second. Our proprietary model optimizes and facilitates efficient data storage by dividing data into different levels. This distributed storage model allows us to efficiently manage huge amount of data while storing data on ordinary servers that are easily scalable. Our geographically distributed architecture enables fast access for users across the country. Weibo, as the main distribution platform for China’s major hot topics, has been providing users with stable and smooth visiting experiences, even when its peak user access traffic was constantly refreshed by itself from time to time upon hot topics on its platform.

*Video Platform.* Our video platform supports media content in multiple formats. We have upgraded our video encoder, making it possible to provide quality visual effects even when end users’ bandwidths are limited. We invented a video orchestration engine, which has significantly increased the efficiency to process videos and the speed for users to upload videos. We utilize machine learning technologies to semantically understand videos uploaded to our platform, whereby we extract texts, basic features from videos to generate content labels, interest-based themes and video fingerprint information. We use these information to accelerate content review of the videos and distribution of the videos on our platform.

*Live Streaming System.* We have developed a smart dispatch system that links push streaming with node load balancing and optimal path finding technologies, which adjusts video caches to adapt to different networks and ensures video quality and stability in live streaming. We have upgraded our live streaming engine to support millions of users watching live streaming simultaneously and to improve user experience with lower network latency even in poor internet conditions.

We are passionate about developing new and innovative products and services that will create a better user experience. We recorded product development expenses of US\$249.9 million, US\$284.4 million, US\$324.1 million and US\$198.0 million in 2018, 2019, 2020 and for the six months ended June 30, 2021, respectively. The increase from 2019 to 2020 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 costs. The increase from 2018 to 2019 was mainly attributable to an increase of US\$12.4 million in personnel-related expenses arising from higher salaries, an increase of

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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. The increase from the six months ended June 30, 2020 to the six months ended June 30, 2021 was primarily due to an increase of US\$29.7 million in personnel-related expenses, an increase of US\$3.8 million in stock-based compensation, and an increase of US\$8.3 million in amortization of intangible assets. Our product development team consisted of 2,374 members as of December 31, 2018, 2,364 members as of December 31, 2019, 2,709 members as of December 31, 2020, and 2,770 members as of June 30, 2021. They are responsible for developing, operating and maintaining our products.

### SALES AND MARKETING

We maintain our own sales operations team. We transact business directly with key account customers or through third-party advertising agencies and with SMEs primarily through our distribution network.

Due to the expertise required to carry out an effective online marketing campaign, key accounts usually hire advertising agencies to handle their internet brand campaigns. These advertising agencies provide a broad spectrum of internet marketing and advertising services. Our sales team leverages Weibo’s unique position and advantages in social marketing to assist key account customers or their advertising agencies throughout their advertising campaign cycle, from designing advertisement campaigns and crafting advertisements in different formats to executing social marketing campaigns and providing analytical tracking.

Our distribution network for SME customers includes local distributors throughout China. Our distributors provide numerous services, including identifying customers, collecting payments, assisting customers in setting up their accounts with us, and engaging in other marketing and educational services aimed at acquiring customers. We have relied on distributors for several reasons. Our SME customer base in China is geographically diverse and fragmented, located in different regions in China. Moreover, SMEs are generally less experienced with online advertising and marketing as compared to large companies and, therefore, benefit from the support provided by distributors. Distributors serve as an efficient channel for us to reach SME customers throughout China and collect payments from them. We require distributors to staff dedicated customer service representatives for our SME customers. We provide periodic training programs to our distributors to maintain the service quality of our distributors and strengthen our relationships with them. In addition, we also offer marketing services through our self-service platform on Weibo.

SINA acts as our agent in servicing our advertising and marketing clients. We have signed an agreement with SINA relating to these sales and marketing services. See “Related Party Transactions — Our Relationship with SINA — (iv) Sales and Marketing Services Agreement.” We will continue to offer integrated solutions to customers with both SINA’s and our advertising and marketing solutions. We believe that our advertising and marketing solutions are complementary to SINA’s.

We believe that our position as a leading social media platform in China has given us widespread name recognition. We focus on continually improving the quality of our products and services to strengthen our brand, as we believe satisfied users and customers are more likely to recommend our products and services to others. While word of mouth has helped us, we also make selective use of advertising, promotions and special events to promote Weibo awareness and usage.

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### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Weibo is committed to living up to its social responsibilities and to facilitate meaningful public affairs dialogue. Media outlets use Weibo as a source of information and a distribution channel for their headline news. Government agencies and officials use Weibo as an important official communication channel for disseminating timely information and gauging public opinion to improve public services. Individuals and charities use Weibo to make the world a better place by launching charitable projects, seeking donations and volunteers and leveraging the celebrities and organizations on Weibo to boost their social influence. For example, when the COVID-19 pandemic unfolded across China in 2020, Weibo released a series of measures to promote public conversations and to help people find reliable and useful information. In addition, we launched Weibo Charity as early as 2012 to allow users to initiate charity projects by posting messages on our platform. For detailed discussions, see “Business — Our Commitment to a Better Society.”

We commit to actively embracing different identities and individuals and to promote the value of an inclusive and diverse culture with gender equality, which we believe attracts the best talent. We adopted gender equality policy in making decisions over recruitment, training, promotion, salary, benefits and other human resources management activities. Adhering to our equal employment and development principle, our human resources decisions shall be based on each employee’s work performance, motivation, quality and specialty, regardless of gender, and in compliance with relevant rules and regulations. We continuously analyze and monitor organizational and diversity issues, including the gender and diversity composition of human resources at various levels. Women hold various leader roles in our company, including Ms. Hong Du, our director, and Ms. Fei Cao, our chief financial officer. We will continue to work towards enhancing the gender diversity of our Board, including use our best endeavors to, within three years after the Listing, identify and recommend at least one female candidate to our Board for its consideration on appointment of a director, with the goal to achieve a higher percentage of female board representatives, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a holistic review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our company and the shareholders as a whole when deliberating on the appointment. We target to maintain a culture of inclusion and diversity through activities such as providing trainings over gender and inclusion, prevention of sexual harassment, and protection from sexual exploitation and abuse.

We are committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. We ask our employees to be mindful of the environment when consuming office supplies. Furthermore, some of the content offered on Weibo platform is dedicated to the environmental protection topics. Leveraging the various forms of content and tools we offer to content creators, environmentalists are well equipped to create and share content on Weibo platform centered on environmental issues, which raises environmental protection awareness among the viewers. Our business is generally subject to relevant PRC national and local environmental laws and regulations. However, our operations do not produce or discharge any industrial waste which is hazardous to the environment. As confirmed by our PRC Legal Adviser, we are not required to obtain any approvals or certificates that are applicable to environmental laws and regulations in the PRC.

We have formulated and implemented various workplace safety policies and procedures to ensure that our employees have a safe working environment. During the Track Record Period, none of our employees were involved in any major accidents in their workplaces.

### INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of June 30, 2021, we have registered 193 patents and applied for an additional 218 patents with the PRC State Intellectual Property Office. As of June 30, 2021, we have registered 302 software copyrights with the PRC National Copyright Administration. We have also registered domain names, including weibo.com, weibo.cn and weibo.com.cn. We have obtained an exclusive, perpetual, worldwide and royalty-free license from SINA to use its “ 新浪微博”  and “ 新浪微博” trademarks.

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We have implemented procedures to reduce the likelihood that content published on Weibo might be used without proper licenses or third-party consents. For example, we request users to agree to the terms and conditions set forth in the user agreement of our platform, including agreeing not to infringe the intellectual property rights of others. We leverage our technology to monitor and protect original content on our platform. For example, we have launched a self-protection function for video content creators, and the fingerprint trails of their videos will be extracted and saved in our system. Our system will compare against the fingerprint trails extracted from the newly uploaded video by third parties, then send to our screening team for second-level manual review. We will replace the infringing content with the link to the original content. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. From time to time, we may have to resort to litigation to enforce or defend our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations.

During the Track Record Period, there have been no intellectual property infringement claims which, individually or in the aggregate, in our opinion, would have a material and adverse effect on our business, financial condition or results. See “Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, which could cause us to be less competitive” and “Risk Factors — Risks Relating to Our Business — We may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.”

### SEASONALITY

Weibo has experienced seasonality in its online advertising business. Historically, advertising spending tends to be the lowest in the first quarter of each calendar year due to long holidays around the Lunar New Year. Past performance may not be indicative of future trends, as the mix of advertising industry sectors, which may have different seasonality factors, may shift from quarter to quarter.

### CUSTOMERS AND SUPPLIERS

Our five largest suppliers, who are generally marketing or bandwidth services providers, accounted for less than 30% of our purchases for each of the years and periods over the Track Record Period. Our five largest customers accounted for less than 30% of our total net revenues for each of the years and periods over the Track Record Period. We mainly provided advertising and marketing solutions over the Track Record Period to our major customers to promote their brands and conduct effective marketing activities. As of the Latest Practicable Date, based on publicly available information, none of our directors or their close associates (as defined in the Hong Kong Listing Rules) held a 5% or more shareholding interest in our top five suppliers.



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### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

#### **Financial reporting risk management**

We have a set of accounting policies in place in connection with our financial reporting risk management, such as financial reporting management policy and treasury management policy. Our finance department reviews our management accounts based on such policies. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

#### **Internal control risk management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conducts regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We have taken various measures in order to comply with PRC laws and regulations governing distribution of information over the internet and the verification of users' identities. We utilize a real-name system to authenticate the identities of our users and live streaming hosts. We verify identities through mobile phone numbers when any user or live streaming host register a Weibo account. We request users to agree to the terms and conditions set forth in the user agreement of our platform. Pursuant to the user agreement, each user undertakes to, among others, (i) use the authentic identity and personal information to register a Weibo account to create, publish and distribute information, and (ii) not to upload or distribute content that violates any PRC laws or regulations or infringes the intellectual property rights of others. We have implemented a content-filtering system, which adopts a machine plus manual approach. We employ technologies such as AI capture and key words detection to detect illegal or inappropriate content. Our review team is on 24/7 shifts to ensure sufficient manpower to monitor content on our platform.

We have taken various measures in order to comply with PRC laws and regulations governing advertisements. We have established a comprehensive system to review and monitor the content of advertisements, including a robust advertisement registration, review, and filing management system. We request every advertising account to provide us with its business license for our review before publishing advertisements. We will cross-check the documents certifying the advertisement content provided by the advertising account against the actual

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advertisements in accordance with PRC laws and regulations. We adopt a machine plus manual approach to review the content of advertisements. We employ technologies such as AI capture and key words detection to detect illegal or inappropriate content in advertisements before publishing them online. We have established a special taskforce for content review of advertisements, which consist of qualification review team, content review team, quality control team and data system refinement team, among others. All of the team members are required to receive trainings and pass examinations prior to being on board, and also need to pass regular tests afterwards. Our advertisement inspection team is on 24/7 shifts to inspect the content of advertisements through various channels such as designated advertisement review public account and email box. In the event that an advertisement is found to contain harmful or illegal content, we will immediately delete such advertisement or freeze the publisher’s account. We have developed a system to monitor the landing page of advertisements to further detect and curb illegal marketing practices.

We have taken various measures in order to comply with PRC laws and regulations governing anti-monopoly and competitions. Based on the requirements under Anti-Monopoly Law (《中華人民共和國反壟斷法》), Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》) and other relevant rules and regulations, we have established a comprehensive system to internally review our investment and acquisitions, so as to assess their implications under PRC anti-monopoly laws and regulations and the necessity to make filings with any competent PRC regulatory authorities. This system includes detailed procedures, methods, preparation and record keeping requirements, supervision policies and penalties in relation to the internal review and assessment. We have also established a special task force to oversee our applications for investment and acquisitions under this internal review system, and to support and assist the subsidiaries within our group for the review and assessment over their investment and acquisitions.

### **Data and technology system risk management**

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data.

We require our users to accept terms of services under which they agree to provide certain personal information to us, to have established information security systems protect user privacy and to have such information filed with the MIIT or its local branch as required.

We have taken various steps in order to comply with applicable data security and data protection requirements. Specifically, we collect personal information and data from users only with their prior consent and make reasonable efforts to prevent the unauthorized use of user data. We update our user privacy policy, *Weibo Personal Information Protection Policy*, on a regular basis in order to reflect any new data protection rules and policies. In our policy, we have clearly set forth how we will collect, protect and store personal information that is being collected. For instance, we will collect a user’s profile name, email address and phone number when this user registers an account on our platform. When a user logs into our platform through a third party platform, we will collect his or her profile picture, profile name and location, the purposes of which is mainly to complete real-name identification on our platform.

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In addition, we have implemented enhanced data security measures and technologies, adopted a data classification and grading system which offers various levels of data protection, strictly limited internal access to user data on a need-to-know basis, and encrypted and desensitized user data whenever necessary. We have also appointed a team of dedicated data protection professionals who are responsible for designing and monitoring data security management and emergency response. Data access attempts by any third party are subject to our formal evaluation and approval procedure based on the necessity and scope of the access attempts and appropriate consent from users. We typically provide third parties with anonymized and de-identified personal information and require such third parties to undertake equivalent data protection measures.

Although we and our PRC legal adviser believe that we have effective measures in place to ensure compliance with applicable PRC laws and regulations relating to privacy and data collection in all material respects, there are substantial uncertainties with respect to the interpretation and implementation of these data security laws and regulations since data security laws and regulations are relatively new. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Weibo may need to adjust its business to comply with data security requirements from time to time. Weibo has made significant efforts to comply with existing laws and regulations. Weibo will maintain active communication with the regulatory authorities and will rectify any problems as soon as possible, if any.

### **Human resources risk management**

We provide regular and specialized training tailored to the needs of our employees in different departments and compliance policies. We regularly organize internal training sessions conducted by senior employees or outside consultants. We have in place a code of business conduct and ethics approved by our board of directors which is distributed to all our employees. We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

### **Investment risk management**

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand our content and service offerings. In order to control the risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights.

Our investment department is responsible for reviewing investment proposals made by relevant business units. Our finance and legal departments cooperate with the deal team on deal analysis, communication, execution, risk control and reporting. After investing in a company, our investment department monitors the deal performance on a regular basis.

### **Audit committee oversight**

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

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Our audit committee consists of Mr. P Christopher Lu and Mr. Pehong Chen, both of whom are independent non-executive directors. Mr. Lu is the chairman of our audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

### EMPLOYEES

We had 4,350, 4,126, 5,073 and 5,430 employees, respectively as of December 31, 2018, 2019 and 2020, and June 30, 2021. Our employees are mainly based in Beijing, Shanghai, Tianjin, Guangzhou and Hangzhou. The following table sets forth the numbers of our employees categorized by function as of December 31, 2020 and June 30, 2021:

<b>Function:</b>	<b>Number of Employees</b>	
	<b>As of December 31, 2020</b>	<b>As of June 30, 2021</b>
Operations .....	879	942
Sales, customer service and marketing .....	1,376	1,586
Product development .....	2,709	2,770
General administration and human resources .....	109	132
Total .....	<u>5,073</u>	<u>5,430</u>

The employee numbers in this “Business — Employees” section do not include employees of SINA who spend part of their time working for our business and who have part of their staff-related expenses allocated to us.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under Chinese law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We typically enter into standard confidentiality and non-complete agreements with our management and product development personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and up to two years after the termination of his or her employment, provided that we pay compensation as specified under the agreement during the restriction period after the termination.

From time to time we employ independent contractors to support our production, engineering, marketing and sales departments. The staff expenses related to the independent contractors recorded in 2020 and the six months ended June 30, 2021 were not significant.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes. None of our employees are represented by labor unions.

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### PROPERTIES

Our headquarters and our principal product development facilities are located in Beijing. As of June 30, 2021, we have leased approximately 25,000 square meters of office space mainly in Beijing, Shanghai and Tianjin. These leases have various expiration dates. In addition, SINA allocates rental expenses to us for some of its office space where SINA employees devote part of their time to providing services to us or where SINA shares certain office space (SINA Plaza) with us for our employees to use.

The servers that support our products and services are primarily maintained at China Telecommunications Corporation, or China Telecom, China Unicom branches, Ali Cloud and Huawei Cloud services in cities across China, as well as servers located in Taipei, Santa Clara, California and Hong Kong. We share the use of domestic servers with SINA during the ordinary course of our business. Maintenance and repair are the responsibility of SINA employees for the time being. See “Related Party Transactions — Our Relationship with SINA.”

As of the Latest Practicable Date, we have not registered most of our lease agreements with the relevant government authorities. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement if we fail to complete the registration within the prescribed timeframe. As at the Latest Practicable Date, we have not received any notification from any competent authority in the PRC in relation to the non-registration of lease agreements. For more details of the risks and uncertainties, see “Risk Factors — Risks Relating to Doing Business in the People’s Republic of China — We face certain risks relating to the real properties that we lease.”

### INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits.

We have limited business liability or disruption insurance coverage for our operations. During the Track Record Period, we did not make any material insurance claims in relation to our business, see “Risk Factors — Risks Relating to Our Business — We have limited business insurance coverage.”

### LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we have been involved in litigation or other disputes regarding, among other things, copyright and trademark infringement, defamation, unfair competition and labor disputes. For example, our company has been named as a defendant in two civil actions filed in Texas and in California by the same individual plaintiff, alleging that her rights under the Fourteenth Amendment to the United States Constitution were violated when our company allegedly shut down her Weibo accounts without good cause. Both lawsuits have been dismissed.

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For many of these legal proceedings, we are currently unable to estimate the reasonably possible loss or a range of reasonably possible loss as the proceedings are in the early stages, or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such proceedings, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible loss cannot be made. With respect to the limited number of proceedings for which we are able to estimate the reasonably possible loss or the range of reasonably possible loss, such estimates are immaterial. We believe that such proceedings, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material and adverse effect on our results of operations, financial position and cash flows.

During the Track Record Period, we paid an aggregate of approximately RMB14.2 million to claimants of legal proceedings. As of the Latest Practicable Date, there were seven material outstanding claims, which represent claims in excess of RMB10 million, with an aggregate claim amount of approximately RMB108.1 million. Among these seven outstanding claims, Weibo was named as defendant in only one claim for an amount of approximately RMB15.1 million.

The following table sets out a list of licenses and permits that are material for our business operation in China currently held by us.

<u>License/Permit</u>	<u>Entity Holding the License/Permit</u>	<u>Expiration Date</u>
Value-Added Telecommunications Services Operating License (增值電信業務經營許可證) (information services, excluding internet content provision services) . . . . .	Weimeng	June 26, 2024
Value-Added Telecommunications Services Operating License for Internet Content Provision Services (including news, medicine and medical devices, culture and excluding information search and query services, instant information interaction services) (增值電信業務經營許可證), or Internet Content Provision License (互聯網信息服務許可證) . . . . .	Weimeng	May 20, 2025
Surveying and Mapping Qualification Certificate (測繪資質證書) . . . . .	Weimeng	October 11, 2026
Internet Drug Information Service Qualification Certificate (互聯網藥品信息服務資格證書) . . . . .	Weimeng	June 17, 2025
Radio and Television Program Production and Operation License (including the production and distribution of animated programs, features programs and television entertainment programs; and excluding the production of current political news or similar special topics, columns and other relevant radio and television programs) (廣播電視節目製作經營許可證) . . . . .	Weimeng	October 29, 2022

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<b>License/Permit</b>	<b>Entity Holding the License/Permit</b>	<b>Expiration Date</b>
Online Culture Operating License (use the information network to operate music entertainment products, perform plays (programs), animated products, exhibitions, competitions and performances of network cultural products) (網絡文化經營許可證) . . . .	Weimeng	December 30, 2023
Commercial Performance License (including the operation of performances and brokerage business) (營業性演出許可證) . . . . .	Weimeng	September 29, 2022
Internet News and Information Service License (including the Internet News and Information Reprint Service and Communication Platform Service) (互聯網新聞信息服務許可證) . . . . .	Weimeng	July 29, 2022
Internet Content Provision License (including culture and excluding information search and query services, instant information exchange services) (互聯網信息服務許可證) . . . . .	Weibo Interactive	May 16, 2023

We and our PRC Legal Adviser are of the view that, except for the non-compliance incidents disclosed, including the lack of the Internet Publishing Permit (《網絡出版服務許可證》) and the Audio/Video Program Transmission License (《信息網絡傳播視聽節目許可證》), see “Risk Factors — We may be adversely affected by the complexity, uncertainties and changes in PRC licensing and regulation of internet businesses,” the Major Subsidiaries’ businesses complied with the material PRC laws and regulations applicable during the Track Record Period and up to the Latest Practicable Date, and there is no legal impediment for us to renew these material licenses and permits when they expire as long as we comply with the requirements for renewing such permits and licenses.

The Administrative Provisions on Online Publishing Services requires an internet publishing service provider to obtain an internet publishing permit. One of our PRC subsidiaries jointly operated mobile games developed by third parties during the Track Record Period. The mobile games provided at our platform have been published through third party licensed electronic publishing entities and registered with the NPPA as electronic publications. However, the provision of online games by us may be deemed as a type of online publishing services. Due to the failure to obtain this permit, we may be subject to various penalties, such as confiscation of the net revenues that were generated through online games, the imposition of fines, the revocation of our business and operating licenses and the discontinuation or restriction of our operations of online games. In May 2021, our PRC Legal Adviser conducted telephone interviews with officers in the relevant departments of the NPPA (through the NPPA’s official enquiry line accessed through, and published on, its official website), being the competent persons of the competent regulatory authority in relation to the internet publishing permit. The NPPA confirmed that it would not order operators without an internet publishing permit to shut down their websites or Apps, on the condition that the content of their publications comply with the requirements of laws and regulations. Revenues generated from game-related services accounted for less than 5% of our total net revenues in 2018, 2019 and 2020, except that revenues generated from game-related services accounted for 5.1% of our total net revenues in the six months ended June 30, 2021.

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The Rules for the Administration of Internet Audio and Video Program Services require companies providing audio/video programs to the public via the internet and the service of uploading and spreading audio/video programs to obtain the audio/video program transmission related qualifications. Weimeng, one of our PRC subsidiaries, operates live streaming business and provides users with the services of uploading audio/video programs. Weimeng is not qualified to obtain the internet audio/video program transmission license under the current legal regime as it is not a wholly state-owned or state-controlled company and it was not operating prior to the issuance of the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56. However, in 2019, we have registered with the National Internet Audio-Visual Platforms Information Management System, through which our operations of audio/video programs are supervised and guided by the National Radio and Television Administration and its local branches. This registration was valid until May 1, 2021 and is currently under the annual renewal process. In May 2021, our PRC Legal Adviser conducted telephone interviews with officers in the relevant departments of Beijing Municipal Radio and Television Bureau and National Radio and Television Administration (through their official enquiry lines accessed through, and published on, their official websites), each being a competent person in the competent regulatory authorities in relation to the internet audio/video program transmission license. The Beijing Municipal Radio and Television Bureau and National Radio and Television Administration each confirmed that if the filings in National Internet Audio-Visual Platforms Information Management System has been completed, and as long as the platform follows the guidance from the regulatory authorities, such platform could continue to provide audio/video program services without obtaining the audio/video program transmission license. Based on the confirmation from the above competent authorities and as advised by our PRC Legal Adviser, we may continue to provide internet audio-visual program services as currently conducted, so long as our operations are in compliance with the operating requirements under the PRC laws and regulations governing audio-visual program services, proper filings with and review under National Internet Audio-Visual Platforms Information Management System and follow the guidance from the regulatory authorities. Due to the failure to obtain this license, we may be subject to various penalties, such as including removal of the relevant online publications, confiscation of illegal income, fines, and/or the closure of our relevant websites which could lead to severe disruption to our business operation. Our PRC Legal Adviser has advised us that, as long as we take immediate remedial actions if required by the regulatory authorities, the likelihood of us being subject to an order to suspend our internet audio-visual program services because of the above situation is low. Revenues generated from live streaming accounted for less than 5% of our total net revenues during the Track Record Period.

### RECENT REGULATORY DEVELOPMENTS

On August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. In addition to the real-name registration system already in place, we have adjusted the systems in the games operated by us to comply with the requirements under this notice. The revenue contributed by online games accounted for an insignificant portion of our total revenue during the Track Record Period. The Company is of the view that this notice will not have a material adverse impact on its business operation or financial results.



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The Cyberspace Administration of China launched a “Fan Group Chaos Rectification” special action on June 15, 2021, followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to rectify chaos in online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancellation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but the network platforms should optimize and adjust ranking rules to focus on the art works themselves and professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spending money on supporting idols, or act as the organizer or manager of a fan group. As of the Latest Practicable Date, we have taken measures specified in this notice to the extent applicable to our business, including removing the function of star power list on our platform.

On August 27, 2021, the CAC issued a discussion draft of Administrative Provisions on Algorithm Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定(徵求意見稿)》), which provides that algorithms recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and users should be given the option to easily turn off algorithm recommendation services. Although the CAC has solicited comments on this draft since August 27, 2021, there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. If the draft of the Administrative Provisions on Algorithm Recommendation of Internet Information Services is enacted as proposed, we may need to further adjust our business and operations. Under this draft, one of the key requirements is that the algorithm recommendation service providers should publicly disclose the basic principles, purposes, intention, and operating mechanism of their algorithm-related products. In this regard, we have publicly disclosed the operation mechanism for “Weibo hot search” in the Weibo Hot Search Management Rules, which are posted as a Weibo community announcement. We have also provided an option settings for our users to adjust the algorithm-driven recommendations settings for content and advertisements. A user can click to deactivate “personalized ads recommendation” function to lower the relevancy of the ads pushed to this user, and to deactivate “personalized content recommendation” function to lower relevancy of the content recommended to this user. We believe our initiatives will satisfy several key requirements under the draft Administrative Provisions on Algorithm Recommendation of Internet Information Services to the extent possible. However, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours due to substantial uncertainties with respect to the enactment timetable, final content, interpretation and implementation of this draft. We have been making efforts to adapt our business further to comply with other applicable requirements under this draft. We have been advised by our PRC Legal Adviser that our current approaches are in compliance with effective laws and regulations for algorithm recommendation in all material aspects as of the date of this document, however, since the draft Administrative Provisions on Algorithm Recommendation of Internet Information Services has not been enacted as of the date of this document, the potential impact on our business operations is still substantially uncertain. In the event the draft is eventually enacted, the impact on our SIG recommendation engine still depends largely on the number of users who actually turn off our algorithm recommendation services. If such opt-out ratio turns out to be on the high end, the advertisement efficiency on our platform may ultimately be lowered and our business operations may be adversely affected.

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On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithm for Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithm shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted. The Company will closely monitor the regulatory development and adjust its business operation from time to time to comply with the regulations over algorithm.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On August 17, 2021, the State Administration for Market Regulation issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users’ choices, or use technical means to illegally capture or use other business operators’ data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021. According to the Regulations on Security Protection of Critical Information Infrastructure, a “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense technology, etc., as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental departments and supervision and management departments of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

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On July 10, 2021, the CAC published a discussion draft of the proposed amended Measures for Cybersecurity Review (《網絡安全審查辦法(修訂草案徵求意見稿)》), which provides that the relevant operators must apply with the Cybersecurity Review Office for a cybersecurity review under the following circumstances: (i) operators of “critical information infrastructure” or data processors holding over one million users’ personal information when listing abroad (國外上市), (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security, and (iii) data processors carrying out data processing that will or may affect national security. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. As of the date of this document, the amended Measures for Cybersecurity Review have not been formally adopted. See “Risk Factors — Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.” The discussion draft of the proposed amended Measures for Cybersecurity Review does not provide detailed explanation or interpretation of the conditions or procedures for listing abroad or any additional requirements.

The CAC, as the regulator in charge of cybersecurity and the identification of operators of “critical information infrastructure” in the internet sector, maintains regular communication with, and supervision over, major internet companies like us. Under the current PRC cybersecurity laws, operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security must apply for a cybersecurity review. See “Regulatory Overview — Regulations on Information Security.” As advised by our PRC Legal Adviser, the scope of operators of “critical information infrastructure” under the current regulatory regime remains unclear and is subject to the decisions of the relevant PRC government authorities that have been delegated the authority to identify operators of “critical information infrastructure” in their respective jurisdictions (including regions and industries). In addition, the requirement that data processors carrying out data processing that will or may affect national security will be subject to cybersecurity review is new to the proposed draft amendments to the Measures for Cybersecurity Review, and is similarly ambiguous with respect to identifying which data processing activities impact or may impact cybersecurity. Therefore, it is not possible for us to state with certainty how this proposed draft amendment may ultimately affect our products and services. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including the identification of operators of “critical information infrastructure”, the interpretation and enforcement of requirements potentially applicable to such operators of “critical information infrastructure” and identifying which data processing activities impact or may impact cybersecurity. As a major internet platform, we are at risk of being deemed to be an operator of “critical information infrastructure” or a data processor meeting the above criteria under PRC cybersecurity laws. In such case, we would be required to fulfill various obligations as required under PRC cybersecurity laws and other applicable laws for such operators of “critical information infrastructure” and data processors meeting the above criteria, including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills. In addition, although the internet products and services we purchase are primarily bandwidth, copyright content and marketing services, we may be subject to cybersecurity review when purchasing those. As of the date of this document, we have not been involved in any investigations or cybersecurity reviews by the CAC for making those purchases of internet products and services during the Track Record Period, and we have not received any inquiry, notice, warning, or sanction in such respect. If a cybersecurity review for any of our activities is required, we will actively

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cooperate with the CAC to conduct such cybersecurity review. We have already met several key obligations currently applicable to operators of “critical information infrastructure,” including setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents, and conducting regular emergency drills. We are not able to fulfill the relevant obligations that are only applicable and available if we are recognized as an operator of “critical information infrastructure,” such as conducting network security inspections and risk assessments on critical information infrastructure at least once a year either through self-assessment or through a cybersecurity service agency, timely correcting any security issues discovered, and reporting relevant matters as required by the security protection departments. If we are deemed to be an operator of “critical information infrastructure” or a relevant data processor, we may need to take measures to meet these obligations, which may disrupt our operations and adversely affect our business, results of operations and financial condition. On November 14, 2021, the CAC published a discussion draft of the Management Measures for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) or the Draft Measures for Internet Data Security, which provides that the data processors conducting the following activities shall apply for cybersecurity review in accordance with the relevant regulations: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation, especially the detailed explanation or interpretation of the standard for determining whether a listing in Hong Kong “affects or may affect national security.” As of the date of this document, the Draft Measures for Internet Data Security have not been formally adopted. See “Risk Factors – Substantial uncertainties exist with respect to the interpretation and implementation of cybersecurity related regulations and cybersecurity review as well as any impact these may have on our business operations.” In addition, the Draft Measures for Internet Data Security also provides that (i) the operators of large Internet platforms who set up headquarters or, operation centers or R&D centers overseas (境外) shall report to the national cyberspace administration and competent authorities and (ii) a data processor processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 of each year. See “Regulatory Overview – Regulations on Information Security.” On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasize on the prevention of illegal securities activities and tightened supervision over overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China’s securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage. See “Risk Factors — The approval of the CSRC or other PRC government authorities may be required in connection with this [REDACTED] under PRC law, and, if required, we cannot predict whether we will be able to obtain such approval.” As of the date of this document, we have not received any inquiry, notice, warning, or sanction regarding this [REDACTED] from the CSRC or any other PRC government authorities.

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On September 11, 2020, the Anti-Monopoly Commission of the State Council issued Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires operators to establish anti-monopoly compliance management systems under the PRC Anti-Monopoly Law to manage anti-monopoly compliance risks. On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities. In August 2021, the SAMR issued two investigation notices to Weimeng Chuangke regarding alleged illegal concentration of business operators under the Anti-Monopoly Law, among which, one resulted in a fine of RMB500,000 for concentration of business operators without prior filing pursuant to the Anti-Monopoly Law (中華人民共和國反壟斷法) and the other one is still under investigation as of the date of this document. Weimeng Chuangke is actively cooperating with the SAMR on such investigation. We are not able to predict the status or the results of the investigation at this stage. According to the PRC Anti-Monopoly Law (中華人民共和國反壟斷法), if a business operator carries out a concentration in violation of the law, the relevant authority shall order the business operator to terminate the concentration, dispose of the shares or assets or transfer the business within a specified time limit, or take other measures to restore the pre-concentration status, and impose a fine of up to RMB500,000. As such, our PRC legal adviser is of the view that we could be subject to fines of up to RMB500,000 and other legal actions by the SAMR for such concentration. On October 23, 2021, the Standing Committee of the National People's Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year's sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authority shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold. See "Risk Factors—Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations."

On October 26, 2021, the CAC issued draft Administrative Provisions on the Account Names of Internet Users (互聯網用戶賬號名稱信息管理規定(徵求意見稿)), revising the Regulations on the Administration of Internet User Account Names (互聯網用戶賬號名稱管理規定) that took effect on March 1, 2015. This draft provides that when registering an internet account, the user shall execute an agreement with the Internet user account services platform, provide authentic identity information, and obey the rules of the platform for content production and account management, and the platform conventions and service agreement. Internet user account service platforms shall establish, improve and strictly implement, among others, account name information management system, information content security system, and personal information protection system. Internet user account service platforms should also establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks. When an Internet user account is in violation of the provisions of this draft, the Internet user account service platform shall suspend the service and inform the user to correct the issue within a limited time; and if the user refuses to correct it, the account shall be terminated. Although the CAC has solicited

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comments on this draft until November 10, 2021, there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. If such draft is enacted as proposed, it would be costly for us to make more efforts on monitoring and managing user account names to comply with these requirements.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)), which provides that, among others, non-state-capitalized entities shall not conduct the business of news collecting, editing, releasing and reporting. Weibo does not collect, edit, release or report news by itself. Weibo holds an Internet News and Information Service License, which allows it to provide the service of reposting news information and operating a platform to disseminate news information. The draft Negative List also provides that non-state-capitalized entities shall not engage in live streaming of political, economic, military, diplomatic, major social, cultural, scientific and technological, health, education, sports and other activities and events related to political direction, public opinion orientation and value orientation. The scope of live streaming business under this list is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator. However, as we generated less than 5% of our net revenues from live streaming, we do not believe this new requirement would have a material adverse impact on our business operations or financial results. The NDRC has solicited comments on this draft since October 8, 2021, and there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. If the draft of the Negative List for Market Access (2021 Version) is enacted as proposed, we may need to further adjust our business and operations and our business operations may be adversely affected.

Based on the foregoing and the currently effective PRC laws, we and our PRC Legal Adviser are of the view that the above recent changes in PRC laws and regulations will not affect our compliance with laws and regulations in any material aspects as of the date of this document. As of the date of this document, except as disclosed above, we were not involved in any enquiry, review or investigations by the CAC or other authorities in respect of the above recently promulgated laws and regulations.

However, we and PRC Legal Adviser cannot preclude the possibilities that new rules or regulations promulgated in the future will impose additional compliance requirements on us.

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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.

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### 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.



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**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

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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

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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

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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.”

## FINANCIAL INFORMATION

### 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 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>
	<i>(Unaudited)</i>				
	<b>(In US\$ thousands, except for per share and per ADS data)</b>				
<b>Consolidated Statements of Operations Data:</b>					
Revenues:					
Advertising and marketing revenues:					
Third parties . . . . .	1,172,136	1,202,437	1,202,712	497,855	728,818
Alibaba <sup>(2)</sup> . . . . .	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 <sup>(3)</sup> . . . . .	277,648	328,826	302,180	137,694	172,318
Sales and marketing <sup>(3)</sup> . . . . .	527,424	465,339	455,619	211,220	298,368
Product development <sup>(3)</sup> . . . . .	249,873	284,444	324,110	150,370	197,985
General and administrative <sup>(3)(4)</sup> . . . . .	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 <sup>(5)</sup> . . . . .	40,074	207,438	35,115	117,517	(69,495)
Investment related impairment <sup>(6)</sup> . . . . .	(24,074)	(249,935)	(211,985)	(3,920)	(66,625)
Interest income . . . . .	57,970	85,386	85,829	45,609	40,068

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	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018 <sup>(1)</sup>	2019 <sup>(1)</sup>	2020 <sup>(1)</sup>	2020 <sup>(1)</sup>	2021 <sup>(1)</sup>
	<i>(Unaudited)</i>				
	<b>(In US\$ thousands, except for per share and per ADS data)</b>				
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 <sup>(7)</sup> :					
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.

## FINANCIAL INFORMATION

(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 . . . . .	<u>41,011</u>	<u>61,289</u>	<u>67,105</u>	<u>30,188</u>	<u>36,221</u>

- (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 . . . . .	<u>219,338</u>	<u>236,703</u>	<u>203,776</u>	<u>94,776</u>	<u>141,013</u>

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### *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.



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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.

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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.

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- *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.

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### *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.

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### 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:

	<u>For the Year Ended December 31,</u>			<u>For the Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
	<i>(Unaudited)</i>				
	<i>(in US\$ thousands, except percentage)</i>				
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 . . . . .	<u>712,108</u>	<u>708,653</u>	<u>432,944</u>	<u>226,914</u>	<u>355,216</u>
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 . .	<u>—</u>	<u>21,473</u>	<u>2,852</u>	<u>13,296</u>	<u>(4,275)</u>
Total income tax expenses . . . . .	<u>96,222</u>	<u>109,564</u>	<u>61,316</u>	<u>56,627</u>	<u>61,855</u>
Effective tax rate for China operations . . . . .	13.5%	12.4%	13.5%	19.1%	18.6%

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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
	<i>(Unaudited)</i>				
	(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	<u>1,234,596</u>	<u>1,452,985</u>	<u>1,814,844</u>	<u>1,472,251</u>	<u>2,005,106</u>

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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.

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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.



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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.

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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.

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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.

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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.

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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

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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.

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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.

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### *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
<b>Total short-term investments . . .</b>	<b>591,269</b>	<b>951,235</b>	<b>1,682,048</b>	<b>930,822</b>

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.



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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.

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### 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
	<i>(In US\$ thousands)</i>			
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

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- **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

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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
<b>Total</b> . . . . .	<b>694,586</b>	<b>1,027,459</b>	<b>1,179,466</b>	<b>1,123,258</b>

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.

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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.

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### *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.

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### 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 . . . . .	<u>2,805,336</u>	<u>64,563</u>	<u>1,012,242</u>	<u>864,625</u>	<u>863,906</u>

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.

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### 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
	2018	2019	2020	June 30, 2021
	(in US\$ thousands)			
<b>Current assets</b>				
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 <sup>(1)</sup> . . . . .	105,319	384,828	548,900	498,618
<b>Total current assets</b> . . . . .	<u>2,469,098</u>	<u>3,636,178</u>	<u>4,834,559</u>	<u>4,653,048</u>



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	As of December 31,			As of
	2018	2019	2020	June 30,
	2021			
	(in US\$ thousands)			
<b>Current liabilities</b>				
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
<b>Total current liabilities</b> . . . . .	<b>629,844</b>	<b>800,855</b>	<b>958,370</b>	<b>1,092,666</b>
<b>Net current assets</b> . . . . .	<b>1,839,254</b>	<b>2,835,323</b>	<b>3,876,189</b>	<b>3,560,382</b>

*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.

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### 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
					<i>(Unaudited)</i>
	(In US\$ thousands)				
<b>Current:</b>					
Operating lease liability, short-term . . . . .	—	4,708	5,580	5,594	4,405
<b>Sub-total . . . . .</b>	<b>—</b>	<b>4,708</b>	<b>5,580</b>	<b>5,594</b>	<b>4,405</b>
<b>Non-current:</b>					
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
<b>Sub-total . . . . .</b>	<b>884,123</b>	<b>1,687,540</b>	<b>2,430,016</b>	<b>2,437,888</b>	<b>2,439,176</b>
<b>Total . . . . .</b>	<b>884,123</b>	<b>1,692,248</b>	<b>2,435,596</b>	<b>2,443,482</b>	<b>2,443,581</b>

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.

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### 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

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### 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.

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## FINANCIAL INFORMATION

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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 depository 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.

## FINANCIAL INFORMATION

### 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 <sup>(1)</sup>	Estimated [REDACTED] from the [REDACTED] <sup>(2)</sup>	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 <sup>(3)</sup>	USD <sup>(4)</sup>	HK\$ <sup>(5)</sup>	HK\$ <sup>(5)</sup>

Based on an [REDACTED] of

[REDACTED] per						
[REDACTED] . . . . .	2,788,516	[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]

## FINANCIAL INFORMATION

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- (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.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

As of September 30, 2021, Mr. Charles Chao, our chairman of the board of directors since our inception, was interested in and controlled through SINA Corporation, a wholly owned subsidiary of Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited, a business company incorporated in the BVI and controlled by Mr. Charles Chao, 101,778,958 Class B ordinary shares of our Company. As of September 30, 2021, Mr. Chao controlled approximately 70.6% of the aggregate voting rights in our Company. Immediately following the [REDACTED], Mr. Charles Chao will control approximately [REDACTED] of the aggregate voting rights in our Company, without taking into account any allotment and issuance of Class A ordinary shares upon the exercise of the [REDACTED].

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our directors are satisfied that we are capable of carrying on our business independently of our controlling shareholders and their close associates after the Listing.

#### Management independence

Our business is managed and conducted by our board and senior management. Our board consists of seven directors, of whom three are independent directors unrelated to our controlling shareholders. For more information, please see “Directors and Senior Management”.

Our directors consider that our board and senior management will function independently of our controlling shareholders because:

- (a) each director is aware of his/her fiduciary duties as a director, which require, among other things, that he/she acts for the benefit, and in the interests, of our Company and does not allow any conflict between his/her duties as a director and his/her personal interests;
- (b) our daily management and operations are carried out by our senior management, all of whom have substantial experience in our Group’s business and/or the industry in which we operate, and will be able to make decisions that are in our best interest;
- (c) we have three independent directors and certain matters of our Company will always be referred to them for review and/or approval;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our directors or their respective associates, the interested director(s) is required to declare the nature of his/her interest before voting at the relevant meeting(s) in respect of that transaction; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our controlling shareholders that would support our independent management; see “— Corporate Governance Measures”.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Operational independence

We have certain ongoing transactions with SINA. For details, please refer to the section “Related Party Transactions — Our Relationship with SINA” and “Related Party Transactions — Transactions with SINA”. Our Group (through our subsidiaries) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently of our controlling shareholders. Our access to, and relationship with, our customers and suppliers are independent of our controlling shareholders, and we have an independent management team that operates our business.

### Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent directors to oversee our accounting and financial reporting processes. We are capable of obtaining financing from third parties, if necessary, without reliance on our controlling shareholders.

Save for those disclosed in the section “Related Party Transactions — Our Relationship with SINA” and “Related Party Transactions — Transactions with SINA”, there are no other loans or guarantees granted to our controlling shareholders or their respective associates, and there are no loans or guarantees provided by our controlling shareholders or their respective associates, as of the Latest Practicable Date.

Based on the above, our directors believe that our board as a whole and together with our senior management team are able to manage, operate and carry on our business independently of, and do not place undue reliance on, our controlling shareholders and their respective close associates.

### DISCLOSURE UNDER RULE 8.10 OF THE HONG KONG LISTING RULES

Our controlling shareholders and/or our directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which our business segments also operate. As our controlling shareholders and/or directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our controlling shareholders will not inject any of their interested entities into our Group; and to the extent our directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our directors, as a group, and signifies their passion for the industries in which we operate.

Our controlling shareholders and directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules. For further details on the risks in relation to potential conflicts of interest with SINA, please see “Risk Factors — Risks Relating to our Business”.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our directors recognize the importance of good corporate governance in protecting our shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our controlling shareholders:

- (a) where our directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (b) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance; and
- (c) we have established our audit committee and compensation committee with written terms of reference in compliance with the rules of the Nasdaq. All of the members of our audit committee, including the chairman, are independent directors.

Based on the above, our directors are satisfied that we have sufficient corporate governance measures in place to manage conflicts of interest that may arise between our Group and our controlling shareholders, and to protect our minority shareholders' interests after the Listing.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The following table provides information with respect to our directors and executive officers as of the date of this document. There are no family relationships among any of the directors or executive officers of our company.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of appointment as director or senior manager</u>	<u>Year of joining our Group</u>
Charles Guowei Chao	56	Chairman of the Board of Directors	June 2010	2010
Hong Du	49	Director	January 2014	2014
Daniel Yong Zhang	49	Director	May 2014	2014
Pochin Christopher Lu	62	Independent Director	August 2020	2020
Pehong Chen	63	Independent Director	January 2016	2016
Gaofei Wang	43	Director and Chief Executive Officer	August 2020	2012
Yan Wang	49	Independent Director	May 2021	2021
Fei Cao	46	Chief Financial Officer	March 2021	2017
Wei Wang	47	Chief Operating Officer	March 2021	2021
Zenghui Cao	43	Senior Vice President, Operation	April 2018	2009

Our board consists of seven directors, including three independent non-executive directors. See “— Board Practices” for the functions and duties of our board. Our board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws, including the Hong Kong Listing Rules. Our independent directors under applicable U.S. regulations are also independent non-executive directors for the purpose of the Hong Kong Listing Rules. We have determined that Pochin Christopher Lu qualifies as an “audit committee financial expert” under the applicable rules of the SEC and has the appropriate professional accounting and financial management experience.

Save as disclosed below, none of our directors held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document and there are no family relationships among any of the directors or executive officers of our Company. See “Major Shareholders” for disclosure of interests of the directors and executive officers. There is no other material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Hong Kong Listing Rules in all material respects.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BIOGRAPHIES

#### Our directors

**Charles Guowei Chao** has served as our Chairman of the board of directors since our inception. He has served as the Chairman of the board of directors of our parent, SINA, since August 2012, and has been SINA’s Chief Executive Officer since May 2006. He served as SINA’s President from September 2005 to February 2013, Chief Financial Officer from February 2001 to May 2006, Co-Chief Operating Officer from July 2004 to September 2005. Prior to joining SINA, Mr. Chao served as an audit manager at PricewaterhouseCoopers, LLP. Prior to that, Mr. Chao was a news correspondent at Shanghai Media Group. Mr. Chao is currently a director of Leju Holdings Ltd., a New York Stock Exchange-listed company (NYSE: LEJU) providing online-to-offline (O2O) real estate services in China, a director of NetDragon Websoft Inc., an Hong Kong Stock Exchange-listed company (HKEX: 0777) providing technology for online gaming, and a director of TuSimple Holdings Inc., a Nasdaq-listed autonomous technology company (Nasdaq: TSP). Mr. Chao holds a B.A. in Journalism from Fudan University in Shanghai, China, master of art from the University of Oklahoma and a Master of Professional Accounting degree from the University of Texas at Austin.

**Hong Du** has served as our director since January 2014. Since February 2013, Ms. Du has served as SINA’s Co-President and Chief Operating Officer. Ms. Du joined SINA in November 1999 and worked in Business Development until April 2004. From May 2004 to January 2005, Ms. Du served as Deputy General Manager of 1Pai.com, a joint venture between SINA and Yahoo! Ms. Du rejoined SINA in January 2005 and served as the General Manager of Sales Strategy from January 2005 to March 2005, General Manager of Sales from April 2005 to August 2005, Vice President of Sales from September 2005 to February 2007, Senior Vice President of Sales and Marketing from February 2007 to February 2008, and Chief Operating officer from February 2008 to February 2013. Ms. Du holds a B.S. in Applied Chemistry from Harbin Institute of Technology and an M.S. in Business Administration from Lincoln University.

**Daniel Yong Zhang** has served as our director since May 2014. Mr. Zhang has been the Chairman of Alibaba Group Holding Limited, a leading digital platform company listed on the New York Stock Exchange (NYSE: BABA) and the Hong Kong Stock Exchange (HKEX: 9988), since September 2019, and has served as Alibaba’s Chief Executive Officer since May 2015. After joining Alibaba in August 2007, Mr. Zhang served multiple senior management roles within the group. He has served as Director since September 2014, as Chief Operating Officer from September 2013 to May 2015, and as President of Tmall.com from June 2011 to September 2013, and as Chief Financial Officer of Taobao Marketplace from August 2007 to June 2011 while concurrently served as General Manager of Tmall.com starting in August 2008 to June 2011. Prior to joining Alibaba, Mr. Zhang served as Chief Financial Officer and financial controller of Shanda Interactive Entertainment Limited, an online game developer and operator then listed on Nasdaq, from September 2005 to August 2007. From 2002 to 2005, he was a senior manager of PricewaterhouseCoopers’ Audit and Business Advisory Division in Shanghai. Mr. Zhang is a director of Didi Global Inc., a company listed on the New York Stock Exchange (NYSE: DIDI) since April 2018. Mr. Zhang was a director of Sun Art Retail Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (HKEX: 6808), from January 2018 to December 2020, and served as chairman until October 2020. He is a member of the WEF International Business Council and the Co-Chair of the Board and Co-Chair of the China board of Consumer Goods Forum. Mr. Zhang received a bachelor’s degree in finance from Shanghai University of Finance and Economics.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Pochin Christopher Lu** has served as our independent director since August 2020. Mr. Lu has served as the Executive Director at Foxconn Interconnect Technology Ltd, a company listed on the Hong Kong Stock Exchange (HKEX: 6088) and global leader in the supply of precision components, since March 16, 2015. Mr. Lu is also the Global Cooperating Officer and Chief Financial Officer of Foxconn Interconnect Technology Ltd. From January 1981 to December 2014, Mr. Lu served multiple executive positions at Deloitte Touche Tohmatsu Limited, including the Chief Executive Officer of Deloitte China and a member of the Deloitte Touche Tohmatsu Limited Global Executive Committee. Mr. Lu was also an independent director at Greenland Holdings Corp., Ltd., a Shanghai Stock Exchange-listed company (SSE: 600606) operating real estate business until November 2021, and is an independent non-executive director at Honma Golf Limited, a Hong Kong Stock Exchange-listed company (HKEX: 6858) that manufactures and distributes golf products. He is a member of the American Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. Mr. Lu obtained a Bachelor of Science degree in accounting and a master of accounting science degree from the University of Illinois at Urbana-Champaign, USA, in 1980 and 1981, respectively.

**Pehong Chen (formerly known as Pee-Hong Chen)** has served as our independent director since January 2016. Before that he served as a director of SINA between March 1999 and December 2015. Dr. Pehong Chen is Founder and Chairman of BroadVision Group, a global holding company that incubates and invests in cloud, AI, fintech, medtech, biotech, healthtech, and other innovative technologies and digital transformation initiatives. Previously, he was Founder, President, and CEO of BroadVision, Inc. (Nasdaq: BVSX; acquired by Aurea Software in 2020) from 1993-2020 and of Gain Technology, Inc. (acquired by Sybase in 1992) from 1988-1992. Mr. Chen received a B.S. in engineering from National Taiwan University, a master of science degree from Indiana University and a Ph.D. in Computer Science from the University of California at Berkeley.

**Gaofei Wang** has served as our Chief Executive Officer since February 2014 and our director since August 2020. Since our inception, Mr. Wang has had various product and business development roles at Weibo and was promoted to General Manager in December 2012. Mr. Wang joined SINA in August 2000 and worked in the product development department until early 2004 when he transferred to the SINA Mobile division. He served as General Manager of SINA Mobile division from November 2006 to November 2012. Mr. Wang is a director of Didi Global Inc., a company listed on the New York Stock Exchange (NYSE: DIDI) since June 2021. Mr. Wang holds a B.S. degree in Computer Science from Peking University and an EMBA degree from Guanghua School of Management of Peking University.

**Yan Wang** has served as our independent director since May 2021. Previously, he had served as a director of SINA since May 2003, including as SINA’s Vice Chairman of the board and Chairman of the board from May 2006 to August 2012 and as an independent director of SINA from August 2012 to March 2021. Before that, he served as SINA’s Chief Executive Officer from May 2003 to May 2006, its President from June 2001 to May 2003, its General Manager of China operations from September 1999 to May 2001 and as its Executive Deputy General Manager for production and business development in China from April 1999 to August 1999. In April 1996, Mr. Wang founded the SRSnet.com division of Beijing Stone Rich Sight Limited (currently known as Beijing SINA Information Technology Co., Ltd.), one of SINA’s subsidiaries. From April 1996 to April 1999, Mr. Wang served as the Head of SINA’s SRS Internet Group. Mr. Wang has also served as the independent non-executive director, the Chairman of the remuneration committee, the member of the audit committee and the nomination committee of a Hong Kong Stock Exchange-listed company, Viva China Holdings Limited (HKEX: 8032), since July 2017. Mr. Wang holds a B.A. in Law and Master in International Relations from the University of Paris II.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Our senior management (aside from our directors)

**Fei Cao** has served as our Chief Financial Officer since March 2021. Ms. Cao served as our Vice President, Finance from August 2017 to March 2021. Prior to that, Ms. Cao was a Vice President of SINA from January 2017 to July 2017, overseeing SINA’s finance department. Ms. Cao joined SINA in 2005 and served as the company’s Corporate Controller for more than ten years. Prior to joining SINA, she was an audit manager at the PricewaterhouseCoopers in Beijing. Ms. Cao is currently a director of Tian Ge Interactive Holdings Limited, a Hong Kong Stock Exchange-listed (HKEX: 1980) live social video company in China, and a director of INMYSHOW Digital Technology (Group) Co., Ltd., a Shanghai Stock Exchange-listed company (SSE: 600556) providing social and new media marketing services. Ms. Cao holds a B.S. in engineering and an EMBA degree from Shanghai Jiaotong University. She is a certified public accountant in China and a member of the China Institute of Certified Public Accountants.

**Wei Wang** has served as our Chief Operating Officer since March 2021. Mr. Wang has been in charge of SINA Mobile’s business since January 2019. From January 2016 to December 2018, he served as Chief Information Officer of SINA. Mr. Wang joined SINA in March 2000 and served as the General Manager of Information Systems Department until December 2015. Prior to joining SINA, he worked at PricewaterhouseCoopers, LLP. Mr. Wang holds a B.A. in German from Fudan University.

**Zenghui Cao** has served as our Senior Vice President, Operation since April 2018. Mr. Cao served as our Chief Editor from October 2017 to March 2018. Mr. Cao joined us in September 2009 and served as Director of Operation from September 2009 to March 2013, General Manager of Operation from April 2013 to March 2015, and Vice President of Operation from April 2015 to September 2017. Mr. Cao joined SINA in September 2002 and served as Chief Editor and other roles in SINA Technology Channel from September 2002 to August 2009. Prior to joining SINA, Mr. Cao worked at Sohu. Mr. Cao holds a B.S. in Electrical Engineering and Automation from Hebei University of Technology.

## COMPENSATION

### Compensation of directors and executive officers

For each of the year ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021, we paid an aggregate of US\$2.7 million, US\$0.8 million, US\$0.8 million and US\$0.6 million in cash and benefits to our executive officers, and we did not pay any cash compensation to our non-executive directors. For share incentive grants to our officers and directors, see “— Share Incentive Plans”. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors.

Our PRC subsidiaries, our VIEs and their subsidiaries are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Employment agreements

We have entered into employment agreements with our senior executive officers. Pursuant to these agreements, we will be entitled to terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. In connection with the employment agreement, each senior executive officer has entered into an intellectual property ownership and confidentiality agreement and agreed to hold all information, know-how and records in any way connected with the products of our company, including, without limitation, all software and computer formulae, designs, specifications, drawings, data, manuals and instructions and all customer and supplier lists, sales and financial information, business plans and forecasts, all technical solutions and the trade secrets of our company, in strict confidence perpetually. Each officer has also agreed that we shall own all the intellectual property developed by such officer during his or her employment.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment. Specifically, each executive officer has agreed not to (a) approach our clients, advertisers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (b) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors; or (c) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

### Share Incentive Plans

#### *2010 Share Incentive Plan*

We adopted our 2010 Share Incentive Plan, or the 2010 Plan, in August 2010 to promote the long-term success of our Company and the creation of shareholder value by offering participants the opportunity to share in such long-term success by acquiring a proprietary interest in our Company. The maximum aggregate number of shares which may be issued under the 2010 Plan is 35,000,000 ordinary shares. In March 2014, the 2010 Plan was terminated and all ordinary shares reserved but unissued were transferred to the 2014 Plan.

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## DIRECTORS AND SENIOR MANAGEMENT

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### ***2014 Share Incentive Plan***

We adopted our 2014 Share Incentive Plan, or the 2014 Plan, in March 2014. Ordinary shares reserved but unissued under the 2010 Plan have been transferred to the 2014 Plan. Since the adoption of the 2014 Plan, we have not issued and will not issue any share incentive awards under the 2010 Plan. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan is the sum of 5,647,872 shares and the amount equal to 10% of the total number of our ordinary shares on an as-converted and fully diluted basis as of December 31, 2014. As of September 30, 2021, 394,769 option and 6,886,726 restricted share units were granted and outstanding. The following paragraphs summarize the terms of the 2014 Plan.

***Types of Awards.*** The 2014 Plan permits the awards of options, restricted shares and restricted share units.

***Plan Administration.*** Our board or a committee of one or more members of our board duly authorized for the purpose of the 2014 Plan can act as the plan administrator.

***Award Agreement.*** Options, restricted shares or restricted share units granted under the 2014 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

***Exercise Price and Purchase Price.*** The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

***Eligibility.*** We may grant awards to our employees, consultants or directors, employees of our parent company and subsidiaries.

***Term of the Awards.*** The 2014 Plan shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option grant shall not exceed ten years from the date of the grant.

***Vesting Schedule.*** In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement with each award recipient.

***Transfer Restrictions.*** Unless otherwise provided by applicable law and by the award agreement, awards under the 2014 Plan may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions.

***Termination.*** The plan administrator may at any time terminate the operation of the 2014 Plan.



## DIRECTORS AND SENIOR MANAGEMENT

The following table summarizes, as of September 30, 2021, the outstanding options and restricted share units that we granted to our directors, executive officers and other grantees in the aggregate under the 2014 Plan:

Name	Ordinary Shares Underlying Outstanding Options and Restricted Share Units	Exercise Price (US\$/Share)	Grant Date	Expiration Date
Charles Chao . . . . .	—	—	— From November 22, 2018 to July 27, 2021	—
Hong Du . . . . .	*(1)	—	November 22, 2018	—
Pehong Chen . . . . .	*(1)	—	August 13, 2020	—
P Christopher Lu . . . . .	*(1)	—	From November 22, 2018 to July 27, 2021	—
Gaofei Wang . . . . .	*(1)	—	May 10, 2021	—
Yan Wang . . . . .	*(1)	—	From May 21, 2018 to July 27, 2021	—
Fei Cao . . . . .	*(1)	—	From May 21, 2018 to July 27, 2021	—
Wei Wang . . . . .	*(1)	—	From April 20, 2017 to July 27, 2021	—
Zenghui Cao . . . . .	*(1)	—	August 14, 2020	August 14, 2027
Other grantees . . . . .	*	US\$32.68	August 14, 2020	August 14, 2027
			From November 16, 2016 to July 27, 2021	
<b>Total . . . . .</b>	<b>5,765,921<sup>(1)</sup></b>	<b>—</b>		
	<b>7,281,495</b>			

\* Less than one percent of our total outstanding shares.

(1) Restricted share units.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD PRACTICES

#### Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our company is required to declare the nature of his interest at the meeting of our board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of our board after he knows that he is or has become so interested. Following such a declaration being made, subject to any separate requirement for audit committee approval under applicable law or the Listing Rules of the Nasdaq, and unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such meeting. Our board of directors may exercise all our powers of the company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our company and to mortgage or charge our undertaking, property and assets (present and future) and uncalled capital or any part thereof.

#### Board committees

We have established an audit committee and a compensation committee under the board of directors and adopted a charter for each of these committees. Each committee’s members and functions are described below.

##### *Audit committee*

Our audit committee consists of Mr. P Christopher Lu and Mr. Pehong Chen, and is chaired by Mr. Lu. Mr. Lu and Mr. Chen satisfy the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market and meet the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Mr. Lu qualifies as an “audit committee financial expert.” As a Cayman Islands company, we are permitted to rely on the home country exemption under Nasdaq rules to reduce the size of our audit committee to two members. An audit committee of two independent directors would satisfy Rule 5605(c)(2). We have elected to follow home country practice in terms of the number of audit committee members. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;

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## DIRECTORS AND SENIOR MANAGEMENT

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- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

### *Compensation committee*

Our compensation committee consists of Mr. Pehong Chen and Mr. P Christopher Lu, and is chaired by Mr. Chen. Mr. Chen and Mr. Lu satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

### **Duties of Directors**

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association and the class rights vested thereunder in the holders of the shares. We have the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors may be appointed by the board or by the shareholders through ordinary resolutions. Any director appointed by the board to fill a vacancy or as a new addition to the board shall hold office only until our next annual general meeting and shall then be eligible for re-election at that meeting. After the completion of our [REDACTED], at each annual general meeting of our company, one-third of our directors at the time, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall be determined by lot, unless they otherwise agree between themselves. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election at the annual general meeting. A director may be removed at any time before the expiration of his period of office by an ordinary resolution of our shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; (2) dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the board of directors resolves that his office be vacated; (3) without leave, is absent from meetings of the board for a continuous period of 12 months, and the board resolves that his office be vacated; (4) ceases to be or is prohibited from being a director by law or by virtue of any provisions in our articles of association; or (5) is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our directors (including himself) then in office. In addition, Ali WB Investment Holding Limited has obtained certain board representation rights.

### Code of ethics

We have adopted a Code of Business Conduct and Ethics which applies to our directors, officers and employees, including our principal executive officer and principal financial officer. We have posted the corporate code on our website at <http://ir.weibo.com/>.

## MAJOR SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of September 30, 2021, by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

The calculations in the table below is based on 229,091,789 ordinary shares issued and outstanding as of September 30, 2021, comprising of 127,312,831 Class A ordinary shares and 101,778,958 Class B ordinary shares.

	Ordinary Shares Beneficially Owned		Voting Power
	Number	% <sup>(1)</sup>	% <sup>(2)</sup>
Directors and Executive Officers:**			
Charles Chao . . . . .	*	*	*
Hong Du . . . . .	*	*	*
Daniel Yong Zhang . . . . .	-	-	-
P Christopher Lu . . . . .	*	*	*
Pehong Chen . . . . .	*	*	*
Gaofei Wang . . . . .	*	*	*
Yan Wang . . . . .	*	*	*
Fei Cao . . . . .	*	*	*
Wei Wang . . . . .	*	*	*
Zenghui Cao . . . . .	*	*	*
All directors and executive officers as a group . . . . .	2,670,234	1.2%	*
Principal Shareholders:			
SINA Corporation <sup>(3)</sup> . . . . .	101,778,958	44.4%	70.6%
Ali WB Investment Holding Limited <sup>(4)</sup> . . . . .	67,883,086	29.6%	15.7%

*Notes:*

- \* Less than 1% of our total outstanding shares.
- \*\* The business address for Charles Chao and Hong Du is No. 8 SINA Plaza, Courtyard 10, the West, Xibeiwang E. Road Haidian District, Beijing 100193, People’s Republic of China.
- (1) For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after September 30, 2021, by the sum of (1) 229,091,789 which is the total number of ordinary shares outstanding as of September 30, 2021 and (2) the number of ordinary shares that such person or group has the right to acquire within 60 days after September 30, 2021.

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## MAJOR SHAREHOLDERS

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- (2) For each person or group included in this column, the percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by such person or group with respect to all of our outstanding Class A and Class B ordinary shares as one class as of September 30, 2021. Each holder of Class A ordinary shares is entitled to one vote per share, and each holder of Class B ordinary shares is entitled to three votes per share on all matters subject to a shareholders’ vote. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis, whereas Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.
- (3) Represents 101,778,958 Class B ordinary shares. SINA Corporation is incorporated in the Cayman Islands. The business address of SINA Corporation is SINA Plaza, No. 8 Courtyard 10, the West Xibeiwang E. Road, Haidian District, Beijing 100193, People’s Republic of China. On March 22, 2021, New Wave Mergersub Limited (a wholly owned subsidiary of Sina Group Holding Company Limited, formerly known as New Wave Holdings Limited) merged with and into SINA, with SINA continuing as the surviving company. As a result of this merger, SINA became a wholly owned subsidiary of Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited (“**New Wave**”), a business company incorporated in the British Virgin Islands and controlled by Mr. Charles Chao. [As of the date of this document, New Wave was owned as to 61.2% by Mr. Charles Chao, 30.0% by Mr. Yunli Liu and the remaining shares were held by other senior management members of SINA, including Ms. Hong Du, Mr. Gaofei Wang and Ms. Bonnie Yi Zhang, each of whom held less than 5% of the total share capital of New Wave. All the voting shares in New Wave were held by Mr. Charles Chao, and the rest were all non-voting shares.] Following the completion of the merger, SINA has ceased to be a reporting company under the Exchange Act and its shares have ceased trading on NASDAQ.
- (4) Represents (1) 58,883,086 Class A ordinary shares and (2) 9,000,000 Class A ordinary shares represented by ADSs. Such shareholding information is based on the information contained in the Schedule 13D filed by Ali WB with the SEC on September 9, 2016.

To our knowledge, as of September 30, 2021, we had 68,415,156 ordinary shares outstanding on an as converted basis that were held by 27 record holders in the United States, including the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. None of our shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

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## RELATED PARTY TRANSACTIONS

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We are seeking a listing on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules. Pursuant to Rule 19C.11 of the Hong Kong Listing Rules, Chapter 14A of the Hong Kong Listing Rules, governing connected transactions, does not apply to us. The following discussion of related party transactions has been prepared pursuant to the requirements of Form 20-F of the SEC, and is included in this document for disclosure purposes only.

SINA and Ali WB Investment Holding Limited (“Ali WB”) are currently the two largest shareholders of our company. Below are summaries of our relationship with these two shareholders.

### OUR RELATIONSHIP WITH SINA

We are a controlled subsidiary of SINA. On March 22, 2021, New Wave Mergersub Limited (a wholly owned subsidiary of Sina Group Holding Company Limited, formerly known as New Wave Holdings Limited) merged with and into SINA, with SINA continuing as the surviving company. As a result of this merger, SINA became a wholly owned subsidiary of Sina Group Holding Company Limited, which is a wholly owned subsidiary of New Wave MMXV Limited, a business company incorporated in the British Virgin Islands and controlled by Mr. Charles Chao. Following the completion of the merger, SINA has ceased to be a reporting company under the Exchange Act and its shares have ceased trading on NASDAQ.

We have entered into agreements with SINA with respect to various ongoing relationships between us after our initial public offering. These agreements include a master transaction agreement, a transitional service agreement, a non-competition agreement, and a sales and marketing services agreement. The following are summaries of these agreements and of an intellectual property license agreement that we entered into with SINA in April 2013.

#### (i) Master Transaction Agreement

The master transaction agreement contains provisions relating to our carve-out from SINA. Pursuant to this agreement, we are responsible for all financial liabilities associated with the current and historical social media business and operations that have been conducted by or transferred to us, and SINA is responsible for financial liabilities associated with all of SINA’s other current and historical businesses and operations, in each case regardless of the time those liabilities arise. The master transaction agreement also contains indemnification provisions under which we and SINA indemnify each other with respect to breaches of the master transaction agreement or any related inter-company agreement.

In addition, we have agreed to indemnify SINA against liabilities arising from misstatements or omissions in our prospectus dated April 16, 2014 or the registration statement of which it is a part, except for misstatements or omissions relating to information that SINA provided to us specifically for inclusion in our prospectus dated April 16, 2014 or the registration statement of which it forms a part. We also have agreed to indemnify SINA against liabilities arising from any misstatements or omissions in our subsequent SEC filings and from information we provide to SINA specifically for inclusion in SINA’s annual reports or other SEC filings following the completion of our initial public offering, but only to the extent that the information pertains to us or our business or to the extent SINA provides us prior written notice that the information will be included in its annual reports or other subsequent SEC filings and the liability does not result from the action or inaction of SINA. Similarly, SINA will indemnify us against liabilities arising from misstatements or omissions in its subsequent SEC

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## RELATED PARTY TRANSACTIONS

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filings or with respect to information that SINA provided to us specifically for inclusion in our prospectus dated April 16, 2014, the registration statement of which our prospectus dated April 16, 2014 forms a part, or our annual reports or other SEC filings following the completion of our initial public offering.

The master transaction agreement also contains a general release, under which the parties will release each other from any liabilities arising from events occurring on or before the initial filing date of the registration statement of which our prospectus dated April 16, 2014 forms a part, including in connection with the activities to implement of our initial public offering. The general release does not apply to liabilities allocated between the parties under the master transaction agreement or the other inter-company agreements.

Furthermore, under the master transaction agreement, we have agreed to use our reasonable best efforts to use the same independent certified public accounting firm selected by SINA and to maintain the same fiscal year as SINA until the first SINA fiscal year-end following the earlier of (1) the first date when SINA no longer owns at least 20% of the voting power of our then outstanding securities and (2) the first date when SINA ceases to be the largest beneficial owner of our then outstanding voting securities (without considering holdings by certain institutional investors). We refer to this earlier date as the control ending date. We also have agreed to use our reasonable best efforts to complete our audit and provide SINA with all financial and other information on a timely basis so that SINA may meet its deadlines for its filing of annual and quarterly financial statements.

Under the master transaction agreement, the parties also agree to cooperate in sharing information and data collected from each party's business operation, including without limitation user information and data relating to user activities. The parties agree not to charge any fees for their cooperation provided under the agreement unless they separately and explicitly agree otherwise.

The master transaction agreement will automatically terminate five years after the first date upon which SINA ceases to own in aggregate at least 20% of the voting power of our then outstanding securities, provided that the agreement on sharing information and data will terminate on the earlier of (1) the fifteenth anniversary of the commencement of the cooperation period or (2) five years after the first date upon which SINA ceases to own in aggregate at least 20% of the voting power of our then outstanding securities. This agreement can be terminated early or extended by mutual written consent of the parties. The termination of this agreement will not affect the validity and effectiveness of the transitional services agreement, the non-competition agreement and the sales and marketing services agreement. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing.

### **(ii) Transitional Services Agreement**

Under the transitional services agreement, SINA agrees that, during the service period, as described below, SINA will provide us with various corporate support services, including but not limited to:

- administrative support, including but not limited to secretarial support, event management, conference management, and other day-to-day office support services;



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## RELATED PARTY TRANSACTIONS

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- operational management support, including but not limited to management, supervision and instruction of the operation of sales and marketing, product development and general administration;
- legal support, including but not limited to support services in respect of contract management, risk control, compliance and other corporate legal matters;
- technology support, including but not limited to network design, optimization and maintenance, system (such as ERP and CRM systems) support and upgrade, technology and infrastructure support (such as IDC rental), management of information technology equipment, technical support and disaster recovery, and complementary product development; and
- provision of office facilities.

SINA also may provide us with additional services that we and SINA may identify from time to time in the future.

The price to be paid for the services provided under the transitional service agreement will be charged based on the actual cost incurred by SINA in the provision of such services, which can be classified into direct and indirect costs. Direct costs include labor-related compensation which represents the head counts and work hours that SINA's employees have dedicated to the provision of the relevant services to our Company, as well as the travel expenses and materials and supplies consumed in performing the services. Indirect costs include office occupancy, information technology, sharing of bandwidth provided by third party service providers, supervision and other overhead costs of the department incurring the direct costs of providing the services apportioned based on the proportionate utilization rate. We believe the cost-based charges would be on better terms compared to those that may be offered by other independent third party service providers.

The transitional service agreement provides that the performance of a service according to the agreement will not subject the provider of such service to any liability whatsoever except as directly caused by the gross negligence or willful misconduct of the service provider. Liability for gross negligence or willful misconduct is limited to the lower of the price paid for the particular service or the cost of the service's recipient performing the service itself or hiring a third party to perform the service. Under the transitional services agreement, the service provider of each service is indemnified by the recipient against all third-party claims relating to provision of services or the recipient's material breach of a third-party agreement, except where the claim is directly caused by the service provider's gross negligence or willful misconduct.

The service period under the transitional services agreement commences on March 14, 2014, ended on the expiration of five years thereafter, and has been extended for another five years by the parties, therefore will remain valid upon the Listing.

**RELATED PARTY TRANSACTIONS**

The following table sets forth the details of cost and expenses allocated from SINA for the periods presented.

	<b>For the Year Ended December 31,</b>			<b>For the Six Months Ended June 30,</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>(in US\$ thousands)</b>			
Cost and expenses allocated from SINA .....	47,334	51,848	43,011	18,603

In addition to the allocated costs and expense, SINA billed US\$23.4 million, US\$37.5 million, US\$48.3 million and US\$21.9 million for other costs and expenses incurred by us but paid by SINA in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively.

**(iii) Non-competition Agreement**

Our non-competition agreement with SINA provides for a non-competition period beginning upon the completion of our initial public offering and ending on the later of (1) five years after the first date upon which members of SINA and its subsidiaries and consolidated affiliated entities cease to own in aggregate at least 20% of the voting power of our then outstanding securities and (2) fifteenth anniversary of the completion of our initial public offering. This agreement can be terminated early by mutual written consent of the parties. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing.

SINA has agreed not to compete with us during the non-competition period in the business that is of the same nature as the microblogging and social networking business operated by us as of the date of the agreement, except for owning non-controlling equity interest in any company competing with us. We have agreed not to compete with SINA during the non-competition period in the businesses currently conducted by SINA, as described in its periodic filings with the SEC, other than the microblogging and social networking business currently operated by us as of the date of the agreement, except for owning non-controlling equity interest in any company competing with SINA.

The non-competition agreement also provides for a mutual non-solicitation obligation that neither SINA nor we may, during the non-competition period, hire, or solicit for hire, any active employees of or individuals providing consulting services to the other party, or any former employees of or individuals providing consulting services to the other party within six months of the termination of their employment or consulting services, without the other party’s consent, except for solicitation activities through generalized non-targeted advertisement not directed to such employees or individuals that do not result in a hiring within the non-competition period.

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## RELATED PARTY TRANSACTIONS

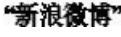


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### (iv) Sales and Marketing Services Agreement

Under our sales and marketing services agreement with SINA, we agree that SINA will be our sales and marketing agent within the service period commencing on the date of signing and ending on the earlier of (1) the fifteenth anniversary of the commencement of the service period or (2) five years after the first date upon which SINA and any entity controlled by SINA cease to collectively own in aggregate at least 20% of the voting power of our then outstanding securities. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing.

The fee to be reimbursed for the services provided under this agreement shall be the reasonably allocated direct and indirect costs of providing such services. Direct costs include labor-related compensation and travel expenses and materials and supplies consumed in performing the services. Indirect costs include office occupancy, information technology support and other overhead costs of the department incurring the direct costs of providing the service.

### (v) Intellectual Property License Agreement

The intellectual property license agreement was entered into by and between SINA and us as a part of Ali WB’s purchase of our ordinary and preferred shares in April 2013. Under the intellectual property license agreement, SINA grants us and our subsidiaries a perpetual, worldwide, royalty-free, fully paid-up, non-sublicensable, non-transferable, limited, exclusive license of trademarks, including “”, “” and “”, and a non-exclusive license of certain other intellectual property owned by SINA to make, sell, offer to sell and distribute products, services and applications on a microblogging and social networking platform. We grant SINA and its affiliates a non-exclusive, perpetual, worldwide, non-sublicensable, non-transferable limited license of certain of our intellectual property to use, reproduce, modify, prepare derivative works of, perform, display or otherwise exploit such intellectual property. This agreement commenced on April 29, 2013 and will continue in effect unless and until terminated as provided in the agreement. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing. Neither party is required to pay any fees under this agreement, and, apart from the licenses and rights set forth in the agreement, there will be no other exchange of value in connection with this agreement.

### (vi) SINA’s Registration Rights

SINA has the same registration rights as those that have been granted to Ali WB. See below “— Our Relationship with Alibaba — (iv) Registration Rights Agreement.”

## OUR RELATIONSHIP WITH ALIBABA

In April 2013, concurrently with forming a strategic alliance with several of our affiliated entities, Alibaba invested US\$585.8 million through Ali WB, its wholly owned subsidiary, to purchase our ordinary and preferred shares representing approximately 18% of our then total outstanding shares on a fully diluted basis. The following are summaries of our strategic alliance with Alibaba and major rights that Ali WB has as our shareholder.

### (i) Strategic Collaboration with Alibaba

In April 2013, we entered into a strategic collaboration agreement and a marketing cooperation agreement to form a strategic alliance between several of our affiliated entities, including Weibo Technology, Weimeng, and Beijing SINA Internet Information Service Co., Ltd., an affiliate of SINA, and several entities affiliated with Alibaba, including Alibaba (China) Co.,

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## RELATED PARTY TRANSACTIONS

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Ltd., Taobao (China) Software Co., Ltd., Zhejiang Tmall.com Technology Co., Ltd. and Alibaba (China) Technology Co., Ltd., to jointly explore social commerce and develop innovative marketing solutions to enable merchants on Alibaba e-commerce platforms to better connect and build relationships with Weibo users. Under these agreements, the parties agreed to cooperate on a non-exclusive basis in respect of user account sharing, data sharing, platform integration, product development, payment supporting for both personal computer and mobile businesses, marketing activities and other aspects of the parties’ businesses. The strategic collaboration agreement and marketing cooperation agreement expired in January 2016. However, Alibaba still remains as our largest customer, and we rely on them to enable us to offer e-commerce advertisement solutions to their merchants.

### **(ii) Shareholders’ Agreement**

Concurrently with Alibaba’s purchase of our ordinary and preferred shares in April 2013, we entered into a shareholders’ agreement with Ali WB and SINA which regulates our shareholders’ rights and obligations after Ali WB became our shareholder, which agreement was amended and restated in March 2014. This agreement will continue in effect unless it is terminated: (i) by written agreement among the parties; or (ii) upon the expiration of (A) all rights created under this agreement and (B) all statutes of limitations applicable to the enforcement of claims under this agreement. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing. The following are summaries of certain rights that Ali WB is entitled to under the shareholders’ agreement which continue to be valid after the completion of our initial public offering.

*Ali WB’s Rights Relating to Share Incentive Plan.* Until the earlier of (1) April 21, 2019, the 5th anniversary of our initial public offering, and (2) certain investor exit events defined under the shareholders agreement, we are not permitted to revise our equity-based incentive plans, including our 2014 Share Incentive Plan to increase the number of securities issuable under such plans or adopt any new plan without the prior written consent of Ali WB. These rights have expired in April 2019.

*Ali WB’s Right of First Offer.* Ali WB has the right of first offer if (1) SINA or any of its wholly owned subsidiaries desires to sell all or any portion of our shares it holds to a third party other than up to 7,000,000 ordinary shares, or (2) any management shareholder desires to sell all or any portion of our shares such shareholder holds to a third party other than up to 20% of the ordinary shares held by such shareholder as of April 29, 2013. These rights remain valid as of the date of this document and are expected to remain valid upon the Listing.

*Ali WB’s Board Representation Rights.* After Ali WB exercised its option in full, it has the right to appoint a number of directors in proportion to the percentage of its ownership in our company. SINA and Ali WB have entered into a voting agreement to effect the board representation rights. See “— (iii) Voting Agreement” below. These rights remain valid as of the date of this document and are expected to remain valid upon the Listing.

### **(iii) Voting Agreement**

Pursuant to the voting agreement entered into by SINA and Ali WB on April 24, 2014, Ali WB has the right to appoint or nominate such number of directors as is proportional to the percentage of its ownership in our company on a fully diluted basis (such number of directors to be rounded down the closest integer). Nevertheless, the number of non-independent directors Ali WB is entitled to appoint or nominate shall be no fewer than one director but no greater than the number of directors appointed or nominated by SINA as long as Ali WB holds less our shares than SINA. Ali WB’s board representation rights will terminate in the event that more

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## RELATED PARTY TRANSACTIONS

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than 50% of its acquired shares, being the total shares of our company acquired by Ali WB in April 2013 and through the exercise of Ali WB’s option under the shareholders’ agreement, are transferred by Ali WB or its permitted transferees to one or more third parties or are no longer held by Alibaba directly, or indirectly through certain subsidiaries. Ali WB may assign its board representation rights to a qualified new investor to whom Ali WB transfers at least 50% of its acquired shares and who meets the requirements set forth in the shareholders agreement and the directors to be appointed by such new qualified investor must meet qualifications set forth in the voting agreement. These rights remain valid as of the date of this document and are expected to remain valid upon the Listing. In May 2014, Mr. Daniel Yong Zhang was appointed by Ali WB as a director of our company.

### **(iv) Registration Rights Agreement**

We have entered into a registration rights agreement with SINA and Ali WB. Under the registration rights agreement, each of SINA and Ali WB has the right to require us to register the public sale of all the shares owned by them as well as the right to participate in registrations of shares by us or any of our other shareholders. SINA and Ali WB have customary rights under the registration rights agreement, such as no more than two (2) demand registration rights, unlimited piggyback registration rights, shelf registration rights and rights to request us to pay registration expenses and to bear indemnification liability. The registration rights granted to SINA or Ali WB under this agreement shall terminate when all of their registrable securities may be sold without restriction or limitation under Rule 144. The Registration Rights Agreement will continue in effect unless it is terminated by written agreement among the parties. This agreement remains valid as of the date of this document and is expected to remain valid upon the Listing.

### **CERTAIN RIGHTS GRANTED TO SINA AND ALIBABA IN LIGHT OF OUR RELATIONSHIP WITH THEM**

Prior to our initial public offering in the United States in April 2014, SINA provided us with financial, administrative, sales and marketing, human resources and legal services and support in other administrative functions. After we became a public company on Nasdaq in April 2014, to ensure our continued stable business operation with respect to various ongoing relationships between us after our initial public offering, we entered into agreements with SINA to cover the transition services and supporting functions to be provided by SINA.

Alibaba invested US\$585.8 million in us through Ali WB in April 2013, representing approximately 18% of our then outstanding shares on a fully diluted basis. After this investment, Alibaba became our second largest shareholder. Alibaba concurrently formed strategic cooperation arrangements with several of our affiliated entities. In light of the considerable amount of investment from Alibaba and our business synergies with Alibaba after our strategic collaboration with Alibaba to jointly explore social commerce and develop innovative marketing solutions, we granted Ali WB certain shareholder rights in the shareholders’ agreement, which was amended and restated in March 2014 in relation to our initial public offering in the United States in April 2014, relating to right of first offer, board representation, share incentive plan and resale registration.

The board of directors of our company has approved our transactions with SINA and Alibaba as described under the headings of “Our Relationship with SINA” and “Our Relationship with Alibaba” in this section titled “Related Party Transactions” and their respective terms before definitive transaction documents related thereto was entered into. We are of the view that the then Directors have exercised their fiduciary duties in these transactions, and have acted in the best interests of our company and the shareholders as a whole. Accordingly, we are of the view

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## RELATED PARTY TRANSACTIONS

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that the terms of the aforementioned transactions, including the special rights granted to shareholders, are in the interest of our company and the shareholders as a whole. The grant of rights to SINA and Ali WB in connection with the transactions and agreements as summarized under headings of “Our Relationship with SINA” and “Our Relationship with Alibaba” in this section titled “Related Party Transactions” does not contravene with the shareholders’ protection requirements under Rule 19C.07 of the Hong Kong Listing Rules, the U.S. securities laws and regulations and Nasdaq listing rules, and does not contravene with relevant laws, rules and regulations in the Cayman Islands.

### **Sponsors’ confirmation**

The Joint Sponsors have reviewed the relevant agreements and corporate documents in relation to the grant of the special rights set out in the paragraph headed “Certain Rights Granted To SINA And Alibaba In Light Of Our Relationship With Them” above, have participated in discussions with the Company’s management on the commercial reasons for the granting of the special rights and have discussed with the Company’s management and the relevant legal advisors on the Company’s compliance with shareholders’ protection requirements and relevant laws and regulations. Based on the above, the Joint Sponsors are of the view that nothing has come to their attention that would lead them to cast doubt on the conclusion of the Company that (i) it is in the interest of the Company and its Shareholders as a whole to grant the special rights; (ii) the Company’s Directors have exercised their fiduciary duties in granting of the special rights, and have acted in the best interests of the Company and its Shareholders as a whole; and (iii) the granting of the special rights does not contravene with the shareholders’ protection requirements under Rule 19C.07 of the Hong Kong Listing Rules. Although the Joint Sponsors are not legal experts, based on the above and having discussed with the Company’s Cayman counsel and U.S. counsel, nothing has come to the Joint Sponsors’ attention that would lead them to cast doubt on the conclusion of the Company that the granting of the special rights does not violate the applicable laws and regulations in the Cayman Islands, the relevant U.S. federal securities law and the Nasdaq Listing Rules.

### **CONTRACTUAL ARRANGEMENTS**

Current PRC laws and regulations impose substantial restrictions on foreign ownership of internet information services and value-added telecommunication service businesses in China. Therefore, we conduct part of our businesses through a series of agreements between our PRC subsidiaries, our consolidated affiliated Chinese entities and/or their respective shareholders. See “History and Corporate Structure — Corporate Structure — Contractual Arrangements” for a summary of the contractual arrangements entered into between Weibo Technology, Weimeng, Weimeng Chuangke and their shareholders.

### **TRANSACTIONS WITH SINA**

During the six months ended June 30, 2021, we recorded US\$36.3 million in revenues billed through SINA to third parties/for services provided to SINA. We had costs and expenses allocated from SINA of US\$18.6 million and another US\$21.9 million billed by SINA for other costs and expenses associated with Weibo business. In addition, we allocated US\$1.5 million to SINA for costs and expenses related to certain of SINA’s activities for which Weibo made the payments. As of June 30, 2021, the outstanding balance of amounts due from SINA (excluding loans to and interest receivable from SINA) was US\$18.0 million. We entered into a letter of intent to purchase the office building (SINA Plaza) from SINA. As of June 30, 2021, the balance of prepayment for SINA Plaza was US\$131.6 million.

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## RELATED PARTY TRANSACTIONS

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During the six months ended June 30, 2021, we entered in to a series of one-year loan agreements with SINA, pursuant to which SINA is entitled to withdraw loans from us to facilitate SINA's business operations. In the first half of 2021, SINA has withdrawn a total of US\$310.9 million of loans from us and repaid US\$388.4 million to us while we recognized US\$10.0 million interest income on the loans to SINA. As of June 30, 2021, the outstanding balance of the loans to and interest receivable from SINA was US\$480.7 million.

During 2020, we recorded US\$62.1 million in revenues billed through SINA to third parties/from SINA. The advertising and marketing revenues from SINA decreased from US\$113.0 million in 2019 to US\$48.4 million in 2020, as we started to offer services directly to advertisers in certain industries since 2020, leading to the decrease of revenues billed through SINA. We had costs and expenses allocated from SINA of US\$43.0 million and US\$48.3 million billed by SINA for other costs and expenses associated with Weibo business. In addition, we allocated US\$9.7 million to SINA for costs and expenses related to certain of SINA's activities for which Weibo made the payments. As of December 31, 2020, the outstanding balance of amounts due from SINA (excluding loans to and interest receivable from SINA) was US\$1.0 million.

In 2020, we entered into a series of one-year loan agreements with SINA, pursuant to which SINA is entitled to withdraw loans from us to facilitate SINA's business operations. In 2020, SINA has withdrawn a total of US\$473.8 million of loans from us and repaid US\$181.7 million to us while we recognized US\$13.5 million interest income on the loans to SINA. As of December 31, 2020, the outstanding balance of the loans to and interest receivable from SINA was US\$547.9 million.

During 2019, we recorded US\$137.2 million in revenues billed through SINA to third parties/from SINA. We had costs and expenses allocated from SINA of US\$51.8 million and US\$37.5 million billed by SINA for other costs and expenses associated with Weibo business. In addition, we had amounts due from SINA (excluding loans to and interest receivable from SINA) of US\$148.2 million as of December 31, 2019.

In 2019, we entered in to a series of one-year loan agreements with SINA, pursuant to which SINA is entitled to withdraw loans from us to facilitate SINA's business operations. In 2019, SINA has withdrawn a total of US\$233.9 million of loans from us and repaid US\$43.6 million to us and we recognized US\$9.3 million interest income on the loans to SINA. As of December 31, 2019, the outstanding balance of the loans to and interest receivable from SINA was US\$236.6 million.

During 2018, we recorded US\$90.6 million in revenues billed through SINA to third parties/from SINA. We had costs and expenses allocated from SINA of US\$47.3 million and US\$23.4 million billed by SINA for other costs and expenses associated with Weibo business. In addition, we had amounts due from SINA (excluding loans to and interest receivable from SINA) of US\$61.7 million as of December 31, 2018.

SINA made a US\$2.0 million short-term loan to Weibo in 2017, which was repaid to SINA in 2018. In 2018, we entered in to a series of one-year loan agreements with SINA, pursuant to which SINA is entitled to withdraw loans from us to facilitate SINA's business operations. In 2018, SINA has withdrawn a total of US\$149.5 million of loans from us and repaid US\$101.1 million to us and we recognized US\$2.4 million interest income on loans to SINA. As of December 31, 2018, the outstanding balance of the loan extended by us to SINA was US\$43.6 million.

## RELATED PARTY TRANSACTIONS

To better utilize human resources, some of our employees also provided services to SINA, and we may allocate part of the labor costs based on the proportion of their work time to SINA. Furthermore, from time to time, we entered into several contracts with vendors whose services benefit Weibo and SINA simultaneously since 2020 and we allocated part of the cost and expenses to SINA for the services related to SINA’s activities based on the proportion as agreed by mutual managements, such as the work time dedicated to providing services to SINA.

SINA has established branches at provincial level and in several economically developed cities across China, which generally have good operation records and strong sales and marketing teams with experienced local staff. Due to the good and stable cooperation between SINA local branches with the local customers, we use SINA’s branches as our sales and marketing agents at these regional markets. Therefore, we billed revenue through SINA for services provided to these customers.

The following table sets forth the details of the revenues billed through SINA and the revenue from services provided to SINA for the periods specified.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	(Unaudited)				
	(in US\$ thousands)				
Revenue billed through SINA . . . . .	78,821	109,949	41,754	23,712	24,586
Revenue from services provided to SINA . . . . .	11,824	27,274	20,348	11,534	11,707
Total revenues from SINA . . . . .	<u>90,645</u>	<u>137,223</u>	<u>62,102</u>	<u>35,246</u>	<u>36,293</u>

The following table sets forth the details of the revenues from SINA by advertising and marketing revenues and value-added services revenues for the periods specified.

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	(Unaudited)				
	(in US\$ thousands)				
Advertising and marketing revenues . . . . .	79,148	112,974	48,353	27,624	30,931
Value-added services revenues . . . . .	11,497	24,249	13,749	7,622	5,362
Total revenues from SINA . . . . .	<u>90,645</u>	<u>137,223</u>	<u>62,102</u>	<u>35,246</u>	<u>36,293</u>

The one-year loan agreements between us and SINA during the Track Record Period generally mature within one year from the date that SINA received the loans, with annual interest rates ranging from 1.0% to 4.8%, and the repayments of the loans before the maturity dates are allowed under mutual agreement. The one-year loan agreements between us and SINA were made based on mutual consent, without additional condition precedent for SINA to satisfy, or any amount limit or timing restriction, before SINA is entitled to draw loans. We made these loans to SINA to meet its short-term capital needs. We have the right to demand repayment under certain circumstances when the financial situation of SINA is deemed deteriorating or



## RELATED PARTY TRANSACTIONS

materially negatively impacted. We regularly ask SINA to provide its financial information for us to understand its financial positions so as to assess the recoverability of the loans to SINA. During the Track Record Period, SINA has repaid substantially all the principal loan amounts and accrued interests on time in accordance with the respective loan agreements. During the Track Record Period, SINA has requested to, and we have agreed to, extend the maturity of certain loan agreements for no more than one year after the respective original maturity date. We have prudently assessed the financial position of SINA before making loans and agreeing to the extension to assess the recoverability of the outstanding balance. Specifically, we noticed that SINA has been holding equity interests in several public companies. Based on the public information, the fair value of these equity interests in public companies exceeded the balance of our loans to SINA during the Track Record Period. The following table sets forth the details of the loans made to SINA for the periods specified.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2018	2019	2020	2021
	(in US\$ thousands)			
Balance at the beginning of the year/period . . . . .	–	43,614	236,623	547,935
New loans to SINA . . . . .	149,460	233,884	473,777	310,923
Repayment of loans by				
SINA . . . . .	(101,060)	(43,567)	(181,697)	(388,354)
Interest receivable accrued . .	2,425	9,295	13,458	9,994
Interest received . . . . .	(1,395)	(1,494)	(12,633)	(6,426)
Currency translation adjustments . . . . .	(5,816)	(5,109)	18,407	6,590
	43,614	236,623	547,935	480,662
Balance at the end of the year/period . . . . .	43,614	236,623	547,935	480,662

Accounts receivable amounts directly related to Weibo but for which SINA will receive payments and remit payments to us, as well as accounts receivable directly from SINA are included in the amount due from SINA. Liabilities directly related to Weibo but for which SINA will make payments and receive reimbursements from us, as well as liabilities directly to SINA, are included in the amount due to SINA. The amount due from or the amount due to SINA is presented as an offsetting balance on our consolidated balance sheets. Loan from SINA is presented under cash flow from financing activities, whereas loan to SINA is presented under investing activities in the consolidated statements of cash flows. Cash payment for billings from SINA for costs and expenses allocated to Weibo is presented under operating activities in the consolidated statements of cash flows.

Costs and expenses allocated from SINA represent services that were provided by various subsidiaries and VIEs of SINA. The service fees were incurred using an allocation methodology based on proportional utilization. See “— Our Relationship with SINA” and “Financial Information — Critical Accounting Policies and Estimates — Basis of Presentation and Use of Estimates.”

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## RELATED PARTY TRANSACTIONS

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### TRANSACTIONS WITH ALIBABA

During the six months ended June 30, 2021, we recorded US\$73.3 million in advertising and marketing revenues from Alibaba and US\$21.5 million of cost and expenses for the services provided by Alibaba. One of Alibaba’s subsidiaries engaged in the business of advertising agency contributed another US\$36.7 million to our total revenues during the six months ended June 30, 2021. As of June 30, 2021, we had a total of US\$123.0 million in accounts receivable due from Alibaba.

During 2020, we recorded US\$152.0 million in advertising and marketing revenues from Alibaba and US\$52.3 million of cost and expenses for the services provided by Alibaba. One of Alibaba’s subsidiaries engaged in the business of advertising agency contributed another US\$36.6 million to our total revenues in 2020. As of December 31, 2020, we had a total of US\$135.3 million in accounts receivable due from Alibaba.

During 2019, we recorded US\$97.8 million in advertising and marketing revenues from Alibaba and US\$50.2 million of cost and expenses for the services provided by Alibaba. As of December 31, 2019, we had US\$60.4 million in accounts receivable due from Alibaba.

During 2018, we recorded US\$117.7 million in advertising and marketing revenues from Alibaba. As of December 31, 2018, we had US\$48.2 million in accounts receivable due from Alibaba.

### TRANSACTIONS WITH OTHER RELATED PARTIES

During the six months ended June 30, 2021, other than revenues generated from SINA and Alibaba, we recorded US\$23.6 million in revenues from other related parties and US\$20.2 million in cost and expenses for services received from other related parties. As of June 30, 2021, we had outstanding balances related to other related parties of US\$41.0 million in accounts receivable, US\$28.7 million in accounts payable, and US\$5.4 million in accrued and other liabilities. Moreover, we recorded loans to and interest receivables from other related parties of US\$336.6 million at annual interest rates ranging from 3.5% to 5.5% as of June 30, 2021, with maturity within one year. These other related parties mainly included an equity investee in e-commerce business, accounting US\$18.5 million, and an investee providing online brokerage services, accounting US\$270.9 million of the outstanding balance as of June 30, 2021.

During 2020, other than revenues generated from SINA and Alibaba, we recorded US\$49.9 million in revenues from other related parties and US\$48.1 million in cost and expenses for services received from other related parties. The advertising and marketing revenues from other related parties decreased from US\$117.0 million in 2019 to US\$46.5 million in 2020, primarily due to the decline of revenues from several related parties which experienced unfavorable operating performance and reduced promotion activities on our platform. As of December 31, 2020, we had outstanding balances related to other related parties of US\$42.5 million in accounts receivable, US\$30.8 million in accounts payable, and US\$4.8 million in accrued and other liabilities. Moreover, we recorded loans to and interest receivables from other related parties of US\$158.6 million at annual interest rates ranging from 4% to 10% as of December 31, 2020, with maturity within one year. These other related parties mainly included an equity investee in e-commerce business, accounting US\$79.8 million, and an investee providing online brokerage services, accounting US\$41.2 million of the outstanding balance at the year-end. We assessed the collectability of outstanding loans at least on annual basis or whenever impairment indicators noted. During 2020, we recognized US\$82.2 million impairment charges on loans to and interest receivable from other related parties due to their unsatisfied financial performance and decline in forecasted revenues.

## RELATED PARTY TRANSACTIONS

During 2019, other than revenue generated from SINA and Alibaba, we recorded US\$122.4 million in revenues from other related parties and US\$31.2 million in cost and expenses for services received from other related parties. As of December 31, 2019, we had US\$99.7 million in accounts receivable due from other related parties, US\$10.7 million in accounts payable due to other related parties, and US\$34.4 million in accrued and other liabilities due to other related parties. Moreover, we recorded loans to and interest receivables from other related parties of US\$301.5 million at annual interest rates ranging from 4% to 10.5% as of December 31, 2019, with maturity within one year. These other related parties mainly included an equity investee in e-commerce business, accounting US\$160.0 million, an equity investee providing social and new media marketing services, accounting US\$60.6 million (interest free), and an investee providing online brokerage services, accounting US\$41.0 million as of December 31, 2019.

During 2018, we recorded US\$154.3 million in revenues from other related parties and US\$19.0 million in cost and expenses for services received from other related parties. As of December 31, 2018, we had US\$130.8 million in accounts receivable due from other related parties, US\$31.2 million in accounts payable due to other related parties, and US\$14.4 million in accrued and other liabilities due to other related parties.

The following table sets forth the details of the revenues from other related parties for the periods specified.

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	(Unaudited)				
	(in US\$ thousands)				
Advertising and marketing revenues . . . . .	130,200	117,028	46,493	17,985	22,682
Value-added services revenues . . . . .	24,055	5,372	3,408	935	943
Total revenues from Other Related Parties . . . . .	154,255	122,400	49,901	18,920	23,625

The related parties with outstanding loan balances with us during the Track Record Period are our or SINA’s investees. These investees are primarily start-up or growth stage companies which operate businesses that are synergistic and complementary to Weibo’s ecosystem, and are expected to further diversify our monetization channels. We may continue to assist these companies after assessing the prospects of success of their businesses going forward.

We also provided loans to a few third parties, who are our business partners with good financial positions, to help meet their short-term financial needs. We may continue to assist third parties based on specific circumstances after prudently assessing the credit risks and recoverability.

All of our loans to related parties and third parties made in the Track Record Period were non-trade in nature. The non-trade balances as of June 30, 2021 have maturities within one year. As of September 30, 2021, US\$59.2 million of the non-trade balances with related parties were settled and the remaining outstanding non-trade balances with related parties is expected to be settled pursuant to the relevant respective contract term.

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## RELATED PARTY TRANSACTIONS

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As advised by our PRC Legal Adviser, they are of the view that, the General Lending Provisions primarily apply to lending activity undertaken by financial institutions providing commercial loan services, and not the intercompany loans of the nature disclosed in this section. As advised by our PRC Legal Adviser, our loans made to related parties and third parties are private loans that must comply with the Circular on Regulating Private Lending Activities and Maintaining the Economic and Financial Order (關於規範民間借貸行為 維護經濟金融秩序有關事項的通知), pursuant to which, any private loan activity must rely on funds derived from legal income, among other requirements. In addition, the interest rates of private loans cannot exceed four times the one-year loan prime rate published by the National Interbank Funding Center from time to time, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定). Our loans made to related parties and third parties during the Track Record Period have complied with these requirements. Our PRC Legal Adviser is therefore of the view that our loans to the related parties and third parties made by our PRC subsidiaries during the Track Record Period are compliant with PRC laws and regulations in all material aspects as of the date of this document.

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## REGULATORY OVERVIEW

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### REGULATIONS ON MICROBLOGS

The Rules on the Administration of Microblog Development (《北京市微博客發展管理若干規定》), issued by the Beijing Municipal Government in 2011, stipulate that users who post publicly on microblogs are required to disclose their real identity to the microblogging service provider, though they may still use pen names on their accounts. Microblogging service providers are required to verify the identities of their users. In addition, microblogging service providers based in Beijing were required to verify the identities of all of their users, including existing users who post publicly on their websites.

The Cyber Security Law (《中華人民共和國網絡安全法》), issued by the Standing Committee of the National People’s Congress on November 7, 2016, which came into effect on June 1, 2017, requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyberspace Administration of China, or the CAC, released the Provisions on the Administration of Microblog Information Services (《微博客信息服務管理規定》), or the Microblogs Provisions, on February 2, 2018, which came into effect on March 20, 2018. The Provisions for Microblogs provide the principal responsibilities of the microblog service providers, including, among other matters, authentication of true identity information; tiered and categorized management; rumor-dispelling mechanisms; industry self-discipline; social supervision; and administrative management. The Microblogs Provisions further require microblog service providers to establish complete and comprehensive systems for registering users; verifying published information; managing posts, comments, and emergency responses; and providing education and training for practitioners; as well as implement a “chief editor system.” Additionally, the Microblogs Provisions require microblog service providers to set up sound rumor-dispelling mechanisms, whereby it shall take the initiative to refute rumors when it finds that any microblog service user publishes or spreads any rumor or untruthful information. Furthermore, if new technology is adopted or if any update is made to add an application or function which enable discussion of news or social mobilization capabilities, it shall be reported to the local CAC office of the relevant province, autonomous region or municipality directly under the State Council for security assessment.

In order to comply with the abovementioned rules, we have added additional clauses into the agreements between the users of our microblog service and us requesting our microblog users to register using their real names.

On November 15, 2018, the CAC and the Ministry of Public Security jointly promulgated the Regulations for the Security Assessment of Internet Information Services Having Public Opinion Properties or Social Mobilization Capacity (《具有輿論屬性或社會動員能力的互聯網信息服務安全評估規定》), which deems microblogging, live streaming, information sharing services as internet information having public opinion properties or social mobilization capacity. The service providers providing such services are required to conduct security assessments when they launch new online services, expand the functionality of their existing services, introduce new technologies or applications, experience a significant increase in user base, witness the spread of unlawful or harmful information, or any other circumstance identified by the cybersecurity authorities. These service providers are required to submit security assessment reports to the local cybersecurity authorities and public security bureau via the National Internet Security Management Service Platform.

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## REGULATORY OVERVIEW

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### REGULATIONS ON ADVERTISEMENTS

The PRC government regulates advertising, including online advertising, principally through State Administration for Market Regulation, or the SAMR, formerly the State Administration for Industry and Commerce. Since 2005, the State Administration for Industry and Commerce has exempted most enterprises (other than radio stations, television stations, newspapers and magazines, non-corporate entities and entities specified in other regulations) that engage in advertising business from the requirement of holding an operating license for advertising in addition to a relevant business license. We conduct our online advertising business through Weimeng, which holds a business license that covers online advertising in its scope of business.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has been obtained. Violations of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. For serious violations, the SAMR or its local branches may order the violator to terminate its advertising operations or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liabilities if they infringe on the legal rights and interests of third parties.

On April 24, 2015, the Standing Committee of the National People’s Congress issued the PRC Advertising Law or the Advertising Law (《中華人民共和國廣告法》), effective on September 1, 2015 and amended on October 26, 2018 and April 29, 2021. The Advertising Law applies to all advertising activities conducted via the internet. The Advertising Law requires that users must be able to close online pop-up ads with one click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider’s business license.

On July 4, 2016, the State Administration for Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), or the Interim Measures, which became effective on September 1, 2016. The Interim Measures clarify that “Internet Advertisements” means commercial advertisements that promote commodities or services directly or indirectly via Internet media such as websites, webpages and Internet application programs in the form of texts, pictures, audio, video or other forms. The Interim Measures also impose a number of new requirements on Internet advertisers. For example, the Interim Measures state that paid search advertisements should be clearly distinguished from ordinary search results. In addition, consistent with the Advertising Law, the Interim Measures require that advertisements published on Internet pages in the form of pop-ups or other similar forms shall be clearly marked with a “Close” button to ensure “one click to close.” The measures also prohibit unfair competition in internet advertisement publishing, including (i) providing or using any programs or hardware to intercept or filter any legally operated advertisements of other persons; and (ii) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block legally operated advertisements of other persons or load advertisements without authorization. Violation of these regulations may result in fine of up to RMB30,000, with any punishments administrated by the Administrative Authority for Industry and Commerce in the place where the advertisement publisher is located.

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## REGULATORY OVERVIEW

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To comply with these laws and regulations, we include clauses in all of our advertising contracts requiring that all advertising content provided by advertisers or advertising agencies must comply with the relevant laws and regulations.

### REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

The Telecommunications Regulations (《中華人民共和國電信條例》), promulgated by the State Council in 2000, and were subsequently revised in 2014 and 2016 respectively, draw a distinction between “basic telecommunication services” and “value-added telecommunication services.” Internet content provision services is a subcategory of value-added telecommunications services. According to the Catalogue of Telecommunications Business, most recently updated in June 6, 2019, the “value-added telecommunication services” was further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, is under the second subcategory of value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

The State Council issued the Administrative Measures on Internet Information Services concurrently with the Telecommunications Regulations (《互聯網信息服務管理辦法》) in 2000 to regulate internet content provision services, which was subsequently amended on January 8, 2011. According to these measures, commercial internet content provision service operators must obtain an Internet Content Provision License from the relevant government authorities before engaging in any commercial internet content provision operations within the PRC. These measures further stipulate that entities providing internet content provision services regarding news, publishing, education, medicine, health, pharmaceuticals and medical equipment must procure the approval of the national government authorities responsible for such areas prior to applying for an operating license from the relevant government authorities.

The Administrative Measures on Telecommunications Business Operating Licenses, (《電信業務經營許可管理辦法》) promulgated by the MIIT in 2001 and revised in 2009 and 2017, set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an information service operator providing value-added telecommunication services in multiple provinces is required to obtain an inter-regional license, whereas an information services operator providing the same services in one province is required to obtain a local license.

To comply with these PRC laws and regulations, Weimeng holds an Internet Content Provision License issued by the Beijing Telecommunications Administration. In addition, Weimeng also holds an inter-regional Value-Added Telecommunications Services Operating License for provision of value-added telecommunication services nationwide.

### RESTRICTIONS ON FOREIGN OWNERSHIP IN VALUE-ADDED TELECOMMUNICATIONS SERVICES

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), promulgated by the State Council in 2001 and amended in 2008 and 2016, respectively, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or their authorized local branches. Due to the limitation of foreign investment in value-added telecommunications services companies

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that provide internet information services, we would be prohibited from acquiring any equity interest in Weimeng. In addition, we believe that our contractual arrangements with Weimeng and its individual shareholders provide us with sufficient and effective control over Weimeng. Accordingly, we currently do not plan to acquire any equity interest in Weimeng.

The Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《關於加強外商投資經營增值電信業務管理的通知》), issued in 2006, prohibits domestic telecommunications services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. Either the holder of a value-added telecommunications business operating license or its shareholders must legally own the domain names and trademarks used by such license holder in providing value-added telecommunications services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and internet security in accordance with the standards set forth in the relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses.

The National People’s Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the “Implementation Regulations”) on December 26, 2019, effective from January 1, 2020. They replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law and Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law and the Implementation Regulations reference a negative industry list for foreign investment’s access into various PRC domestic industries. This negative list has been updated from time to time by the State Council and sets forth industry sectors prohibited to foreign investment. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) effective on July 23, 2020, or the Negative List, the ultimate foreign equity ownership of a value-added telecommunications service (other than e-commerce, domestic multi-party communications, storage-forwarding and call centers) provider in the PRC may not exceed 50%.

The Supreme People’s Court of China issued a judicial interpretation on the Foreign Investment Law on December 27, 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the Foreign Investment Law. According to the judicial interpretation, courts in China shall not, among other things, support contracted parties to claim foreign investment contracts in sectors not on the Negative List as void because the contracts have not been approved or registered by administrative authorities. In addition, courts in China shall support contracted parties who claim (i) foreign investment contracts for sectors prohibited by the Negative List as void, or (ii) foreign investment contracts in sectors where foreign investment is restricted as void because the contracts have violated the restrictions in the Negative List.



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To comply with these PRC regulations, we operate our platform through Weimeng. Weimeng is currently owned by four PRC employees of our company or SINA, Y. Liu, W. Wang, W. Zheng and Z. Cao, and a third-party minority stake holder, WangTouTongDa (Beijing) Technology Co., Ltd. Weimeng holds an Internet Content Provision License and a Bulletin Board Service Permit. Weimeng owns the domain names related to its operations and our platform (weibo.com, weibo.cn, and weibo.com.cn), while the trademarks relating to our operations are held by Weibo Technology, Weimeng and SINA’s subsidiaries. Due to the fact that trademarks owned by SINA’s subsidiaries contain SINA’s Chinese name or logo, such trademarks cannot be transferred to us. However, each of SINA’s subsidiaries has granted an exclusive license to Weimeng for its use of such trademarks. If the relevant PRC government authorities determine in the future that the current ownership of our trademarks do not comply with the relevant regulations and the trademarks relating to our operations must be held by Weimeng, we may need to transfer these trademarks to Weimeng, which could severely disrupt our business.

If, despite these precautions, the PRC government determines that we do not comply with applicable laws and regulations, it can revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our platform, require us to restructure our operations, including possibly the establishment or restructuring of a foreign-invested telecommunications enterprise, re-application for the necessary licenses, or relocation of our businesses, staff and assets, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us.

### REGULATIONS ON INTERNET CONTENT SERVICES

National security considerations are an important factor in the regulation of internet content in China. The National People’s Congress has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Administrative Measures on Internet Information Services, violators may be subject to penalties, including criminal sanctions, for internet content that:

- opposes the fundamental principles stated in the PRC Constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- undermines the PRC’s religious policy or propagates superstition;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

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Internet content provision service operators are required to monitor their websites. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites. The PRC government may shut down the websites of Internet Content Provision License holders that violate any of the above-mentioned content restrictions, order them to suspend their operations, or revoke their Internet Content Provision Licenses.

On February 4, 2015, the CAC promulgated the Administrative Provisions on Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require internet service providers to authenticate registered users’ identity information and to commit to complying with the “seven basic requirements,” including, among other things, observing the laws and regulations, protecting state interests, as well as ensuring the authenticity of any information they provide. Relevant internet information service providers are responsible for protecting users’ privacy, the consistency between user information, such as account names, avatars, and the requirements set forth in the Account Names Provisions, making reports to the competent authorities regarding any violation of the Account Names Provisions, and taking appropriate measures to stop any such violations, such as, notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continuing non-compliance.

On October 26, 2021, the CAC issued draft Administrative Provisions on the Account Names of Internet Users (互聯網用戶賬號名稱信息管理規定(徵求意見稿)), revising the Account Names Provisions. This draft provides that when registering an internet account, the user shall execute an agreement with the Internet user account services platform, provide authentic identity information, and obey the rules of the platform for content production and account management, the platform conventions and service agreement. Internet user account service platforms shall establish, improve and strictly implement, among others, account name information management system, information content security system, and personal information protection system. Internet user account service platforms should also establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks. When an Internet user account is in violation of the provisions of this draft, the Internet user account service platform shall suspend the service and inform the user to correct the issue within a limited time; and if the user refuses to correct it, the account shall be terminated.

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Follow-up Comment Services (《互聯網跟帖評論服務管理規定》), which became effective as of October 1, 2017. It provides that services related to following-up on or responding to online comments must also strictly verify the identification information of registered users, establish and improve a user information protection system, establish and improve an Internet follow-up comment review and administration system for real-time monitoring of user comments, and emergency responses, among other things.

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Forum and Community Services (《互聯網論壇社區服務管理規定》), which became effective as of October 1, 2017. It provides that Internet forum and community service providers must assume primary responsibility for establishing and improving real-time information verification, emergency response capabilities, and personal information protections as well as other information security administration systems to institute preventative safety measures with employed professionals and necessary technical support for performing these duties.

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On September 7, 2017, the CAC promulgated the Provisions on the Administration of Information Services Provided through Chat Groups on the Internet (《互聯網群組信息服務管理規定》), which became effective as of October 8, 2017. It requires that providers verify the identification information of users of information services through Internet chat groups and take necessary measures to protect user safety and personal information.

On September 7, 2017, the CAC promulgated the Administrative Provisions on the Information Services Provided through Official Accounts of Internet Users (《互聯網用戶公眾賬號信息服務管理規定》), as amended on January 22, 2021 and became effective on February 22, 2021. Pursuant to the amended provisions, official accounts, or public accounts on certain social media, refer to subscription accounts created and run by users of internet platforms to distribute information to the public. These platforms are required to establish and improve a management system for user registration, information content security, content ecology, data security, personal information protection, intellectual property protection and credit assessment, and a monitoring and evaluation mechanism for public accounts, to prevent fraud such as false account subscriptions and interaction counts. Platforms shall also establish and disclose management rules and platform codes with respect to information content production and public account operation, both of which shall be filed with the local cyberspace administrator. The amended provisions also require platforms to verify the consistency of user information on the platform with the user’s real identity and prohibit the operators of public accounts from illegally transferring those accounts to others. Furthermore, platform shall establish and improve mechanisms to deal with online rumors and other false information. When cooperating with an account operator, platforms shall regulate and manage business acts such as e-commerce sales, advertisement publishing, user reward, etc. In addition, platform operators are obligated to prevent false advertisements and commercial fraud from occurring on their platforms.

On December 15, 2019, the CAC promulgated the Regulations on the Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》), effective from March 1, 2020, which specify the content scopes that are encouraged, prohibited or prevented from producing, re-producing and publishing. The network information content producers should take measures to prevent and resist the production of content that, among others, uses exaggerated titles that are inconsistent with the content, may incite racism or discrimination against geographic region, and propagates gossip and scandals. The network information content service platforms should fulfill the main responsibility of content management and establish an ecological governance mechanism of the network information, improve system for user registration, account management, information publishing review, emergency response, and etc. The network information content service users, network information content producers and network information content service platforms should not, through manual or technical means, carry out acts, such as traffic falsification, traffic hijacking, false registration of account IDs, illegal trading of account IDs, or manipulation of user account IDs, that destroy network ecology.

The Cyberspace Administration of China launched a “Fan Group Chaos Rectification” special action on June 15, 2021, followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to rectify chaos in online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancellation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but

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the network platforms should optimize and adjust ranking rules to focus on the art works themselves and professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spending money on supporting idols, or act as the organizer or manager of a fan group.

To comply with these PRC laws and regulations, we have took measures including removing the function of star power list on our platform and adopted internal procedures to monitor content displayed on our platform, including a team of employees dedicated to screening and monitoring content uploaded on our platform and removing inappropriate or infringing content.

To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, they may require us to limit or eliminate the dissemination or availability of such content on our platform or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and number of users on our website increase.

### REGULATIONS ON INFORMATION SECURITY

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》), enacted by the Standing Committee of the National People's Congress and amended in 2009, makes it unlawful to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), promulgated by the Ministry of Public Security in 1997 and amended in 2011, prohibit the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security in 2005, require all internet content provision operators to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. If an internet content provision operator violates these measures, the PRC government may revoke its Internet Content Provision License and shut down its websites.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law (《中華人民共和國國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and

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cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China.

On November 7, 2016, the Standing Committee of the National People’s Congress issued the Cyber Security Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets forth elevated security requirements for operators of “critical information infrastructure.” These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, “critical information infrastructure” is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government. The Cyber Security Law also provides that the CAC and relevant departments, upon discovery of any publication or transmission of information prohibited by laws or administrative regulations, shall request the network operators to stop the transmission, take disposal measures such as deletion, and keep relevant records. The CAC and relevant departments shall notify the relevant departments to take technological and other measures to block the transmission of any information sourced from outside the territory of China.

On March 15, 2019, the CAC and the SAMR jointly issued the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users. The institution designated for this certification is the China Cybersecurity Review Technology and Certification Center, or the CCRC. CCRC has the right to appoint testing agencies to inspect technical capabilities and business operations for the certification.

On April 13, 2020, twelve PRC governmental authorities including the CAC issued the Measures for Cybersecurity Review (《網絡安全審查辦法》), with effect from June 1, 2020, which provide detailed cybersecurity review procedures for the purchase of network products and services by operators of “critical information infrastructure.” According to the Measures for Cybersecurity Review, operators of “critical information infrastructure” are to operators identified by the PRC governmental department in charge of the protection of critical information infrastructure, and “network products and services” primarily are to core network

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equipment, high-performance computers and servers, mass storage equipment, large databases and applications, network security equipment, cloud computing services, and other network products and services that may have an important impact on the security of critical information infrastructure.

According to the Measures for Cybersecurity Review, before purchasing any network products or services, an operator of “critical information infrastructure” shall assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC (the “Cybersecurity Review Office”) if national security will or may be affected. To apply for a cybersecurity review, the operator of “critical information infrastructure” shall submit (i) an application letter, (ii) a report to analyze the impact or the potential impact on national security, (iii) purchase documents, agreements and the draft contracts, and (iv) other necessary materials. The cybersecurity review will evaluate the potential impact on national security due to the purchase of network products and services, taking into consideration of the following factors, among others, (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged and any material data being stolen, leaked, or damaged, after using these products or services, (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services, and (iii) the security, openness, transparency and variety of sources of these products or services, the reliability of supply channels, as well as risks of supply interruptions due to factors such as politics, diplomacy and trade.

If the Cybersecurity Review Office deems it necessary to conduct a cybersecurity review, it should complete a preliminary review within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the completion of a preliminary review, the Cybersecurity Review Office should reach a review conclusion suggestion and send the review conclusion suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments. These authorities shall issue a written reply within 15 business days from the receipt of the review conclusion suggestion. If the Cybersecurity Review Office and these authorities reach a consensus, then the Cybersecurity Review Office shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 45 business days, or longer for complicated cases.

On July 22, 2020, the Ministry of Public Security published the Guidelines on Cybersecurity Protection System and Critical Information Infrastructure Security Protection System (《貫徹落實網絡安全等級保護製度和關鍵信息基礎設施安全保護製度的指導意見》), which require competent authorities of public communication and information services, energy, transportation, water conservancy, finance, public services, electric governmental services, national defense science, technology and industry and other important industries and fields to formulate rules to identify critical information infrastructure in their respective industries fields, and furnish a list of identified entities with the Ministry of Public Security. Specifically, key protected assets, such as basic networks, large private networks, core business systems, cloud platforms, big data platforms, Internet of Things, industrial control systems, intelligent manufacturing systems, new internet and emerging communication facilities that meet the requirements for identification should be identified as critical information infrastructure.

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The Data Security Law establishes a classified and tiered system for data protection based on the level of importance of the data in the economic and social development, as well as the level of danger of the data imposed on national security, public interests, or the legal interests of

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individuals and organizations upon any manipulation, destruction, leakage, illegal acquisition or illegal usage. Furthermore, it is specified that the Cyber Security Law applies to the security administration of the cross-border transfer of important data collected and generated by operators of “critical information infrastructure” during their operations in China.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Combating Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which request improvement on the laws and regulations related to data security, cross-border data transfer and the management of confidential information, strengthening principal responsibility for the information security of overseas listed companies, strengthening standardized mechanisms for providing cross-border information, and improvement of cross-border audit regulatory cooperation in accordance with the law and the principle of reciprocity.

On July 10, 2021, the CAC published a discussion draft of the proposed amended Measures for Cybersecurity Review (《網絡安全審查辦法(修訂草案征求意见稿)》) for public comment until July 25, 2021, which provides that (i) operators of “critical information infrastructure” or data processors holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad, (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (iii) data processors carrying out data processing shall apply for a cybersecurity review. The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws, including identifying any entity to meet any of the above cybersecurity review criteria.

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021. According to the Regulations on Security Protection of Critical Information Infrastructure, a “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental departments and supervision and management departments of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “Personal Information Protection Law”), effective from November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information bear responsibilities for their personal information handling activities, and shall adopt necessary measures to safeguard the

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security of the personal information they handle. Otherwise, the entities handling personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On November 14, 2021, the CAC published a discussion draft of Management Measures for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) or the Draft Measures for Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Measures for Internet Data Security also provide that operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas (境外) shall report to the national cyberspace administration and competent authorities.

In addition, the Draft Measures for Internet Data Security requires data processors processing over one million users' personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year.

The Draft Measures for Internet Data Security also state that data processors processing important data or going public overseas (境外) shall conduct an annual data security assessment by themselves or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of CAC before January 31 of each year.

Further, the Draft Measures for Internet Data Security also require Internet platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impacts on users' rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users' rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval.

The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

Because Weimeng is an internet content provision operator, we are subject to laws and regulations relating to information security. To comply with these laws and regulations, Weimeng has completed the mandatory security filing procedures with local public security authorities. We regularly update our information security and content-filtering systems based on any newly issued content restrictions, and maintain records of user information as required by relevant laws and regulations. We have also taken measures to delete or remove links to content that, to our knowledge, contains information that violates PRC laws and regulations.



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If, despite the precautions, we fail to identify and prevent illegal or inappropriate content from being displayed on or through our platform, we may be subject to liability. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases what content could result in liability. To the extent that PRC regulatory authorities find any content displayed on or through our platform objectionable, they may require us to limit or eliminate the dissemination or availability of such content or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and users on our website increase.

### REGULATIONS ON ALGORITHM RECOMMENDATIONS

On February 7, 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), which stipulates that online platform operators who use technological advantages, such as data and algorithms, to eliminate or restrict competition or impose price restrictions or exclusivity requirements on users, may be deemed as committing an abuse of dominant market position.

On September 17, 2021, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見), which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and that security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established and classified security management of algorithms shall be promoted.

On August 27, 2021, the CAC issued a discussion draft of the Administrative Provisions on Algorithm Recommendation of Internet Information Services (《互聯網信息服務算法推薦管理規定(徵求意見稿)》), which provides that algorithm recommendation service providers are not allowed to use algorithms to register false user accounts, block information, give excessive recommendations, and that users should be given the option to easily turn off algorithm recommendation services. Although the CAC has solicited comments on this draft since August 27, 2021, there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation.

We have been advised by our PRC Legal Adviser that our current approaches are in compliance with effective laws and regulations for algorithm recommendation in all material aspects as of the date of this document. However, since the draft Administrative Provisions on Algorithm Recommendation of Internet Information Services has not yet been enacted, the potential impact on our business operations is still substantially uncertain.

### REGULATIONS ON INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet content provision operators from collecting and analyzing personal information from their users. However, the Administrative Measures on Internet Information Services prohibit an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

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The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT and effective in 2012, stipulate that internet content provision operators must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information, and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On December 28, 2012, the Standing Committee of the National People's Congress issued the Decision on Strengthening the Protection of Online Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》). Most requirements under the decision that are relevant to internet content provision operators are consistent with the requirements already established under the MIIT provisions mentioned above, though often more strict and broad. Under the decision, if an internet content provision operator wishes to collect or use personal electronic information, it must do so in a legal and appropriate manner, and may do so only if it is necessary for the services it provides. It must disclose the purpose, method and scope of any such collection or use, and must seek consent from the relevant individuals. Internet content provision operators are also required to publish their policies relating to information collection and use, must keep such information strictly confidential, and must take technological and other measures to ensure the safety of such information. Internet content provision operators are further prohibited from divulging, distorting or destroying of any such personal electronic information, or selling or providing such information to other parties. The decision also requires that internet content provision operators providing information publishing services must collect from users their personal identification information, for registration. In very broad terms, the decision provides that violators may face warnings, fines, confiscation of illegal gains, license revocations, filing cancellations and website closures.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties. In addition, if an internet content provision operator appoints an agent to undertake any marketing and technical services that

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involve the collection or use of personal information, the internet content provision operator is still required to supervise and manage the protection of the information. As to penalties, in very broad terms, the order states that violators may face warnings, fines, and disclosure to the public and, in most severe cases, criminal liability.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

On January 23, 2019, the CAC, the MIIT, and the Ministry of Public Security or the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified APPs.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On November 28, 2019, the CAC, MIIT, MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

On May 28, 2020, the National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》), effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual's private information or infringe on an individual's right of privacy, unless otherwise prescribed by law or with such individual's prior express consent. In addition, personal information is protected by the PRC laws. Any processing of personal information shall be subject to the principles of legitimacy, legality and necessity. An information processor must not divulge or falsify the personal information collected and stored by it, or provide the personal information of an individual to others without the consent of such individual.

To comply with these laws and regulations, we require our users to accept terms of services under which they agree to provide certain personal information to us, to have established information security systems protect user privacy and to have such information filed with the MIIT or its local branch as required. If Weimeng, which is an internet content provision operator, violates PRC laws in this regard, the MIIT or its local bureau may impose penalties and Weimeng may be liable for damages caused to their users.

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On May 25, 2018, EU Directive 95/46/EEC was replaced by the GDPR on the protection of natural persons with regard to the processing of personal data and on the free movement of such data. The GDPR applies directly in all European Union member states from May 25, 2018 and applies to companies with an establishment in the European Economic Area, or the EEA, and to certain other companies not in the EEA that offer or provide goods or services to individuals located in the EEA or monitor individuals located in the EEA. The GDPR implements more stringent operational requirements for controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information and pseudonymized data, increased cyber security requirements, mandatory data breach notification requirements and higher standards for controllers to demonstrate that they have obtained a valid legal basis for certain data processing activities.

The activities of data processors will be regulated for the first time, and companies undertaking processing activities are required to offer certain guarantees in relation to the security of such processing and the handling of personal data. Contracts with data processors will also need to be updated to include certain terms prescribed by the GDPR, and negotiating such updates may not be fully successful in all cases. Failure to comply with EU laws, including failure under the GDPR and other laws relating to the security of personal data may result in fines up to €20,000,000 or up to 4% of the total worldwide annual turnover of the preceding financial year, if greater, and other administrative penalties including criminal liability.

### REGULATION ON ANTI-MONOPOLY AND ANTI-UNFAIR COMPETITION

On September 2, 1993, the Standing Committee of the National People’s Congress, or the SCNPC, adopted the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which took effect on December 1, 1993, and was amended on April 23, 2019. According to the Anti-unfair Competition Law, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

The PRC Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC, which became effective on August 1, 2008, and the Rules of the State Council on Filing Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and amended on September 18, 2018, require that where a concentration reaches one of the following thresholds, a filing must be completed in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB10 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China; or (ii) during the previous fiscal year, the total turnover within China of all the undertakings participating in the concentration exceeded RMB2 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China. If a business operator carries out a concentration in violation of the law, the relevant authority shall order the business operator to terminate the concentration, dispose of the shares or assets or transfer the business within a specified time limit, or take other measures to restore the pre-concentration status, and impose a fine of up to RMB500,000.

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On October 23, 2021, the Standing Committee of the National People’s Congress issued a discussion draft of the amended Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authority shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold.

On August 17, 2021, the State Administration for Market Regulation issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》), under which business operators should not use data or algorithms to hijack traffic or influence users’ choices, or use technical means to illegally capture or use other business operators’ data. Furthermore, business operators are not allowed to (i) fabricate or spread misleading information to damage the reputation of competitors, or (ii) employ marketing practices such as fake reviews or use coupons or “red envelopes” to entice positive ratings.

On September 11, 2020, the Anti-Monopoly Commission of the State Council issued Anti-Monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires operators to establish anti-monopoly compliance management systems under the PRC Anti-Monopoly Law to manage anti-monopoly compliance risks.

On February 7, 2021, the Anti-Monopoly Commission of the State Council published Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as concentration filing procedures for business operators, including those involving variable interest entities.

In August 2021, the SAMR issued two investigation notices to Weimeng Chuangke regarding alleged illegal concentration of business operators under the Anti-Monopoly Law, among which, one resulted in a fine of RMB500,000 for concentration of business operators without prior filing pursuant to the Anti-Monopoly Law and the other one is still under investigation as of the date of this document. Weimeng Chuangke is actively cooperating with the SAMR on such investigation. We are not able to predict the status or the results of the investigation at this stage. See “Risk Factors – Any failure or perceived failure by us to comply with the Anti-Monopoly Guidelines for Internet Platforms Economy Sector and other PRC anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.”

## REGULATIONS ON INTERNET FINANCE

In July 2015, ten PRC regulatory agencies, including the People’s Bank of China, or the PBOC, the MIIT and the China Banking Regulatory Commission, which was re-organized into the CBIRC in March 2018, jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), or the Guidelines. The Guidelines call for active government support for China’s internet finance industry, including the online peer-to-peer lending service industry, and clarify the division of responsibility among regulatory agencies. The Guidelines specify that the CBIRC will have primary regulatory responsibility for the online peer-to-peer lending service industry in China and state that online peer-to-peer lending service providers shall act as an intermediary platform to

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provide information exchange, matching, credit assessment and other intermediary services, and must not provide credit enhancement services and/or engage in illegal fund-raising. The Guidelines provide additional requirements for China's internet finance industry, including the use of custodial accounts with qualified banks to hold customer funds as well as information disclosure requirements.

In August 2016, four PRC regulatory agencies, including the CBIRC, the MIIT, the MPS and Cyberspace Administration of China, published the Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries (《網絡借貸信息中介機構業務活動管理暫行辦法》), or the Interim Measures. The Interim Measures define online lending intermediaries as the financial information intermediaries that are engaged in online peer-to-peer lending information business and provide lenders and borrowers with lending information services, such as information collection and publication, credit rating, information interaction and loan facilitation. Consistent with the Guidelines, the Interim Measures prohibit online lending intermediaries from providing credit enhancement services and collecting funds directly or indirectly, and require, among others, (i) that online lending intermediaries intending to provide online lending information agency services, and their subsidiaries and branches, must make relevant record-filing with local financial regulatory authorities with which they are registered after obtaining the business license; (ii) that online lending intermediaries operating telecommunication services must apply for relevant telecommunication service licenses after the completion of the record-filing and registration with the local financial regulatory authority; and (iii) that online lending intermediaries must materially specify the online lending information intermediary in their business scopes.

In October 2016, the CBIRC, the MIIT and the SAIC jointly published the Guidelines on the Administration of Record-filings of Online Lending Information Intermediary Agencies (《關於印發網絡借貸信息中介機構備案登記管理指引的通知》), or the Record-filings Guidelines, to establish and improve the record-filing mechanisms for online lending intermediaries. According to the Record-filings Guidelines, a newly established online lending intermediary shall make the record-filings with the local financial regulatory authority after obtaining the business license; while with respect to any online lending intermediary which is established and begins to conduct the business prior to the publication of this Record-filings Guidelines, the local financial regulatory authority shall, pursuant to relevant arrangement of specific rectification work for risks in online peer-to-peer lending, accept the application for record-filings submitted by a qualified online lending intermediary, or any online lending intermediary which has completed the rectification confirmed by relevant authorities.

In August 2017, the General Office of the CBIRC released the Guidelines on Information Disclosure of Business Activities of Online Lending Information Intermediaries (《關於印發網絡借貸信息中介機構業務活動信息披露指引的通知》), or the Information Disclosure Guidelines. Consistent with the Interim Measures, the Information Disclosure Guidelines emphasize the information disclosure requirement by an online lending intermediary and further, stipulate the details of the frequency and scope of such information disclosure. Any violation of the Information Disclosure Guidelines by an online lending intermediary may subject it to certain penalties under the Interim Measures. In addition, the Information Disclosure Guidelines require online lending intermediaries that do not fully comply with the Information Disclosure Guidelines in conducting their business to rectify the relevant activities within six months after the release of the Information Disclosure Guidelines.

On March 28, 2018, the Office of the Leading Group for the Special Rectification of Internet Financial Risks issued the Notice on Strengthening the Remediation of Asset Management Business through the Internet and Carrying out Acceptance Work (《關於加大通過互聯網開展資產管理業務整治力度及開展驗收工作的通知》). Under such notice, asset management

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companies that have obtained the qualification for sales of asset management products shall only engage in public fund-raising from the sales of asset management products, and shall not participate in the “targeted entrustment plan”, “targeted financing plan”, “financial management plan”, “asset management plan”, “transfer of income rights”, relying on the Internet to issue and sell asset management products for public fundraising without permission.

In March 2019, the Beijing Internet Finance Industry Association (the “Association”) issued a Notice on the Launch of the Citywide Inspection Action (《關於啟動全市範圍內摸排檢查行動的公告》) and the Risk Reminder Letter on the Enterprises Providing Diversion Services to Non-Licensed Lending Institutions (《關於相關企業為非持牌放貸機構提供導流服務的風險提示函》). This notice and letter summarized the findings of the Association’s investigation into the online “Cash Loan” business. The Association had discovered that numerous internet and social media platforms, not licensed as lending institutions, are nevertheless engaging in unlicensed “Cash Loan” or “Excess-interest Loan” business via diversion practices undertaken in partnership with licensed lenders. The Association ordered relevant enterprises to terminate all such selling of “Cash Loan” products provided by partner institutions immediately, and save all historical data in that connection to further support the Association’s work. In the event of enforcement action taken in this regard by relevant authorities, we may be required to terminate certain of our loan facilitation business services, which could have a material adverse effect on our business.

On September 7, 2020, the Notice of General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Microlending Companies (《中國銀保監會辦公廳關於加強小額貸款公司監督管理的通知》) was promulgated. Under this regulation, lending entities should adhere to the principle of petty sum and decentralization. Following such principle, microlending companies shall reasonably determine the amount and term of loans based on the income level, overall liabilities, asset status, actual needs and other factors of borrowers, so as to ensure that the repayment amount of the borrowers does not exceed their repayment capacity. The balance of the loans provided by a microlending company to the same borrower shall not exceed 10% of the company’s net assets; and the balance of the loans provided by a microlending company to the same borrower and its affiliated parties shall not exceed 15% of the company’s net assets. Local financial regulatory authorities may, in light of regulatory needs, lower the maximum balance of the aforesaid loans.

On December 29, 2020, the Reply by Supreme People’s Court to Issues Concerning the Scope of Application of the New Judicial Interpretation on Private Lending (《最高人民法院關於新民間借貸司法解釋適用範圍問題的批覆》) was issued. Under this regulation, upon the matter of the scope of private lending, after soliciting the opinions of financial regulatory authorities, seven types of local financial organizations, including loan companies, financing guarantee companies, regional equity markets, pawnshops, financing lease companies, commercial factoring companies and local asset management companies under the regulation of local financial regulatory authorities, are considered to be “financial institutions established upon approval by financial regulatory authorities”. The new judicial interpretation on private lending is not applicable to the institution mentioned above in respect of disputes arising from their engagement in relevant financial businesses.

On December 7, 2020, the CBIRC issued the Measures for the Regulation of Internet Insurance Business (《互聯網保險業務監管辦法》), which was effective on February 1, 2021. Under such measures, self-operating network platforms with insurance sales or insurance application functions and information management systems shall be under security protection of class III or above, with appropriate customer information protection systems.

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On February 20, 2021, the Notice of General Office of the China Banking and Insurance Regulatory Commission on Further Regulating the Internet Lending Business of Commercial Banks (《關於進一步規範商業銀行互聯網貸款業務的通知》) was issued. Under this regulation, if a commercial bank and a cooperative agency jointly contribute to the issuance of Internet loans, (i) management requirements for the range of capital contribution proportion shall be strictly implemented, (ii) the capital contribution proportion of the cooperative party in a single loan shall not be less than 30%, and (iii) the bank’s balance of loans granted with a single cooperative party (including its affiliated parties) shall not exceed 25% of the net tier 1 capital of the bank. The balance of Internet loans jointly issued by a commercial bank and a cooperative agency shall not exceed 50% of the bank’s balance of total loans granted by the bank. Also, this regulation imposes strict control over cross-regional operations. A local corporate bank that engages in Internet lending business shall provide services for local clients and shall not carry out Internet lending business beyond the jurisdiction of its registration place. However, a corporate bank that has no physical business outlets, mainly carries out its business online, and meets other conditions prescribed by the CBIRC is excluded.

On March 12, 2021, the PBOC issued the Announcement of the People’s Bank of China [2021] No. 3 (“No. 3 Announcement”, 《中國人民銀行公告[2021]第3號》). Under this No. 3 Announcement, all loan products shall explicitly indicate their annualized loan interest rate by displaying to the borrower in a conspicuous manner when marketing it through any website, mobile application, poster or any other channel, as well as state such annualized interest rate in the loan contract executed, and all loan products may also have information such as the daily interest rate or the monthly interest rate displayed at the same time, provided that it is not in a manner more conspicuous than the annualized interest rate.

On January 13, 2021, the CBIRC and the PBOC issued the Circular of the General Office of the China Banking and Insurance Regulatory Commission and the General Office of the People’s Bank of China on Matters Relating to Regulating the Personal Deposit Business Conducted by Commercial Banks through the Internet (《中國銀保監會辦公廳、中央銀行辦公廳關於規範商業銀行通過互聯網開展個人存款業務有關事項的通知》). Under such circular, commercial banks are prohibited to conduct time deposit or time-demand optional deposit business through any non-self-operating online platform, including but not limited to, providing such services as marketing publicity, product display, information transmission, purchase access, and interest subsidy through a non-self-operated online platform.

To comply with these laws and regulations on internet finance service, we have made relevant adjustments to the services available through Weibo wallet from time to time over the past several years. See “Risk factor — We may face certain risks related to financial products available on our Weibo wallet.”

## REGULATIONS ON ONLINE GAME OPERATIONS AND CULTURAL PRODUCTS

### Online Cultural Products

The Provisional Regulations for the Administration of Online Culture (《互聯網文化管理暫行規定》), issued by the Ministry of Culture in 2003 and further revised in 2004, 2011 and 2017, apply to entities engaging in activities related to “internet cultural products,” which include cultural products that are produced specifically for internet use, such as online music and entertainment, online games, online plays, online performances, online works of art and Web animation, and other online cultural products that through technical means, produce or reproduce music, entertainment, games, plays and other art works for internet dissemination. According to these Regulations, commercial entities are required to apply to the relevant local branch of the Ministry of Culture for an Online Culture Operating Permit if they engage in the



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production, duplication, importation, release or broadcasting of internet cultural products; the dissemination of online cultural products on the internet or the transmission of such products via internet or mobile phone networks to user terminals, such as computers, phones, television sets and gaming consoles, or internet surfing service sites such as internet cafes; or the holding or exhibition of contests related to internet cultural products.

The Administrative Measures for Content Self-review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), which were issued by the Ministry of Culture on August 12, 2013, and took effect on December 1, 2013, require internet culture business entities to review the content of products and services before providing them to the public. The content management system of an internet culture business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required be filed with the local provincial branch of the Ministry of Culture.

Weimeng currently holds an Online Culture Operating License issued by the Beijing Municipal Bureau of Culture and Tourism on October 20, 2020 and valid through December 30, 2023.

### Internet Publication

The Rules for the Administration of Electronic Publications (《電子出版物出版管理規定》), which were issued by the General Administration of Press and Publication in 2008 and further amended in 2015, regulate the production, publishing and importation of electronic publications in the PRC and outline a licensing system for business operations involving electronic publishing. Under these rules and other regulations issued by the General Administration of Press and Publication, online games are classified as a type of electronic production and publishing of online games is required to be done by licensed electronic publishing entities with standard publication codes. If a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the State Administration for Press, Publication, Radio, Film and Television, which was formed when the General Administration of Press and Publication was combined with the State Administration for Radio, Film and Television in March 2013.

The Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》), or the Provisions, which were jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television in 2016, and took effect on March 10, 2016. The Provisions define "online publishing services" as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC is subject to the Provisions. The Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Provisions, online publications refer to digital works which have publishing features such as having been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and others. Any online game shall obtain approval from the relevant regulator before it is launched online. According to the Negative List, foreign investment is prohibited from entering into the publishing service industry.

### Online Games

According to the Circular of the Ministry of Culture on Strengthening the Examination of Content of Online Games Products (《文化部關於加強網絡遊戲產品內容審查工作的通知》) issued by the Ministry of Culture in 2004, the content of any foreign online game products

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should be examined and approved by the Ministry of Culture before they are operated within China. Entities engaged in developing and operating domestic online games products should register with the Ministry of Culture.

The Notice Regarding the Consistent Implementation of the “Stipulations on ‘Three Provisions’ of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games,” (《關於貫徹落實國務院“三定”規定和中央編辦有關解釋,進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) also known as Circular 13, was jointly published by the General Administration of Press and Publication, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications in 2009. Circular 13 expressly states that foreign investors are not permitted to participate in the operation of online games via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. In addition, according to Circular 13, the approval of the General Administration of Press and Publication is required for publishing any imported online games. Although Circular 13 was issued several years ago, it is not yet clear what impact, if any, it will have on the operation of online games in China.

According to the Interim Administrative Measures for Internet Games, issued by the Ministry of Culture on June 3, 2010 and last amended on December 15, 2017, any entity engaging in online game operations must obtain an Online Culture Operating License. On July 10, 2019, this measure was abolished by the Ministry of Culture and Tourism. As a result, the Ministry of Culture and Tourism is no longer responsible for regulating the online game industry in China and has ceased to grant or renew any Online Culture Operating License relating to game operations. The issued Online Culture Operating License relating to game operations, however, will remain valid until each of their original expiration dates.

On August 30, 2021, the NPPA issued the Notice on Further Strict Management to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which requires all online game operators to provide services to minors only on any Friday, Saturday, Sunday and statutory holidays from 8:00 p.m. to 9:00 p.m., i.e. for one hour, and not to provide online games in any form to users who have not registered or logged in with their real names. In addition to the real-name registration system already in place, we have adjusted the systems in the games operated by us to comply with the requirements under this notice. The revenue contributed by online games accounted for an insignificant portion of our total revenue during the Track Record Period.

### **Virtual Currency**

The Notice on the Reinforcement of the Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》), jointly issued by the Ministry of Culture, the People’s Bank of China and other government authorities in 2007, directs the People’s Bank of China to strengthen the administration of virtual currency in online games to avoid any adverse impact on the real economic and financial systems. This notice provides that the total amount of virtual currency issued by online game operators and the amount purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real e-commerce transactions. This notice also provides that virtual currency should only be used to purchase virtual items.

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The Notice on the Strengthening of Administration on Online Game Virtual Currency (《文化部關於改進和加強網絡遊戲內容管理工作的通知》), jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game user by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises (《“網絡遊戲虛擬貨幣發行企業”、“網絡遊戲虛擬貨幣交易企業”申報指南》), which specifically defines “issuing enterprise” and “trading enterprise” and stipulates that a single enterprise may not operate both types of business.

### Protection of Minors

In 2007, the General Administration of Press and Publication and several other governmental authorities issued a circular requiring the implementation of an “anti-fatigue system” and a real-name registration system by all PRC online game operators, in an effort to curb addictive online game play behaviors of minors. Under the anti-fatigue system, three hours or less of continuous play by minors is considered to be “healthy,” three to five hours to be “fatiguing,” and five hours or more to be “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if the game player has reached “fatiguing” level, and to zero in the case of “unhealthy” level.

The Notice on Initializing the Verification of Real-name Registration for Anti-Fatigue System on Internet Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》), issued by the General Administration of Press and Publication, the MIIT, the Ministry of Education and five other governmental authorities in 2011, imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration measures properly and effectively. Its main focus is to prevent minors from using an adult ID to play internet games. The operation of an online game may be terminated if the operator is found to be in violation of this notice.

The Implementation of Online Game Monitoring System of the Guardians of Minors (《“網絡遊戲未成年人家長監護工程”實施方案》), a circular jointly issued by the Ministry of Culture, the MIIT and six other central government authorities in 2011, aimed to provide specific protective measures to monitor the online game activities of minors and curb addictive online game play behavior by minors. Under this circular, online game operators are required to adopt various measures to maintain a system to communicate with the parents or other guardians of minors playing online games and online game operators are required to monitor the online game activities of minors, and must suspend the account of a minor if so requested by the minor’s parents or guardians. The monitoring system was formally implemented on March 1, 2011.

The Work Plan for the Integrated Prevention of Minors’ Online Game Addiction (《未成年人網絡遊戲成癮綜合防治工程工作方案》), jointly issued by the General Administration of Press and Publication, the Ministry of Education, the Ministry of Culture, the MIIT and 11 other PRC government authorities on February 5, 2013, implemented integrated measures by different authorities to prevent minors from becoming addicted to online games. Under the work plan,

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the current relevant regulations regarding online games will be further clarified and additional implementation rules will be issued, and as a result, online game operators will be required to implement additional measures to protect minors.

On October 25, 2019, the General Administration of Press and Publication issued the Notice on Preventing Minor’s Addiction to Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount.

On October 17, 2020, the Standing Committee of the National People’s Congress revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021. Law of the PRC on the Protection of Minors (2020 Revision) added a new section entitled “Online Protections” which stipulates a series of provisions to further protect minors’ interests on the internet, among others, (i) online product and service providers are prohibited from providing minors with products and services that would induce minors to indulge, (ii) online service providers for products and services such as gaming, live streaming, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online gaming service providers must request minors to register and log into online games with their valid identity information, (iv) online gaming service providers must categorize games according to relevant rules and standards, notify users about the appropriate ages for the players of the games, and take technical measures to keep minors from accessing inappropriate games or gaming functions, and (v) online gaming service providers may not provide online game services to minors from 10:00 P.M. to 8:00 A.M. the next day.

Weimeng has been actively communicating with the relevant government authority for the application of an internet publishing permit. We have adopted our own anti-fatigue and real name registration systems.

### REGULATIONS ON BROADCASTING AUDIO/VIDEO PROGRAMS THROUGH THE INTERNET

On December 20, 2007, the State Administration for Radio, Film and Television and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services (《互聯網視聽節目服務管理規定》), commonly known as Circular 56, which came into effect as of January 31, 2008 and was later amended in 2015. Circular 56 reiterates the requirement set forth in the earlier rules that online audio/video service providers must obtain an internet audio/video program transmission license from the State Administration for Radio, Film and Television. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled companies. According to relevant official answers to press questions published on the website of State Administration for Radio, Film and Television on February 3, 2008, officials from the State Administration for Radio, Film and Television and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. These policies have been reflected in the Application Procedure for Audio/Video Program Transmission License. Failure to obtain

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the internet audio/video program transmission license may subject an online audio/video service provider to various penalties, including fines of up to RMB30,000, seizure of related equipment and servers used primarily for such activities and even suspension of its online audio/video services.

On December 16, 2016, the State Administration of Press, Publication, Radio, Film and Television of the PRC (SAPPRFT) issued the Rules for the Administration of Video and Audio Programs on Weibo, WeChat and other Social Media Platforms (《關於加強微博、微信等網絡社交平臺傳播視聽節目的管理規定》), or Circular 196. Circular 196 requires that any organizations that provide online streaming through social media platforms such as Weibo or WeChat should obtain an internet audio/video program transmission license. For organizations and individuals that do not hold license, the hosting social networking platform shall be responsible for supervising the content of the posted programs, and the scope of the programs must not exceed the scope stated on the platform's audio/video program transmission license. Similarly, film and TV dramas broadcasted through social media are required to obtain a license for public airing, and social media platforms are not allowed to repost user-generated video or audio programs featuring political news.

On November 18, 2019, the CAC, the Ministry of Culture and Tourism and the NRTA, jointly issued the Administrative Provisions on Online Audio-Visual Information Services (《網絡音視頻信息服務管理規定》), effective from January 1, 2020, which provides that online audio-visual information service providers are the principals responsible for information content security management, and should, among other things, establish and improve their internal policies in relation to user registration, scrutiny of information publication, and information safety management. Organizations and individuals are prohibited from using online audio-visual information services and related information technology to carry out illegal activities and infringe legal rights and interests of others. The Provisions further set out requirements for utilization of new applications driven by new technology (such as deep learning and virtual reality) to produce, publish and disseminate audio-visual information, for example, audio-visual information service providers are required to conduct safety evaluation, identify and label fraudulent audio-visual information, and to defeat rumors, false news and content violating user agreements.

### REGULATIONS ON PRODUCING AUDIO/VIDEO PROGRAMS

On July 19, 2004, the SARFT promulgated the Administrative Measures on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》), effective as of August 20, 2004 and amended in 2015, 2018 and 2020. These Measures provide that anyone who wishes to produce or operate radio or television programs must first obtain an operating permit. Applicants for this permit must meet several criteria, including having a minimum registered capital of RMB3.0 million. Weimeng holds a permit for radio and television program production and operation, with a permitted scope encompassing production of animated programs, features programs and television entertainment programs, valid through October 29, 2022.

On January 9, 2019, China Network Audio-Visual Program Service Association issued the Detailed Rules for Reviewing Network Short Video Contents (《網絡短視頻內容審核標準細則》), setting out 100 types of contents that are restricted from short-video programs.

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### REGULATIONS ON ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live streaming Services (《互聯網直播服務管理規定》), or the Online Live streaming Regulations, which became effective on December 1, 2016.

The Online Live streaming Regulations provides that online live streaming service providers and distributors must legally obtain the qualification for internet news information services before providing such services on the internet, and engage in online news information services to the licensed extent. Online live streaming service providers must review all live internet news information and interactions before publishing them, and set up their “chief editor” position if they provide live streaming services of internet news information. The Online Live streaming Regulations also stipulate that online live streaming service providers must carry out their subject responsibility, arrange professionals commensurate with its service size, establish and improve various management systems, and have the technical capability to immediately cut online live streaming, and its technical plans shall comply with relevant national standards. In addition, online live streaming service providers must conduct graded and categorized management according to the content category and user scale of online live streaming, and establish a credit rating management system for online live streaming distributors as well as a blacklist management system.

On December 2, 2016, the Ministry of Culture issued the Administrative Measures for Business Activities of Online Performances (《網絡表演經營活動管理辦法》), which took effect on January 1, 2017, and provide that the online performances must not involve six types of content, such as “those infringing upon others’ legitimate rights and interests by taking candid photographs or using a hidden recorder.” Entities engaging in online performances must require and verify the registration of performers with their own valid IDs and real names. Moreover, the Measures stress that entities engaging in online performances must improve their own user registration systems, maintain the information provided by users for registration, and take active actions to safeguard the safety of users’ information.

On August 1, 2018, the CAC and the other five PRC governmental authorities jointly issued the Circular on Tightening the Administration of Online Live streaming Services (《關於加強網絡直播服務管理工作的通知》), or the Online Live streaming Services Circular, which specifies respective duties of online live streaming service providers, network access service providers and application stores, aiming to prompt relevant internet-based enterprises to fulfill their responsibilities. The Online Live streaming Services Circular provides that an online live streaming service provider must make a record filing with the competent telecommunications authority as an internet content provider (ICP). Online live streaming service providers are also required to apply for a permit with the local authorities if it engages in telecommunications business, livestreaming business for internet news information, online performance, and/or online visual-audio programs. Online live streaming service providers must make record filings with the local public security authorities within 30 days after live streaming services have been published on the internet. In addition, online live streaming service providers are required to implement real name verification system for users, intensify administration of online anchors, establish blacklist system for online anchors, optimize the system of watching and censoring livestreamed content for regulatory purposes, and improve measures to better respond to harmful content.

On November 6, 2020, the SAMR issued the Guidelines on Strengthening Supervision of Online Live streaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》), pursuant to which a network platform will assume the responsibility and obligation as an e-commerce platform operator according to the E-Commerce Law; provided

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that this platform provides operators, who sell goods or provide services via internet live streaming, with services such as internet operation place, transaction matchmaking and information publication in order for the transaction parties to independently complete their transaction activities.

On November 12, 2020, the NRTA issued the Notice on Strengthening the Management of Online Show Live streaming and E-commerce Live streaming (《國家廣播電視總局關於加強網絡秀場直播和電商直播管理的通知》), pursuant to which live streaming platforms for online shows are requested to strengthen positive value guidance and enable those tasteful, meaningful, interesting and warm live streaming programs to have good traffic, and to prevent the spread of the trends of wealth flaunting, money worshiping and vulgarity. Notice 78 requests the live streaming platforms for online shows and e-commerce to register in the National Internet Audio-Visual Platforms Information Management System, and we have completed such registration as requested, which was valid until May 1, 2021 and currently under the annual renewal process. In addition, the number of content reviewers a platform is required to keep must in principle be no less than 1:50 of the number of live streaming rooms. Live streaming platforms for online shows need to manage the hosts and users making virtual gifting based on the real-name registration system, and users who have not registered with real names or who are minors are prohibited from virtual gifting. The live streaming platforms are required to implement real-name registration system by real-name verification, face recognition, manual review and other measures to prevent minors from virtual gifting. The platform shall limit the maximum amount of rewards each user may give per time, day and month. Live streaming platforms for e-commerce shall not illegally produce and broadcast, beyond their business scope of e-commerce, any commentary programs unrelated to sales of goods.

According to the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法》), which took effect on June 1, 2021, among others, live streaming service providers are not allowed to provide minors under age 16 with online live streaming publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming publisher accounts.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)(徵求意見稿)), which provides that, among others, non-state-capitalized entities shall not engage in live streaming of political, economic, military, diplomatic, major social, cultural, scientific and technological, health, education, sports and other activities and events related to political direction, public opinion orientation and value orientation. The scope of live streaming business under this list is relatively broad and vague, and is subject to further clarifications and interpretations by the regulator.

### REGULATIONS ON ONLINE MUSIC

On November 20, 2006, the Ministry of Culture issued Several Suggestions of the Ministry of Culture on the Development and Administration of Internet Music (《網絡音樂發展和管理的若干意見》), which became effective immediately upon its issuance. These suggestions, among other things, reiterate the requirement for an internet service provider to obtain an internet culture business permit to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions stipulating whether or how music videos will be regulated by these suggestions.

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On August 18, 2009, the Ministry of Culture promulgated the Notice on Strengthening and Improving the Content Review of Online Music (《文化部關於加強和改進網絡音樂內容審查工作的通知》). According to this notice, only “internet culture operating entities” approved by the Ministry of Culture may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. On October 23, 2015, the Ministry of Culture promulgated the Circular on Further Strengthening and Improving the Administration of Content of Online Music (《關於進一步加強和改進網絡音樂內容管理工作的通知》), which became effective on January 1, 2016. According to the Circular, the content of online music shall be reviewed by or filed with the Ministry of Culture. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring. Weimeng has obtained an Online Culture Operating Permit, the scope of which covers online music operations.

### REGULATIONS ON INTERNET NEWS DISSEMINATION

On April 28, 2015, the CAC issued the Provisions on the Questioning Procedures for Internet News Service Providers (《互聯網新聞信息服務單位約談工作規定》), or the Provisions. The Provisions provide the CAC and its local branches with a formal procedure for bringing in key personnel from internet news service providers for questioning as well as giving oral warnings, identifying problems and ordering rectifications in certain circumstances specified in the Provisions such as the failure to deal with illegitimate information in a timely fashion and when circumstances are severe. If the CAC or its local branches orders an internet news service provider to rectify a problem through the questioning procedures and it fails to do so, then the internet news service provider may be subject to administrative action including a written warning, fine, temporary suspension of operations or the revocation of licenses. Internet news service providers are also subject to enhanced penalties for several violations under the questioning procedures. Additionally, the CAC and its local branches may publicize information related to the questioning procedures that it conducted against internet news service providers under the Provisions. The Provisions took effect on June 1, 2015.

On May 2, 2017, the CAC issued the Administrative Provisions for Internet News Information Services (《互聯網新聞信息服務管理規定》), or the New Provisions, which became effective on June 1, 2017. The New Provisions replace the Provisions for the Administration of Internet News Information Services promulgated by the SCIO and the MII in 2005, and are intended to help solidify the CAC’s jurisdiction over internet news information services. The New Provisions require that internet websites, apps, forums, blogs, microblogs, official accounts, instant messaging tools, network-based broadcasts and other similar means that provide internet news information services obtain a permit for internet news information services. The New Provisions also broaden the scope of internet news information services to include (i) services of collecting, editing, and releasing internet news information; (ii) reposting such news information; and (iii) providing a platform to spread such news information. To apply for such a permit, the applicant must satisfy requirements set forth under the New Provisions, such as that it be a legal entity established in China and that its principal or chief editor be a Chinese citizen. In addition, all internet news providers are explicitly required to review and self-censor the content published by them and to take measures to cease transmission and remove content if inappropriate content is discovered, as well as maintain relevant records and report such matters to the competent regulators.

On October 8, 2021, the National Development and Reform Commission issued a discussion draft of the Negative List for Market Access (2021 Version) (市場准入負面清單(2021年版)(徵求意見稿)), which provides that, among others, non-state-capitalized entities shall not conduct the business of news collecting, editing, releasing and reporting. Weibo does not collect, edit,



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release or report news by itself. Weibo holds an Internet News and Information Service License, which allows it to provide the service of reposting news information and operating a platform to disseminate news information.

Weimeng provides a platform for our users to post news, current topics and social events and it has obtained an Internet News Publication License on July 30, 2019 for providing news republishing and broadcasting platform services, which is valid through July 29, 2022.

### INTERNET MAPPING SERVICES

Under the Surveying and Mapping Law (《中華人民共和國測繪法》) promulgated by the National People’s Congress in 1992 and amended in 2002 and 2017, entities engaged in surveying and mapping services should obtain a surveying and mapping qualification certificate and comply with the state’s surveying and mapping criteria. According to the amended Administrative Rules of Surveying Qualification Certificate (《測繪資質管理規定》) and the amended Standard for Surveying Qualification Certificate (《測繪資質分類分級標準》) issued by the former National Administration of Surveying, Mapping and Geo-information, or NASMG in 2021, respectively, non-surveying and mapping enterprise is subject to the approval of the NASMG and requires a surveying and mapping qualification certificate to provide internet mapping services.

On November 26, 2015, the State Council enacted the Administrative Regulations on Maps (《地圖管理條例》), or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping. The Maps Regulations require entities engaging in online map services to use mapping data approved by the relevant governmental authorities, host servers storing map data within the PRC, and establish a management system as well as protection measures for the data security of the online maps. The mapping data must not contain any content prohibited by the Maps Regulations, and no entities or individuals are allowed to upload or mark such prohibited content online. Further, entities engaging in internet mapping services shall keep confidential any information involving state secrets and trade secrets acquired during their work.

Weimeng holds a surveying and mapping qualification certificate (Class B) issued by Beijing Municipal Commission of Planning and Natural Resources, valid through October 11, 2026.

### REGULATIONS ON INTERNET DRUG INFORMATION SERVICES

According to the Provisions on the Administration of Internet Drug Information Services (《互聯網藥品信息服務管理辦法》), promulgated by the State Food and Drug Administration and most recently amended in November 2017, an enterprise publishing drug-related information must obtain a qualification certificate from the provincial-level food and drug administration before it applies for the ICP license or files with the MIIT or its local provincial-level counterpart. An ICP service operator that provides information regarding drugs or medical devices must obtain an Internet Drug Information Service Qualification Certificate from the applicable provincial level administrative authority. We have obtained the Internet Drug Information Service Qualification Certificate for the drug-related information available on our platform, including information from those using our platform to promote their products and services and drug-related information shared on our platform.

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### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the major international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

*Patent.* The Patent Law (《中華人民共和國專利法》) was adopted in 1984 and amended in 1992, 2000, 2008 and 2020. The amended version in 2020 came into effect on June 1, 2021. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of invention, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility models must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, nuclear transformation method and substances obtained by the method of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and a term of fifteen years in the case of designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights.

We have registered 193 patents and applied for 218 patents with the PRC State Intellectual Property Office as of June 30, 2021.

*Copyright.* The Copyright Law (《中華人民共和國著作權法》) was adopted in 1990 and amended in 2001, 2010 and 2020. The amended version in 2020 came into effect on June 1, 2021. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of a copyright pledge.

According to the Copyright Law, an infringer will be subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the losses of copyright owners. The Copyright Law further provides that the infringer must compensate the actual loss suffered by the copyright owner. If the actual loss of the copyright owner is difficult to calculate, the illegal income received by the infringer as a result of the infringement will be deemed as the actual loss or if such illegal income is also difficult to calculate, the court can decide the amount of the actual loss up to RMB5,000,000.

To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to the Internet (《互聯網著作權行政保護辦法》) in 2005.

The Protection of the Right of Communication through Information Networks (《信息網絡傳播權保護條例》) was promulgated by the State Council in 2006 and amended in 2013. Under this regulation, with respect to any information storage space, search or link services provided by an internet service provider, if the legitimate right owner believes that the works, performance or audio or video recordings pertaining to that service infringe his or her rights of communication, the right owner may give the internet service provider a written notice

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containing the relevant information along with preliminary materials proving that an infringement has occurred, and requesting that the internet service provider delete, or disconnect the links to, such works or recordings. The right owner will be responsible for the truthfulness of the content of the notice. Upon receipt of the notice, the internet service provider must delete or disconnect the links to the infringing content immediately and forward the notice to the user that provided the infringing works or recordings. If the written notice cannot be sent to the user due to the unknown IP address, the contents of the notice shall be publicized via information networks. If the user believes that the subject works or recordings have not infringed others' rights, the user may submit to the internet service provider a written explanation with preliminary materials proving non-infringement, and a request for the restoration of the deleted works or recordings. The internet service provider should then immediately restore the deleted or disconnected content and forward the user's written statement to the right owner.


Under the Civil Code of the PRC (《中華人民共和國民法典》) effective from January 1, 2021, both internet users and internet service providers may be liable for the wrongful acts of users who infringe the lawful rights of other parties. If an internet user utilizes internet services to commit a tortious act, the party whose rights are infringed may request the internet service provider to take measures, such as removing or blocking the content, or disabling the links thereto, to prevent or stop the infringement. If the internet service provider does not take necessary measures after receiving such notice, it shall be jointly liable for any further damages suffered by the rights holder. Furthermore, if an internet service provider fails to take necessary measures when it knows that an internet user utilizes its internet services to infringe the lawful rights and interests of other parties, it shall be jointly liable with the internet user for damages resulting from the infringement.

To address issues related to the hearing of civil disputes concerning the infringement of the right of communication through information networks, the PRC Supreme People's Court issued the Provisions on Several Issues Concerning the Application of Law in Hearings of Civil Dispute Cases on the Infringement of Information Networking Transmission Rights (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), which took effect as of January 1, 2013 and was amended in 2020. This document provides more detailed guidance as to the circumstances in which the provision by network users or network service providers of other's works, performances, and audio or video products without permission from the rights owner constitutes infringement of information network transmission rights. This document provides that internet service providers will be jointly liable if they assist in infringing activities or fail to remove infringing content from their websites once they know of the infringement or receive notice from the rights holder. This document also provides that where a network service provider obtains economic advantage directly from the works, performances, and sound or visual recordings provided by the network service provider, it must pay close attention to infringement of network information transmission rights by network users.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the National Copyright Administration of the PRC issued Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration.

In compliance with, and in order to take advantage of, the above rules, we have registered 302 software copyrights as of June 30, 2021.

## REGULATORY OVERVIEW

*Trademark.* The Trademark Law (《中華人民共和國商標法》), adopted in 1982 and revised in 1993, 2001, 2013 and 2019, protects registered trademarks. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a “sufficient degree of reputation” through that person’s use. After receiving an application, the Trademark Office, which is under the National Intellectual Property Administration and handles trademark registration affairs in China, will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an objection against a trademark that has passed a preliminary examination. The PRC Trademark Office’s decisions on rejection, objection or cancellation of an application may be appealed to the National Intellectual Property Administration, whose decision may be further appealed through judicial proceedings. If no objection is filed within three months after the public announcement period or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, at which point the trademark is deemed to be registered and will be effective for a renewable ten-year period, unless otherwise declared invalid or revoked. The licensor shall file the trademark licensing with the Trademark Office for record. The licensing of a trademark that has not been filed for record may not be used against a bona fide third party. “新浪微博” and “ 新浪微博” are registered trademarks of SINA’s subsidiaries in China and are exclusively licensed to us for use.

*Domain Names.* On August 24, 2017, the MIIT promulgated the Measures for Administration of Domain Names (《互聯網域名管理辦法》) to replace the Measures for Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名註冊暫行管理辦法》). These measures regulate the registration of domain names, including the domain name “.CN”. On November 27, 2017, the MIIT promulgated the Notice on Regulating the Use of Domain Names in Providing Internet-based Information Services (《關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to this notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior executive. We have registered domain names including weibo.com, weibo.cn, and weibo.com.cn.

*Anti-unfair Competition.* Under the Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), effective in 1993 and revised in 2017 and 2019, a business operator is prohibited from carrying out acts intending to cause confusion, which would mislead others into thinking that its products belong to another party or that there is an association with another party, by:

- using without permission, a mark that is identical with or similar to product names, packaging or decoration of others with a certain degree of influence;
- using without permission, the name of an enterprise, a social organization or an individual with a certain degree of influence;
- using without permission, the main element of a domain name, website name or webpage with a certain degree of influence;

## REGULATORY OVERVIEW

- carrying out confusing acts that are intended to mislead others into thinking that a product belongs to another party or there is an affiliation with another party.

### REGULATIONS ON FOREIGN EXCHANGE

Under the 2008 Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), if documents certifying the purposes of the conversion of RMB into foreign currency are submitted to the relevant foreign exchange conversion bank, the RMB will be convertible for current account items, including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loans, securities investment and repatriation of investment, however, is subject to the approval of SAFE or its local counterparts.

Under the 1996 Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local counterparts. Capital investments by PRC entities outside of China, after obtaining the required approvals from the relevant approval authorities, such as the Ministry of Commerce and the National Development and Reform Commission or their local counterparts, are also required to register with SAFE or its local counterparts.

SAFE promulgated a circular on November 19, 2012, or Circular No. 59 (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which tightens the examination on the authenticity of settlement of [REDACTED] from an [REDACTED] and requires that the settlement of [REDACTED] shall be in accordance with the description in its [REDACTED].

On March 30, 2015, the SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the "conversion-at-will" regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in China may convert their foreign debts from foreign currency to RMB on discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a

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## REGULATORY OVERVIEW

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company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted RMB shall not be provided as loans to its non-affiliated entities, or used for construction and purchase of non-self-used real estate (excluding real estate enterprises) or unless otherwise expressly provided in law, directly or indirectly used in securities investment or other financial management excluding the bank capital preservation products. As SAFE has not provided detailed guidelines with respect to its interpretation or implementation, it is uncertain how these rules will be interpreted and implemented.

On October 23, 2019, SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested companies to use RMB converted from foreign currency-denominated capital for equity investments in China, for so long as there is a truthful equity investment, and such equity investment does not violate applicable laws and does comply with the negative list on foreign investment.

In utilizing the [REDACTED], we received from our [REDACTED] or debt financings, as an offshore holding company with a PRC subsidiary, 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 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.

### REGULATIONS ON EMPLOYEE STOCK OPTIONS PLANS

In 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals (《個人外匯管理辦法》), setting forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under either the current account or the capital account. SAFE issued implementing rules for these measures in 2007 that specified approval requirements for certain capital account transactions, such as a PRC citizen's participation in employee stock ownership plans or share option plans of an overseas publicly listed company. In 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》). In 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) to replace the former procedures. The new notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially with respect to the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the former procedures. The purpose of both the former procedures and the new notice is to regulate the foreign exchange administration of PRC resident individuals who participate in employee stock holding plans or share option plans of overseas listed companies.

Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file on behalf of such resident an application with SAFE or its local counterpart

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## REGULATORY OVERVIEW

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to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or exercise of share options, as PRC residents may not directly use overseas funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including for example, any changes due to a merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

Under the Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), as amended in 2008, the foreign exchange proceeds of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. However, the implementing rules with respect to depositing foreign exchange proceeds abroad have not been issued by SAFE. The foreign exchange proceeds from the sales of shares can be converted into RMB or transferred to such individuals' foreign exchange savings account after the proceeds have been remitted back to the special foreign exchange account opened at the PRC domestic bank. If share options are exercised in a cashless exercise, the PRC domestic individuals are required to remit the proceeds to special foreign exchange accounts.

Many issues with respect to the new notice require further interpretation. We and our PRC employees who have participated in an employee stock ownership plan or share option plan are subject to the new notice. If we or our PRC employees fail to comply with the new notice, we and our PRC employees may face sanctions imposed by the PRC foreign exchange authority or any other PRC government authorities, including restrictions on foreign currency conversions and additional capital contributions to our PRC subsidiaries.

In addition, the State Administration of Taxation has issued circulars concerning employee share options. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income taxes. Our PRC subsidiaries have obligations to file documents related to employee share options with the relevant tax authorities and withhold individual income taxes of employees who exercise their share options.

### LABOR LAWS AND SOCIAL INSURANCE

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations.

In addition, according to the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits. If we are made subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

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## REGULATORY OVERVIEW

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### REGULATIONS ON CONCENTRATION IN MERGER AND ACQUISITION TRANSACTIONS

The M&A Rules (《關於外國投資者並購境內企業的規定》) established procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rules require, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor will take control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》) issued by the State Council on August 3, 2008 and amended on September 18, 2018 are triggered. On February 7, 2021, the Anti-monopoly Commission of the State Council officially promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》), which reinforces antitrust merger review for internet platform related transactions and clarifies at the first time the filing procedures is applicable to the transactions involving variable interest structures.

Complying with these requirements could affect our ability to expand our business or maintain our market share.



## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a summary of our Company’s authorized and issued share capital immediately prior to, and upon the completion of, the [REDACTED], assuming that the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], excluding any allotment and issuance of Class A ordinary shares upon exercise of the [REDACTED].

#### 1. Share capital as at September 30, 2021

##### (i) Authorized share capital

Number	Description of ordinary shares	Approximate aggregate nominal value of shares
1,800,000,000 .....	Class A ordinary shares	US\$450,000.00
200,000,000 .....	Class B ordinary shares	US\$50,000.00
400,000,000 .....	Undesignated	US\$100,000.00
<b>Total .....</b>		<b>US\$600,000.00</b>

##### (ii) Issued and outstanding\*

Number	Description of ordinary shares	Approximate aggregate nominal value of shares
127,312,831 .....	Class A ordinary shares	US\$31,828.21
101,778,958 .....	Class B ordinary shares	US\$25,444.74
<b>Total .....</b>		<b>US\$57,272.95</b>

*Note:*

\* Excluding 8,700,524 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans.

## SHARE CAPITAL

### 2. Share capital immediately following the completion of the [REDACTED]

#### (i) Authorized share capital

Number	Description of ordinary shares	Approximate aggregate nominal value of shares
1,800,000,000 .....	Class A ordinary shares	US\$450,000.00
200,000,000 .....	Class B ordinary shares	US\$50,000.00
400,000,000 .....	Undesignated	US\$100,000.00
<b>Total</b> .....		<b>US\$600,000.00</b>

#### (ii) Issued and outstanding\*

Number	Description of ordinary shares	Approximate aggregate nominal value of shares
[REDACTED] .....	Class A ordinary shares	US\$[REDACTED]
[REDACTED] .....	Class B ordinary shares	US\$[REDACTED]
<b>Total</b> .....		<b>US\$[REDACTED]</b>

*Note:*

\* Excluding 8,700,524 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans.

### WEIGHTED VOTING RIGHTS STRUCTURE

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote and each Class B ordinary share entitles the holder to exercise three votes respectively, on all matters that require a shareholder’s vote.

For further details, see the summary of the Articles of Association in Appendix III to this document.

## SHARE CAPITAL

The table below sets out the ownership and voting rights to be held by the WVR beneficiary upon the completion of the [REDACTED]:

	Number of Shares	Approximate percentage of issued and outstanding share capital <sup>(1)</sup>	Approximate percentage of voting rights <sup>(1)(2)</sup>
Class B ordinary shares held by the WVR beneficiaries . . .	101,778,958	[REDACTED]%	[REDACTED]%

*Notes:*

- (1) Excluding the 11,674,008 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plans, and without taking into account any allotment and issuance of Shares upon exercise of the [REDACTED], the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class B ordinary shares entitle the Shareholder to three votes per share.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Upon the conversion of all the issued and outstanding Class B ordinary shares into Class A ordinary shares, our Company will issue [REDACTED], representing approximately [REDACTED] the total number of issued and outstanding Class A ordinary shares upon completion of the [REDACTED] (without taking into account any allotment and issuance of Shares upon exercise of the [REDACTED], the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of share awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make).

If at any time SINA Corporation and its Affiliates (as defined in the Articles of Association) collectively own less than 5% of the total number of the issued and outstanding Class B Ordinary Shares, each issued and outstanding Class B Ordinary Share shall be automatically and immediately converted into one Class A ordinary share, and no Class B Ordinary Shares shall be issued by our Company thereafter. Class B ordinary shares shall also be automatically and immediately converted into an equal number of Class A ordinary shares: (1) upon any transfer of such Class B ordinary shares by a holder thereof to any person or entity which is not the Founder or a Founder’s Affiliate; or (2) upon a change of control of any direct or indirect holder of any such Class B ordinary share, including, but not limited to, any person other than the Founder or a Founder’s Affiliate gaining “control” over any of the SINA Parent Companies (e.g. by entering into an agreement with the Founder to jointly control the SINA Parent Companies), even if the Founder or a Founder’s Affiliate remains to have joint “control” of the SINA Parent Companies. For details, see “Waivers and Exemptions — Shareholder Protection Requirements”.

## SHARE CAPITAL

### WVR Beneficiaries

Immediately upon the completion of the [REDACTED], the WVR beneficiaries will be the following:

	Number of Class B Ordinary	Approximate percentage of voting rights <sup>(1)(2)</sup>
Mr. Charles Chao . . . . .	101,778,958	[REDACTED]%
New Wave MMXV Limited . . . . .	101,778,958	[REDACTED]%
Sina Group Holding Company Limited . . . . .	101,778,958	[REDACTED]%
SINA Corporation . . . . .	101,778,958	[REDACTED]%

*Notes:*

- (1) Excluding the 8,700,524 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plans, and without taking into account any allotment and issuance of Shares upon exercise of the Over-allotment Option, the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and any issuance or repurchase of Shares and/or ADSs that we may make.
- (2) On the basis that Class A ordinary shares entitle the holder to one vote per share and Class B ordinary shares entitle the holder to three votes per share.

Our Company’s WVR structure enables the WVR beneficiary to hold shares with a higher voting power than the holders of Class A ordinary shares. SINA Corporation, is the WVR beneficiary holding the highest percentage of voting rights; such shareholding will enable our Company to benefit from the continuing vision of SINA Corporation, who will exercise its voting power with a view to our Company’s long-term prospects and strategy. For further information about our relationship with SINA Corporation, see “Relationship with Our Controlling Shareholders”.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in our Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by our Company, see “Risk Factors”.

Save for the weighted voting rights attached to Class B ordinary shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A ordinary shares and Class B ordinary shares, please see “Summary of our Constitution and Cayman Company Law — 2 Articles of Association” in Appendix III to this document for further details.

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## SHARE CAPITAL

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In addition, Rule 19C.07(7) requires that members holding a minority shareholding in an issuer’s total number of issued shares must be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in our Company’s Articles is at least two shareholdings holding not less than one-third of the total voting rights in the paid up capital of our Company.

Our Company will put forth resolutions at the First GM to revise the Articles, so that (i) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be one-tenth of the voting rights, on a one vote per share basis, in the share capital of our Company; and (ii) the quorum for a general meeting of our Company will be lowered from the current one or more shareholders holding at least one-third of the aggregate voting power of our Company to one or more shareholders holding at least one-tenth of the aggregate voting power of our Company.

The Founder and SINA Corporation have [provided] an irrevocable undertaking to the Company and the Hong Kong Stock Exchange (the “**Undertakings**”) prior to the date of this document to be present and vote in favor of the proposed resolutions outlined above with a view to ensuring that there may be adequate votes in favor of such resolutions, and if the proposed resolutions are not approved at the First GM, continue to be present and vote in favor of such proposed resolutions at each subsequent general meeting at which our Company puts forth such resolutions until all resolutions are approved. For the avoidance of doubt, the Founder and SINA Corporation acknowledged and agreed that the shareholders rely on the Undertakings in acquiring and holding their shares. The Founder and SINA Corporation acknowledged and agreed that the Undertakings are intended to confer a benefit on our Company and all shareholders and may be enforced by our Company and/or any shareholder against the Founder and SINA Corporation. See “Waivers and Exemptions — Shareholder Protection Requirements” for further details.

Notwithstanding the above, the Company intends to hold the First GM on December 1, 2021 to put forth the relevant resolutions for revising the Articles. In the case where the relevant amendments are approved and adopted at the First GM before the Listing, the relevant waivers as well as the voting undertakings will lapse automatically.

### **Ranking**

The Class A ordinary shares are ordinary shares in the share capital of our Company and rank equally with all Class A ordinary shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Class A ordinary shares in respect of a record date that falls after the date of this document.

### **GENERAL MEETINGS**

See “Summary of Our Constitution and Cayman Company Law” in Appendix III.

### **SHARE INCENTIVE PLANS**

See “Directors and Senior Management — Compensation — Share Incentive Plans”.

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## USE OF [REDACTED]

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We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED] after deducting estimated [REDACTED] and the estimated [REDACTED] payable by us and based upon [REDACTED], [REDACTED] for both [REDACTED] and [REDACTED], and assuming the [REDACTED] is not exercised, or [REDACTED] if the [REDACTED] is exercised in full.

The [REDACTED] in the [REDACTED] may be higher than, or the same as, the [REDACTED] in the [REDACTED]. See “Structure of the [REDACTED] — Pricing and Allocation.”

We plan to use the [REDACTED] we will receive from the [REDACTED] for the following purposes:

- **Approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for continuing to grow our user base and user engagement, and enhance our content ecosystem, including but not limited to:**
  - nurture our content ecosystem for our users, customers and content creators by (i) broadening our content offerings, including promoting new content verticals that would meet the emerging interests of users on our platform, and investing in premium content, and (ii) expanding the cooperation with MCNs and incentivizing talented content creators to enrich our content offering. Additionally, we plan to further enrich the video content offerings by promoting the supply and consumption of video content on our platform such as strengthening cooperation with copyright owners in key content verticals to increase our video content supply;
  - further develop innovative products and features to meet the disparate and evolving needs of users and advertisers and to capture any new trends in the industry, by (i) building simple and useful tools for users to discover, create and distribute content and interact with others on our platform in real time, such as innovative social interaction features and content editing tools, and (ii) developing a full spectrum of advertising solutions to enable customers to conduct effective marketing activities, especially through optimizing our video advertising offerings and industry-specific advertising offerings; and
  - expand our user reach by executing channel marketing strategies and promotional activities, such as online and offline promotions and marketing activities, to attract users from different demographics and to enhance user acquisition efficiency and user engagement through collaboration with smartphone manufacturers and programmatic buying partners. For instance, smartphone manufacturers may pre-install our Weibo application on new smartphones, which will be an important source of new users, and programmatic buying partners, such as top applications, may assist us on traffic direction and user activation.
- **Approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for research and development to enhance our user experience and monetization capabilities, including but not limited to:**
  - refine our recommendation engine by optimizing our artificial intelligence and big data algorithms and adopting new data rules to improve the relevance of information we push to users to increase user stickiness. This is also important for our monetization because we believe that advertisements can also gain greater relevance from social context and become part of the user experience.

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## USE OF [REDACTED]

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- improve our proprietary hybrid cloud platform to further optimize and facilitate efficient data storage, distribution and analytics on our platform so as to efficiently handle the hyperscale data generated on our platform in real-time, especially for hot topics;
- further scale up our IT infrastructure, including our video platform and live streaming system, to enhance the functionality of our video encoder, to efficiently handle the massive volume of data generated for videos on our platform, and to improve user experience when enjoying videos and live streaming functions on our platform in various internet conditions;
- develop customized server technology to improve server configuration and processing capacity so that a single server can deploy more services and the access speed between services can be faster and user experience can be improved;
- develop container technology and bare-metal server technology for the expansion of business;
- develop block storage technology to realize the hot migration of services to maintain normal service operation in case of hardware failure;
- invest in research and development of edge computing platform to improve the speed of uploading pictures and videos, enhance the processing speed of bullet chats, and process users’ behavior data in real time to enhance the real-time recommendation functionality; and
- recruit, train and retain more research and development talents for these purposes.
- **Approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for selectively pursuing strategic alliances, investments and acquisitions, including but not limited to:**
  - form strategic alliances and partnerships and pursue investments and acquisitions in businesses that are synergistic and complementary to our ecosystem, including those businesses or assets that can enhance our user insights, technology, products and ecosystem; and
  - invest in businesses or form strategic alliances and partnerships to further enhance our monetization capabilities. As of the Latest Practicable Date, we have not identified any specific target of potential merger or acquisition.
- **Approximately [REDACTED] (approximately [REDACTED], assuming that the [REDACTED] is not exercised) for working capital and general corporate purposes.**

The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the [REDACTED] of this [REDACTED]. Our management, however, will have significant flexibility and discretion to apply the [REDACTED] of this [REDACTED]. If an unforeseen event occurs or business conditions change, we may use the [REDACTED] of [REDACTED] differently than as described in this [REDACTED].

The unused [REDACTED] will only be held in short-term demand deposits with licensed banks or authorised financial institutions.

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

*The following is the text of a report set out on pages [IA-1] to [IA-3], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED]. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers]*

**[DRAFT]**

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WEIBO CORPORATION AND GOLDMAN SACHS (ASIA) L.L.C., CREDIT SUISSE (HONG KONG) LIMITED, CLSA CAPITAL MARKETS LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

***Introduction***

We report on the historical financial information of Weibo Corporation (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [IA-4] to [IA-81], which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020 and June 30, 2021, and the consolidated statements of comprehensive income, the consolidated statements of shareholders’ equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [IA-4] to [IA-81] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [date] (the “[REDACTED]”) in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

***Directors’ responsibility for the Historical Financial Information***

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

***Reporting accountant’s responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.



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**APPENDIX IA**

**ACCOUNTANT’S REPORT**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and June 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information.

***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of shareholders’ equity and the consolidated statement of cash flows for the six months ended June 30, 2020 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2 to the Historical Financial Information.

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**APPENDIX IA**

**ACCOUNTANT’S REPORT**

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**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page [IA-4] have been made.

*Dividends*

No dividends have been paid by Weibo Corporation in respect of the Track Record Period.

**[PricewaterhouseCoopers]**  
Certified Public Accountants  
Hong Kong  
[Date]

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**APPENDIX IA**

**ACCOUNTANT’S REPORT**

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**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Group for the years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2021 (collectively referred as “Historical Financial Statements”). The consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”) relating to the financial statements and the effectiveness of internal control over financial reporting. [The financial statements for the six months ended June 30, 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of PCAOB relating to the financial statements only].

The Historical Financial Information is presented in United States Dollars. All values are rounded to the nearest thousand except when otherwise indicated.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED BALANCE SHEETS**

(In thousands of U.S. dollars, except for par value)

	Notes	As of December 31,			As of
		2018	2019	2020	June 30, 2021
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	3	\$1,234,596	\$1,452,985	\$1,814,844	\$2,005,106
Short-term investments	3	591,269	951,235	1,682,048	930,822
Accounts receivable due from third parties, net of allowances of \$11,799, \$36,594, \$29,061 and \$35,880 as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively	8	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, 2020 and June 30, 2021, respectively	8&10	48,222	60,392	135,321	122,991
Accounts receivable due from other related parties, net of allowances of \$630, nil, \$6,095 and nil as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively	8&10	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 \$43,695, \$301,526, \$158,622 and \$336,558 as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively)	8&10	168,821	424,905	296,757	587,293
Amount due from SINA	10	105,319	384,828	548,900	498,618
<b>Total current assets</b>		<b>2,469,098</b>	<b>3,636,178</b>	<b>4,834,559</b>	<b>4,653,048</b>
Property and equipment, net	8	45,623	46,729	60,632	61,033
Operating lease assets	5	–	9,730	7,176	12,260
Intangible assets, net	6	21,103	17,524	146,976	157,177
Goodwill	6	29,346	28,989	61,712	113,604
Long-term investments	4	694,586	1,027,459	1,179,466	1,123,258
Other non-current assets	8	14,926	37,577	44,596	582,345
<b>Total assets</b>		<b>\$3,274,682</b>	<b>\$4,804,186</b>	<b>\$6,335,117</b>	<b>\$6,702,725</b>
<b>LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND SHAREHOLDERS’ EQUITY</b>					
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiary of \$347,770, \$436,705, \$538,269 and \$655,757 as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively)					
Accounts payable		\$ 123,730	\$ 126,247	\$ 149,509	\$ 159,497
Accrued and other liabilities	8	317,437	460,872	556,753	692,390
Operating lease liability, short-term	5	–	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
<b>Total current liabilities</b>		<b>629,844</b>	<b>800,855</b>	<b>958,370</b>	<b>1,092,666</b>

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED BALANCE SHEETS (Continued)**  
**(In thousands of U.S. dollars, except for par value)**

	Notes	As of December 31,			As of
		2018	2019	2020	June 30, 2021
Long-term liabilities					
Convertible debt	16	884,123	888,266	892,399	894,470
Unsecured senior notes	16	–	793,985	1,536,112	1,537,264
Deferred tax liability	9	12,577	33,972	58,299	56,048
Operating lease liability, long-term	5	–	5,289	1,505	6,154
Other non-current liabilities		–	–	2,102	8,505
Total long-term liabilities		896,700	1,721,512	2,490,417	2,502,441
<b>Total liabilities</b>		<b>\$1,526,544</b>	<b>\$2,522,367</b>	<b>\$3,448,787</b>	<b>\$3,595,107</b>
<b>Commitments and contingencies</b>	17				
<b>Redeemable non-controlling interests</b>	18	\$ –	\$ –	\$ 57,714	\$ 69,359
Shareholders’ equity:					
Ordinary shares: \$0.00025 par value; 2,400,000, 2,400,000, 2,400,000 and 2,400,000 shares (including 1,800,000 Class A ordinary shares, 200,000 Class B ordinary shares and 400,000 shares to be designated) authorized; 224,838 shares (including 123,059 Class A ordinary shares and 101,779 Class B ordinary shares), 226,310 shares (including 124,531 Class A ordinary shares and 101,779 Class B ordinary shares), 227,688 shares (including 125,909 Class A ordinary shares and 101,779 Class B ordinary shares) and 228,281 shares (including 126,502 Class A ordinary shares and 101,779 Class B ordinary shares) issued and outstanding as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively.		\$ 57	\$ 57	\$ 57	\$ 57
Additional paid-in capital		1,071,836	1,133,913	1,201,622	1,239,461
Accumulated other comprehensive income (loss)		(49,615)	(68,559)	79,526	108,452
Retained earnings		723,181	1,217,856	1,531,220	1,662,068
Total Weibo shareholders’ equity		1,745,459	2,283,267	2,812,425	3,010,038
Non-controlling interests		2,679	(1,448)	16,191	28,221
<b>Total shareholders’ equity</b>		<b>1,748,138</b>	<b>2,281,819</b>	<b>2,828,616</b>	<b>3,038,259</b>
<b>Total liabilities, redeemable non-controlling interests and shareholders’ equity</b>		<b>\$3,274,682</b>	<b>\$4,804,186</b>	<b>\$6,335,117</b>	<b>\$6,702,725</b>

APPENDIX IA

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In thousands of U.S. dollars, except per share data)

	Notes	Year Ended December 31,			Six Months Ended June 30,	
		2018	2019	2020	2020	2021
					<i>(Unaudited)</i>	
Revenues						
Advertising and marketing revenues	13					
Third parties		\$1,172,136	\$1,202,437	\$1,202,712	\$497,855	\$ 728,818
Alibaba	10	117,696	97,772	188,597	72,542	109,918
SINA	10	79,148	112,974	48,353	27,624	30,931
Other related parties	10	130,200	117,028	46,493	17,985	22,682
		1,499,180	1,530,211	1,486,155	616,006	892,349
Value-added services revenues	13	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		277,648	328,826	302,180	137,694	172,318
Sales and marketing		527,424	465,339	455,619	211,220	298,368
Product development		249,873	284,444	324,110	150,370	197,985
General and administrative		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		40,074	207,438	35,115	117,517	(69,495)
Investment related impairment		(24,074)	(249,935)	(211,985)	(3,920)	(66,625)
Interest income		57,970	85,386	85,829	45,609	40,068
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	9	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

APPENDIX IA

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Continued)  
(In thousands of U.S. dollars, except per share data)

	Notes	Year Ended December 31,			Six Months Ended June 30,	
		2018	2019	2020	2020	2021
					<i>(Unaudited)</i>	
Net income		\$572,620	\$492,833	\$314,597	\$250,004	\$129,950
Other comprehensive income (loss)						
Currency translation adjustments (for which there were no taxes)		(60,273)	(19,029)	148,547	(31,347)	29,222
Total comprehensive income		512,347	473,804	463,144	218,657	159,172
Less: Comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests		668	(1,927)	1,695	(528)	(602)
Comprehensive income attributable to Weibo’s shareholders		<u>\$511,679</u>	<u>\$475,731</u>	<u>\$461,449</u>	<u>\$219,185</u>	<u>\$159,774</u>
Shares used in computing net income per share attributable to Weibo’s shareholders:						
Basic	12	223,751	225,452	226,921	226,535	227,936
Diluted	12	232,683	226,412	227,637	227,129	229,429
Income per share:						
Basic	12	\$ 2.56	\$ 2.19	\$ 1.38	\$ 1.11	\$ 0.57
Diluted	12	\$ 2.52	\$ 2.18	\$ 1.38	\$ 1.10	\$ 0.57

APPENDIX IA

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY  
(In thousands of U.S. dollars)

	Ordinary Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- controlling Interests	Total Shareholders’ Equity
	Shares	Amount					
Balance at December 31, 2017	222,706	\$56	\$1,030,048	\$ 9,534	\$ 152,949	\$ 2,207	\$1,194,794
Issuance of ordinary shares pursuant to stock plan	2,132	1	777	-	-	-	778
Non-cash stock-based compensation	-	-	41,011	-	-	-	41,011
Impact of adoption of new revenue guidance	-	-	-	-	(596)	-	(596)
Impact of adoption of new guidance for investments in equity securities	-	-	-	995	(995)	-	-
Net income	-	-	-	-	571,823	797	572,620
Currency translation adjustments	-	-	-	(60,144)	-	(129)	(60,273)
Purchase of subsidiaries’ shares from non-controlling shareholders	-	-	-	-	-	(196)	(196)
Balance at December 31, 2018	224,838	\$57	\$1,071,836	\$(49,615)	\$ 723,181	\$ 2,679	\$1,748,138
Issuance of ordinary shares pursuant to stock plan	1,472	-	319	-	-	-	319
Non-cash stock-based compensation	-	-	61,289	-	-	-	61,289
Purchase of a subsidiary’s shares from non-controlling shareholders	-	-	469	-	-	(2,200)	(1,731)
Net income (loss)	-	-	-	-	494,675	(1,842)	492,833
Currency translation adjustments	-	-	-	(18,944)	-	(85)	(19,029)
Balance at December 31, 2019	226,310	\$57	\$1,133,913	\$(68,559)	\$1,217,856	\$(1,448)	\$2,281,819
Issuance of ordinary shares pursuant to stock plan	1,378	-	57	-	-	-	57
Non-cash stock-based compensation	-	-	67,105	-	-	-	67,105
Sale of a subsidiary’s shares to non-controlling shareholders	-	-	539	-	-	978	1,517
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	16,133	16,133
Conversion of convertible debt	-	-	8	-	-	-	8
Net income	-	-	-	-	313,364	1,233	314,597
Net income attributable to redeemable non-controlling interests	-	-	-	-	-	(1,167)	(1,167)
Currency translation adjustments	-	-	-	148,085	-	462	148,547
Balance at December 31, 2020	227,688	\$57	\$1,201,622	\$ 79,526	\$1,531,220	\$16,191	\$2,828,616



**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY (Continued)**  
**(In thousands of U.S. dollars)**

	Ordinary Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- controlling Interests	Total Shareholders’ Equity
	Shares	Amount					
(Unaudited)							
Balance at December 31, 2019	226,310	\$57	\$1,133,913	\$ (68,559)	\$1,217,856	\$ (1,448)	\$2,281,819
Issuance of ordinary shares pursuant to stock plan	606	-	57	-	-	-	57
Non-cash stock-based compensation	-	-	30,188	-	-	-	30,188
Net income (loss)	-	-	-	-	250,524	(520)	250,004
Sale of a subsidiary’s shares to non-controlling shareholders	-	-	539	-	-	978	1,517
Currency translation adjustments	-	-	-	(31,339)	-	(8)	(31,347)
Balance at June 30, 2020	<u>226,916</u>	<u>\$57</u>	<u>\$1,164,697</u>	<u>\$ (99,898)</u>	<u>\$1,468,380</u>	<u>\$ (998)</u>	<u>\$2,532,238</u>
Balance at December 31, 2020	227,688	\$57	\$1,201,622	\$ 79,526	\$1,531,220	\$16,191	\$2,828,616
Issuance of ordinary shares pursuant to stock plan	593	-	226	-	-	-	226
Non-cash stock-based compensation	-	-	37,840	-	-	-	37,840
Net income (loss)	-	-	-	-	130,848	(898)	129,950
Compensation cost to non-controlling interest shareholders	-	-	-	-	-	2,341	2,341
Disposal of a subsidiary with non-controlling interests	-	-	(227)	-	-	(520)	(747)
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	10,811	10,811
Currency translation adjustments	-	-	-	28,926	-	296	29,222
Balance at June 30, 2021	<u>228,281</u>	<u>\$57</u>	<u>\$1,239,461</u>	<u>\$108,452</u>	<u>\$1,662,068</u>	<u>\$28,221</u>	<u>\$3,038,259</u>

APPENDIX IA

ACCOUNTANT'S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands of U.S. dollars)

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
Cash flows from operating activities:					
Net income	\$ 572,620	\$ 492,833	\$314,597	\$ 250,004	\$ 129,950
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	19,847	25,772	32,107	13,692	26,034
Stock-based compensation	41,011	61,289	67,105	30,188	36,221
Amortization of operating lease assets	–	3,793	3,974	1,872	2,508
Non-cash compensation cost to non-controlling interest shareholders	–	–	–	–	13,280
Provision of allowance for credit losses	6,226	38,561	53,124	25,233	10,444
Deferred income taxes	4,438	16,839	(15,727)	12,745	(5,061)
(Income) Loss from equity method investments	(57)	13,198	(10,434)	(3,388)	(13,605)
Dividend received from equity method investments	657	932	320	–	2,880
(Gain) Loss on sale of investments	287	(612)	(2,153)	(844)	(1,106)
Fair value changes through earnings on investments, net	(40,074)	(207,438)	(35,115)	(117,517)	69,495
Investment related impairment	24,074	249,935	211,985	3,920	66,625
Goodwill and acquired intangibles impairment	10,554	–	–	–	–
Gain on disposal of property and equipment	(120)	(120)	(74)	(27)	(65)
Amortization of convertible debt and unsecured senior notes issuance cost	4,140	4,803	5,944	2,738	3,223
Changes in assets and liabilities, net of acquisition:					
Accounts receivable due from third parties	(109,654)	(115,086)	(75,685)	(13,265)	(162,548)
Accounts receivable due from Alibaba	(8,028)	(13,032)	(68,286)	(16,250)	13,846
Accounts receivable due from other related parties	(103,982)	28,362	54,699	33,665	8,192
Prepaid expenses and other current assets	(49,381)	(20,128)	(30,461)	(23,858)	1,978
Other non-current assets	(1,044)	(101)	(191)	(1,189)	(3,760)
Accounts payable	64,277	5,161	15,167	(20,321)	9,050
Accrued and other liabilities	55,560	117,606	62,404	(21,044)	164,593
Amount due from SINA	(48,687)	(90,129)	148,943	2,487	(16,739)
Deferred revenues	24,375	11,254	19,928	51,054	600
Operating lease liabilities	–	(3,502)	(4,315)	(2,100)	(2,930)
Income taxes payable	20,968	11,463	(6,210)	(22,531)	(14,748)
Net cash provided by operating activities	488,007	631,653	741,646	185,264	338,357

**APPENDIX IA**

**ACCOUNTANT'S REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(In thousands of U.S. dollars)**

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				<i>(Unaudited)</i>	
Cash flows from investing activities:					
Purchases of bank time deposit and wealth management products	(1,792,481)	(1,230,596)	(3,170,291)	(793,810)	(501,944)
Maturities of bank time deposit and wealth management products	1,989,055	869,792	2,600,010	891,610	1,253,803
Investment in and prepayment on long-term investments	(419,126)	(688,920)	(392,547)	(257,500)	(960,446)
Proceeds from disposal of/refund of prepayment on long-term investments	85,134	60,307	289,631	62,129	168,283
Proceeds from disposal of property and equipment	136	122	92	38	260
Purchases of property and equipment	(28,350)	(21,746)	(34,828)	(15,752)	(15,491)
Prepayment for purchase of SINA Plaza	–	–	–	–	(132,531)
Loan to SINA	(149,460)	(233,884)	(473,777)	(188,194)	(310,923)
Repayment of loan by SINA	101,060	43,567	181,697	146,697	388,354
Payment for acquisitions, net of cash acquired	(40,000)	–	(214,302)	–	(51,873)
Net cash used in investing activities	(254,032)	(1,201,358)	(1,214,315)	(154,782)	(162,508)
Cash flows from financing activities:					
Proceeds from employee options exercised	781	275	122	108	226
Proceeds from unsecured senior notes, net of issuance costs	–	793,325	740,324	–	–
Repayment of loan from SINA	(2,000)	–	–	–	–
Payments to non-controlling shareholders	(196)	(1,731)	–	–	–
Proceeds from sale of a subsidiary's equity interest to a non-controlling shareholder	–	–	1,517	1,517	–
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	<u>\$ 1,234,596</u>	<u>\$ 1,452,985</u>	<u>\$ 1,814,844</u>	<u>\$1,472,251</u>	<u>\$2,005,106</u>

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(In thousands of U.S. dollars)**

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				<i>(Unaudited)</i>	
Supplemental disclosure of cash flow information					
Cash paid for interest expenses on convertible debt/unsecured senior notes	\$(11,719)	\$(11,250)	\$(65,906)	\$(33,625)	\$ (5,625)
Cash paid for income taxes	\$(70,060)	\$(80,666)	\$(82,667)	\$(66,199)	\$(82,265)
Supplemental schedule of non-cash investing and financing activities					
Property and equipment in accounts payable	\$ 5,258	\$ 4,693	\$ 3,985	\$ 7,767	\$ 3,048
Unpaid consideration for acquisition	\$ 10,000	\$ –	\$ 10,280	\$ –	\$ –
Consideration settled for acquisition <i>(Note 10)</i>	\$ –	\$(10,000)	\$ –	\$ –	\$ –

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. Operations

Weibo Corporation (“Weibo” or the “Company”) is a leading social media for people to create, share and discover content. It provides an unprecedented and simple way for people and organizations to publicly express themselves in real time, interact with others on a massive global platform and stay connected with the world. As a microcosm of the Chinese society and a cultural phenomenon in China, Weibo allows people to be heard publicly and exposed to the rich ideas, cultures and experiences of the broader world. Media outlets use Weibo as a source of news and a distribution channel for their headline news. Government agencies and officials use Weibo as an official communication channel for disseminating information timely and gauging public opinion to improve public services. Weibo provided charities a platform to launch charitable projects, seek donations and volunteers, and leverage celebrities and organizations on Weibo to amplify their impact to society. Weibo generates its revenues mostly from advertising and marketing services, as well as from value-added services, including VIP membership, live streaming, and game-related services.

Incorporated in the Cayman Islands, Weibo Corporation is a controlled subsidiary of Sina Corporation (the “Parent” or “SINA”). In April 2014, the Company completed an initial public offering (the “IPO”) on National Association of Securities Dealers Automated Quotations (“NASDAQ”) and received \$306.5 million in net proceeds. Immediately prior to the completion of the IPO, all the ordinary shares held by SINA was converted into an equal number of the Class B ordinary shares, all the ordinary shares held by other shareholders was converted into an equal number of the Class A ordinary shares, and all of its outstanding preferred shares was automatically converted into Class A ordinary shares. The call option held by a subsidiary of Alibaba Group was exercised to purchase Class A ordinary shares from SINA and the Company. Each Class A ordinary share is entitled to one vote per share and each Class B ordinary share is entitled to three votes per share. Each Class B ordinary share can be converted into one Class A ordinary share at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares.

Weibo Corporation, an exempted company with limited liability under the laws of the Cayman Islands, is the holding company for the Weibo business. WB Online and Weibo HK are wholly owned subsidiaries of Weibo, and Weibo Technology, a wholly foreign-owned enterprise, (“the WFOE”), is a subsidiary of Weibo HK. The operation of Weibo business is carried out by various subsidiaries and variable interest entities (“VIE”) of the Company. The Company’s VIEs and VIEs’ subsidiaries are controlled by the WFOE through a series of contractual agreements. Weibo Corporation, its subsidiaries, VIEs and VIEs’ subsidiaries together are referred to as “the Group”.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

The following sets forth the Company’s major subsidiaries, major VIEs and major VIEs’ subsidiary:

<u>Company</u>	<u>Date of Incorporation</u>	<u>Place of Incorporation</u>	<u>Percentage of Direct/ Indirect Economic Interest</u>
<i>Major Subsidiaries</i>			
Weibo Hong Kong Limited (“Weibo HK”)	July 19, 2010	Hong Kong	100%
Weibo Internet Technology (China) Co., Ltd. (“Weibo Technology” or “the WFOE”)	October 11, 2010	PRC	100%
WB Online Investment Limited (“WB Online”)	June 5, 2014	Cayman Islands	100%
Hangzhou Weishichangmeng Advertising Co., Ltd. (“Weishichangmeng”)	September 25, 2018	PRC	100%
<i>Major VIEs</i>			
Beijing Weimeng Technology Co., Ltd (“Weimeng”)	August 9, 2010	PRC	99%
Beijing Weimeng Chuangke Investment Management Co., Ltd. (“Weimeng Chuangke”)	April 9, 2014	PRC	100%
<i>Major VIEs’ subsidiary</i>			
Beijing Weibo Interactive Internet Technology Co., Ltd. (“Weibo Interactive”)	Acquired in May 2013	PRC	100%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Intellectual Property License Agreement*

The intellectual property license agreement was entered into by and between SINA and the Company in April 2013. Under this agreement, SINA granted the Company and its subsidiaries a perpetual, worldwide, royalty-free, fully paid-up, non-sub licensable, non-transferable, limited, exclusive license of certain trademarks and a non-exclusive license of certain other intellectual property owned by SINA to make, sell, offer to sell and distribute products, services and applications on a microblogging and social networking platform. The Company granted SINA and its affiliates a non-exclusive, perpetual, worldwide, non-sub licensable, non-transferable limited license of certain of the Company's intellectual property to use, reproduce, modify, prepare derivative works of, perform, display or otherwise exploit such intellectual property. This agreement commenced on April 29, 2013 and will continue to be in effect unless terminated by SINA should the Company breach the terms as provided in the agreement.

*Transactions between SINA and Weibo*

Accounts receivable directly related to Weibo but for which SINA will receive payments and remit payments to the Group, as well as accounts receivable directly from SINA, are included in the amount due from SINA. Liabilities directly related to Weibo but for which SINA will make payments and receive reimbursements from the Group, as well as liabilities directly to SINA, are included in the amount due to SINA. The amount due from/to SINA is presented as an offsetting balance on the Group's consolidated balance sheets. Loans from SINA are presented under cash flow from financing activities, whereas loans to SINA are presented under investing activities in the consolidated statements of cash flows. Cash payment for billings from SINA for costs and expenses allocated to the Group is presented under operating activities in the consolidated statements of cash flows. The Group's consolidated statements of comprehensive income contain all the related costs and expenses of the Weibo business, including allocation to the cost of revenues, sales and marketing expenses, product development expenses, and general and administrative expenses, which are incurred by SINA but related to the Weibo business. These allocations were based on proportional cost allocation by considering proportion of the revenues, infrastructure usage metrics and labor usage metrics, among other things, attributable to the Group and are made on a basis considered reasonable by mutual managements.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Transactions between SINA and Weibo (continued)*

Total cost and expenses allocated from SINA were as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
Cost of revenues	\$16,824	\$22,246	\$19,462	\$11,112	\$ 7,691
Sales and marketing	11,558	9,770	5,966	3,555	2,350
Product development	11,688	13,141	10,505	5,528	5,225
General and administrative	7,264	6,691	7,078	2,934	3,337
	<u>\$47,334</u>	<u>\$51,848</u>	<u>\$43,011</u>	<u>\$23,129</u>	<u>\$18,603</u>

While the costs and expenses allocated to the Group for these items are not necessarily indicative of the costs and expenses that would have been incurred if the Group had transactions with independent third party suppliers directly or hired more employees, the Company does not believe that there is any significant difference between the nature and amount of these allocated costs and expenses and the ones that would have been incurred if the Group had transactions with independent third party suppliers directly or hired more employees.

**Consolidation**

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, VIEs, of which the Company is the primary beneficiary, and VIEs’ subsidiaries. All significant intercompany balances and transactions have been eliminated.

To comply with PRC laws and regulations, the Group provides a substantial amount of its services in China via the VIEs, which holds critical operating licenses that enable the Group to do business in China. Most of the Group’s revenues, costs and expense, and net income in China were generated directly or indirectly through the VIEs. The Company, through the WFOE, has signed various agreements with the VIEs to allow the transfer of economic benefits from the VIEs to the Company. The Group has determined that it is the primary beneficiary of the VIEs through Weibo Technology’s contractual arrangements with the VIEs. Accordingly, the Company has consolidated the results of operations and assets and liabilities of VIEs and VIEs’ subsidiaries in the Group’s financial statements pursuant to the United States Generally Accepted Accounting Principles (“US GAAP”) for all the periods presented.



APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Consolidation (continued)*

Shareholders of the VIEs are certain nominee shareholders from the Company or SINA. The capital for their investments in the VIEs is funded by the Company and recorded as interest-free loans to these individuals. These loans were eliminated with the capital of the VIEs during consolidation. Each shareholder of the VIEs has agreed to transfer their equity interest in the VIEs to Weibo Technology when permitted by PRC laws and regulations or to designees of the Company at any time for the amount of loans outstanding. All voting rights of the VIEs, including without limitation the right to appoint all directors of the VIEs, has been assigned to Weibo Technology. Weibo Technology has also entered into exclusive technical service agreements with the VIEs under which Weibo Technology provides technical and other services to the VIEs in exchange for substantially all net income of the VIEs. In addition, the shareholders of the VIEs have pledged their shares in the VIEs as collateral for the non-payment of loans or for the technical and other services fees due to Weibo Technology. As of December 31, 2018, 2019, 2020 and June 30, 2021, the total amounts of interest-free loans to the VIEs’ shareholders were \$82.1 million, \$81.1 million, \$89.5 million and \$90.6 million, respectively. The VIEs and VIEs’ subsidiaries had retained earnings of \$23.2 million, \$33.1 million, accumulated deficit of \$96.1 million and \$158.8 million as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively, which were included in the Group’s consolidated financial statements.

The following table sets forth the assets, liabilities, results of operations and cash flows of the VIEs and VIEs’ subsidiaries taken as a whole, which are included in the Group’s consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of cash flows:

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(In thousands)</i>			
Cash, cash equivalents and short-term investments	\$ 55,506	\$ 99,465	\$ 445,210	\$ 340,157
Accounts receivable	366,128	420,686	431,022	532,243
Prepaid expenses and other current assets	121,210	101,363	55,653	178,561
Amount due from SINA	31,787	116,535	31,142	26,032
Property and equipment, net	449	243	692	1,499
Operating lease assets	–	686	1,783	5,054
Intangible assets	21,103	17,524	146,976	157,177
Goodwill	29,346	28,989	61,712	113,604
Long-term investments	275,819	380,420	394,745	369,686
Deferred tax assets	5,778	10,608	15,392	15,516
Others	1,464	8,625	223	250,268
Total assets	\$908,590	\$1,185,144	\$1,584,550	\$1,989,797

APPENDIX IA

ACCOUNTANT'S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Consolidation (continued)*

	As of December 31,			As of
	2018	2019	2020	June 30,
	2021			
	<i>(In thousands)</i>			
Accounts payable	\$ 79,881	\$ 86,417	\$ 83,336	\$ 97,710
Accrued and other liabilities	181,188	254,564	341,552	399,549
Deferred revenues	65,531	66,533	85,846	89,098
Income taxes payable	21,170	28,970	26,417	67,347
Amount due to the subsidiaries of the Group	440,563	632,900	968,138	1,285,039
Operating lease liability	–	586	1,704	5,060
Deferred tax liability	11,875	11,453	32,418	34,008
Other non-current liabilities	–	–	2,102	8,506
Total liabilities	<u>\$800,208</u>	<u>\$1,081,423</u>	<u>\$1,541,513</u>	<u>\$1,986,317</u>

	Year Ended December 31,			Six Months Ended	
	2018	2019	2020	2020	2021
	June 30,				
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
Net revenues	\$1,416,367	\$1,472,867	\$1,319,080	\$570,963	\$794,981
Net income (loss) after intercompany service fee charge	\$ 56,466	\$ 9,874	\$ (129,126)	\$ (37,727)	\$ (62,726)

	Year Ended December 31,			Six Months Ended	
	2018	2019	2020	2020	2021
	June 30,				
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
Net cash provided by (used in) operating activities	\$ 46,738	\$(100,987)	\$ 157,262	\$(55,363)	\$ 317,989
Net cash used in investing activities	(331,243)	(280,404)	(272,958)	(40,927)	(468,791)
Net cash provided by financing activities	292,151	441,952	290,234	36,837	31,406
Net increase (decrease) in cash and cash equivalents	<u>\$ 7,646</u>	<u>\$ 60,561</u>	<u>\$ 174,538</u>	<u>\$(59,453)</u>	<u>\$(119,396)</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Consolidation (continued)*

Under the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs through Weibo Technology and can have assets transferred freely out of the VIEs without restrictions. Therefore, the Company considers that there is no asset of the VIEs that can only be used to settle obligations of the VIEs and VIEs’ subsidiaries, except for the registered capital and non-distributable reserve funds of the VIEs and VIEs’ subsidiaries, amounting to \$144.1 million, \$152.0 million, \$196.6 million and \$228.5 million as of December 31, 2018, 2019 and 2020 and June 30, 2021, respectively. Since the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Company is conducting certain businesses mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss. The total amount of costs and expenses allocated from SINA to the VIEs was \$25.6 million, \$27.6 million, \$8.7 million, \$7.2 million and \$1.9 million for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, respectively.

Unrecognized revenue-producing assets held by the VIEs include the Internet Content Provision License, the Online Culture Operating Permit, the domain names of Weibo.com, Weibo.cn and Weibo.com.cn and so on. Recognized revenue-producing assets held by the VIEs include game technology, live streaming platform technology, supplier-relationship contracts, and trademark and domain names, which were acquired through the previous acquisitions. Unrecognized revenue-producing assets, including customer lists relating to advertising and marketing services, VIP membership, and game-related services, as well as trademarks, are also held by Weibo Technology.

The following is a summary of the VIE agreements with Weimeng. The VIE agreements with Weimeng Chuangke are substantially the same as those described below:

*Loan Agreements.* Weibo Technology has granted interest-free loans to the shareholders of Weimeng with the sole purpose of providing funds necessary for those shareholders to make capital injections to Weimeng. The term of the loans is 10 years and Weibo Technology has the right, at its own discretion, to shorten or extend the term of the loans if necessary. In the consolidated financial statements, these loans are eliminated with the capital of Weimeng during consolidation.

*Share Transfer Agreements.* Each shareholder of Weimeng has granted Weibo Technology an option to purchase his shares in Weimeng at a purchase price equal to the amount of capital injection. Weibo Technology may exercise such option at any time until it has acquired all shares of Weimeng, subject to applicable PRC laws. The options will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

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APPENDIX IA

ACCOUNTANT'S REPORT

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Consolidation (continued)*

*Loan Repayment Agreements.* Each shareholder of Weimeng has agreed with Weibo Technology that the interest-free loans under the loan agreements shall only be repaid through share transfers. Once the share transfers are completed, the purchase price for the share transfer will be set off against the loan repayment. These agreements will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

*Agreement on Authorization to Exercise Shareholder's Voting Power.* Each shareholder of Weimeng has authorized Weibo Technology to exercise all his voting power as a shareholder of the applicable VIE on all matters requiring shareholders' approval under PRC laws and regulations and the articles of association of Weimeng, including without limitation to the appointment of directors, transfer, mortgage or dispose of Weimeng's assets, transfer of any equity interest in Weimeng, and merger, split, dissolution and liquidation of Weimeng. The authorizations are irrevocable and will not expire until Weimeng dissolves.

*Share Pledge Agreements.* Each shareholder of Weimeng has pledged all of his shares in Weimeng and all other rights relevant to his rights in those shares to Weibo Technology as security for his obligations to pay off all debts to Weibo Technology under the loan agreement. In the event of default of such obligations, Weibo Technology will be entitled to certain rights, including transferring the pledged shares to itself and disposing of the pledged shares through sale or auction. During the term of the agreements, Weibo Technology is entitled to receive all dividends and distributions paid on the pledged shares. The pledges will be effective until the earlier of (i) the third anniversary of the due date of the last guaranteed debt, (ii) Weimeng and its shareholders have fully performed their obligations under these agreements, and (iii) Weibo Technology consents to terminate these agreements.

*Exclusive Technical Services Agreement, Exclusive Sales Agency Agreement and Trademark License Agreement.* Weimeng has entered into an exclusive technical services agreement, an exclusive sales agency agreement and a trademark license agreement with Weibo Technology. Under the exclusive technical services agreement, Weibo Technology is engaged to provide technical services for Weimeng's online advertising and other related businesses. Under the exclusive sales agency agreement, Weimeng has granted Weibo Technology the exclusive right to distribute, sell and provide agency services for all the products and services provided by Weimeng. Due to its control over Weimeng, Weibo Technology has the right to determine the service fee to be charged to Weimeng under these agreements by considering, among other things, the technical complexity of the services, the actual cost that may be incurred for providing such services, the operations of Weimeng, applicable tax rates, planned capital expenditure and business strategies. These agreements can only be prematurely terminated by Weibo Technology, and will not expire until Weimeng dissolves. Under the trademark license agreement, Weibo Technology has granted Weimeng trademark licenses to use the trademarks held by or licensed to Weibo Technology in specific areas, and Weimeng is obligated to pay license fees to Weibo Technology. The term of this agreement is one year and is automatically renewed provided there is no objection from Weibo Technology.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**1. Operations (continued)**

*Consolidation (continued)*

These VIE agreements provide Weibo Technology with the power to direct the activities that most significantly affect the economic performance of the Group’s consolidated VIEs and enable the Group to receive substantially all of the economic benefits generated by them. For the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, the total amount of service fees that Weibo Technology received from Weimeng under these service agreements and trademark license agreement was \$842.6 million, \$832.4 million, \$766.8 million, \$312.7 million and \$438.5 million, respectively, which were based on the actual cost incurred from providing the services and the cash position and operations of Weimeng.

Weibo Technology, Weimeng Chuangke and Weimeng Chuangke’s shareholders have entered into contractual arrangements which contain agreements and terms substantially similar to Weibo Technology’s contractual arrangements with Weimeng and Weimeng’s shareholders described above.

*Minority Investment in Weimeng*

In April 2020, WangTouTongDa (Beijing) Technology Co., Ltd., an entity affiliated with ZhongWangTou (Beijing) Technology Co., Ltd., made an investment of approximately RMB10.7 million in Weimeng for 1% of Weimeng’s enlarged registered capital. Such third party minority stake holder is entitled to customary economic rights in proportion to its equity ownership, and certain minority shareholder rights such as the right to appoint a director to Weimeng’s three-member board of directors, and veto rights over certain matters related to content decision, and certain future financings of Weimeng.

The third party minority stake holder is not a party to the contractual arrangements mentioned above that are currently in effect among Weimeng, Weibo Technology and Weimeng’s other shareholders. As such, despite the fact that the Company is still able to enjoy economic benefits and exercise effective control over Weimeng and its subsidiaries, the Company is not able to purchase or have the third party minority stake holder pledge its 1% equity interests in Weimeng in the same manner as agreed under existing contractual arrangements, nor is it granted the authorization of voting rights over these 1% equity interests. The Company believes Weibo Technology, the wholly-owned PRC subsidiary, still controls and is the primary beneficiary of Weimeng as it continues to have a controlling financial interest in Weimeng pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

The Company believes that the contractual arrangements among the WFOE, VIEs and VIEs’ shareholders are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company’s ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the VIEs and VIEs’ subsidiaries in the consolidated financial statements. The Company’s ability to control the VIEs also

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations (continued)

*Consolidation (continued)*

*Minority Investment in Weimeng (continued)*

depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholder approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder’s voting power are legally enforceable. In addition, if the legal structure and contractual arrangements with the VIEs were found to be in violation of any future PRC laws and regulations, the Company may be subject to fines or other actions. The Company believes the possibility that it will no longer be able to control and consolidate the VIEs as a result of the aforementioned risks and uncertainties is remote.

2. Significant Accounting Policies

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated. The Historical Financial Information is for the group consisting of the Company and its subsidiaries.

*Basis of presentation*

The preparation of the Group’s consolidated financial statements is in conformity with U.S. GAAP. The consolidated financial statements include the accounts of Weibo, its wholly owned subsidiaries, VIEs, and VIEs’ 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 the management makes 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. The management bases the estimates and judgments on historical information and on various other assumptions that management believes are reasonable under the circumstances. Actual results could differ materially from such estimates.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**2. Significant Accounting Policies (continued)**

*Revenue recognition*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued, ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The Group adopted the new revenue guidance since January 1, 2018 using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Group’s historic accounting method under ASC 605. The main impacts are a) the presentation of value added tax recognized in revenue from “gross” to “net”, which results in equal decrease of revenues and cost of revenues, and b) the recognition of revenues and expenses at fair value for advertising barter transactions, which mainly results in the increase of revenue and advertising expenses.

*Impact of Adoption*

The cumulative-effect adjustment on the retained earnings as of January 1, 2018 related to the initial application of the new revenue standard was \$0.6 million, which resulted from advertising barter transactions. The adoption resulted in an increase of \$2.1million in deferred revenue and an increase of \$0.6 million in other current assets as of December 31, 2018.

The table below summarized the impact of adoption of the new revenue standard on the Group’s consolidated statement of comprehensive income for the year ended December 31, 2018.

	<b>Year ended December 31, 2018</b>			
	<b>Adjustments</b>			
	<b>ASC 605</b>	<b>VAT</b>	<b>Barter Transaction</b>	<b>ASC 606</b>
	<i>(\$ In thousands)</i>			
Total revenues	1,703,644	(95,470)	110,344	1,718,518
Costs and expenses				
Cost of revenues	373,118	(95,470)	–	277,648
Sales and marketing	418,004	–	109,420	527,424
Income from operations	608,340	–	924	609,264

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 the Group expects to be entitled to in exchange for those goods or services. The Group identifies its contracts with customers and all performance obligations within those contracts. The Group then determines the transaction price and allocates the transaction price to the performance obligations within the Group’s contracts with customers, recognizing revenue when, or as, the Group satisfies its performance obligations.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Revenue recognition (continued)*

*Impact of Adoption (continued)*

The Group does not believe that significant management judgments are involved in revenue recognition, but the amount and timing of the Group’s 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. The Group estimates annual expected revenue volume of each individual agent with reference to their historical results. The Group recognizes revenue for the amount of fees it receives from its advertisers, after deducting estimated sales rebates and net of value-added tax (“VAT”) under ASC 606. The Group believes that there will not be significant changes to its estimates of variable consideration.

Revenue disaggregated by revenue source for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 consists of the following:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
				(In thousands)	
Advertising and marketing revenues	\$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	<u>\$1,718,518</u>	<u>\$1,766,914</u>	<u>\$1,689,931</u>	<u>\$710,782</u>	<u>\$1,033,362</u>

The Group enters into contracts with its customers, which may give rise to contract assets (unbilled revenue) or contract liabilities (deferred revenue). The payment terms and conditions within the Group’s contracts vary by the type and location of its customers and products or services purchased, the substantial majority of which are due in less than one year. Deferred revenues related to unsatisfied performance obligations at the end of the period are mainly from the customer advance of the advertising and marketing services and the sales of the fee-based services, such as VIP membership, live streaming, and virtual currency or in-game virtual items sold for game related 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. The amount of revenue recognized that was included in the deferred revenue balance at the beginning of the periods was \$67.2 million, \$88.3 million, \$91.5 million, and \$104.5 million for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2021, respectively.



II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Revenue recognition (continued)*

*Practical Expedients and Exemptions*

The Group generally expenses 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 the Group's platform or website in particular formats and over particular periods of time, which is typically no more than three months. The Group enters into cost per mille ("CPM"), or cost per thousand impressions, advertising arrangements with the customers, under which the Group recognizes revenues based on the number of times that the advertisement has been displayed. The Group also enters into cost per day ("CPD") advertising arrangements with customers, under which the Group recognizes 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.

The Group's 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. The Group believes its estimation approach in variable consideration results in revenue recognition in a manner consistent with the underlying economics of the transaction.

The Group's contracts with customers may include multiple performance obligations, which primarily consist of combination of service to allow customers to place advertisements on different areas of its 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, the Group determines best estimate of the stand-alone selling price by taking into consideration of the pricing of advertising areas of the Group's platform or website with similar popularities and advertisements with similar formats and quoted prices from competitors and other market conditions. The Group believes the 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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Revenue recognition (continued)*

*Advertising and marketing revenues (continued)*

third parties. The Group pays a predetermined portion of revenues it 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. The Group has determined that it is the principal in these transactions, as it is primarily responsible for fulfilling all the obligations related to advertising contracts. The Group has discretion in establishing pricing of the contracts and controls the advertising inventory before the delivery to customers. The Group records revenues derived from such contracts on a gross basis and the portion paid to the third parties is recognized as cost of revenues.

Revenues from barter transactions are recognized during the period in which the advertisements are displayed on the Group's 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*

The Group generates value-added services revenues principally from fee-based 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. Revenues from these services are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those services.

*VIP membership.* 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.* Live streaming generates revenue from sales of virtual items on the live streaming platform ("Yizhibo"). Users can access the platform and view the live streaming content and interact with the broadcasters for free.

The Group designs, creates and offers 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, the Group shares 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 the Group has determined that it acts 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 cost of revenues. The Group does not have further obligations to the user after the virtual items are consumed.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Revenue recognition (continued)*

*Value-added services revenues (continued)*

*Game-related services.* Game-related service revenues are mostly generated from the purchase of virtual items by game players through the Group's platform, including items, avatars, skills, privileges or other in game consumables, features or functionality, within the games. The Group's performance obligation is to provide on-going 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. The Group collects 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 that the Group is 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 in which the Group is 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.

*Cost of revenues*

Cost of revenues consists mainly of costs associated with the maintenance of platform, which primarily include bandwidth and other infrastructure costs, revenue-share cost, advertisement production cost, labor cost and turnover taxes levied on the revenues, part of which were allocated from SINA. The Group is subject to 3% cultural business construction fees for its advertising and marketing revenues, which is included in cost of revenues. Starting from July 1, 2019, the 3% cultural business construction fees was reduced to 1.5%. Moreover, as part of the measures taken by the government to ease the negative impact from Covid-19 pandemic, the cultural business construction fees was exempted for the fiscal year of 2020 and 2021. An aggregate of \$24.6 million and \$11.5 million cultural business construction fees was exempted for the year ended December 31, 2020 and six months ended June 30, 2021, respectively.

*Sales and marketing expenses*

Sales and marketing expenses consist mainly of online and offline advertising and promotional expenses, salary, benefits and commission expenses, and facility expenses. Advertising and promotional expenses generally represent the expenses of promotions of corporate image and product marketing. The Group expenses all advertising and promotional expenses as incurred and classifies these expenses under sales and marketing expenses. For the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, the advertising and promotional expenses were \$428.8 million, \$352.3 million, \$330.9 million, \$156.9 million and \$219.9 million, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Product development expenses*

Product development expenses consist mainly of payroll-related expenses and infrastructure costs incurred for enhancement to and maintenance of the Group's platform, as well as costs associated with new product development and product enhancements, part of which were allocated from SINA. The Group expenses all costs incurred for the planning and post implementation phases of development and costs associated with repair or maintenance of the existing site or the development of platform content. Since inception, the amount of costs qualifying for capitalization has been immaterial and, as a result, all product development costs have been expensed as incurred.

*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.

The Group uses 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 the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility of the Company 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.

The Group recognizes the estimated compensation cost of restricted share units based on the fair value of its ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over a vesting term of generally four years for service-based restricted share units. The Group also recognizes 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. The Group uses historical data to estimate pre-vesting option and records stock-based compensation expense only for those awards that are expected to vest. See Note 7 *Stock-based Compensation* for further discussion on stock-based compensation.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*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 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 carry forwards. The Group records a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the consolidated financial statements.

*Uncertain tax positions.* To assess uncertain tax positions, the Group applies 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 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.

*Short-term investments*

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, the Group 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.

*Accounts receivable and allowances for doubtful accounts/credit losses*

Prior to January 1, 2020, accounts receivable are recorded and carried at the original invoiced amount less an allowance for any potential uncollectible amounts. The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that will not be collected. The Group determines the allowance for doubtful accounts based on historical rolling average bad debt rate in the prior period and other factors, such as credit-worthiness of the customers and the age of the receivable balances. The Group also provides specific provisions for bad debts when facts and circumstances indicate that

**APPENDIX IA**

**ACCOUNTANT'S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**2. Significant Accounting Policies (continued)**

*Accounts receivable and allowances for doubtful accounts/credit losses (continued)*

the receivable is unlikely to be collected. If the financial condition of the Group's customers were to deteriorate, resulting in impairment of their ability to make payments, more bad debt allowances may be required.

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 the Group adopted ASC Topic 326 on January 1, 2020. Accounts receivable are recorded at the original amounts less an allowance for any potential uncollectible amounts. The Group makes estimates of expected credit and collectability trends for the allowance for credit losses based upon 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. The Group also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected. Expected credit losses for accounts receivable are recorded as general and administrative expenses on the consolidated statements of comprehensive income. The initial impact of applying ASC Topic 326 on the consolidated financial statements is immaterial to the Group's retained earnings as of January 1, 2020.

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. Management estimates the allowance for credit losses on loans and interest receivable not sharing similar risk characteristic on an individual basis, based on lifetime expected credit losses of these loans and interest receivable by estimating 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 estimated loan collection schedule, discount rate, financial condition and performance data of the borrowers and reasonable and supportable performance forecasts.

*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, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Group measures 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, the Group measures them at fair value when observable price changes are identified or impairment charge was recognized. The fair values of the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Fair value measurements (continued)*

*Financial instruments (continued)*

Group's 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 the Group's long-term investments in the equity securities of publicly listed companies are measured using quoted market prices. The Group's 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 asset 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, amount due from/to SINA, accounts payable, accrued and other liabilities approximates fair value because of their short-term nature. See Note 15 *Fair Value Measurement* for additional information.

*Long-term investments*

Long-term investments are comprised of investments in publicly traded companies, privately held companies, and limited partnerships. The Group uses the equity method to account for ordinary-share-equivalent equity investments on which it has significant influence but does not own a majority equity interest or otherwise control.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Long-term investments (continued)*

Before the adoption of ASU 2016-01 in 2018, the Group used cost method to account for equity investments over which the Group does not have significant influence, or the investments in which the Group holds equity shares that are not common shares/in-substance common share without readily determinable fair value. For marketable equity securities, the Group reported them at fair value and accounted for them as available-for-sale ("AFS") securities under long-term investments.

After adopting ASU 2016-01 on January 1, 2018, the Group measures investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair values, the Group elects 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.

The marketable equity securities were reclassified as investments with readily determinable fair values under the ASU 2016-01. There will no longer be an available-for-sale classification for equity securities. The cumulative effects of applying the guidance to the Group's consolidated balance sheets were the reclassification of unrealized loss of \$1.0 million from accumulated other comprehensive income to retained earnings as of January 1, 2018.

Due to the adoption of ASU 2016-01, the AFS was reclassified to investment with readily determinable fair values beginning January 1, 2018, the Group recorded \$2.8 million loss, which is unrealized in 2018, and the fair value was \$1.5 million as of December 31, 2018.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For equity investments without readily determinable fair value for which the Group has elected to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date, applying significant judgement in considering various factors and events including a) adverse performance of investees; b) adverse industry developments affecting investees; and c) adverse regulatory, social, economic or other developments affecting investees. If a qualitative assessment indicates that the investment is impaired, the Group estimates 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, the Group recognizes an impairment loss in net income equal to the difference between the carrying value and fair value. Significant judgment is applied by the Group in estimating the fair value to determine if an impairment exists, and if so, to measure the impairment losses for these equity security investments. These judgments include the selection of valuation methods in estimating fair value and the determination of key valuation assumptions used, which comprised the cash flow forecasts and critical assumptions used in cash flow forecasts, such as the investees' revenue growth rate, terminal growth rate, discount rate, selection of comparable companies and multiples, estimated volatility rate and discount for lack of marketability.



II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Long-term investments (continued)*

Investments in entities over which the Group can exercise significant influence and holds an investment in voting common shares or in-substance common shares (or both) of the investee but does 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. Under the equity method, the Group initially records its investments at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investments to recognize the Group’s proportionate share of each equity investee’s net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

In January 2020, the FASB issued ASU No. 2020-01, Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) — Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force). The amendments in this update clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the consolidated financial statements.

*Business combination*

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of consideration paid, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Leases*

Prior to the adoption of ASC 842 in 2019, the Group accounted for leases under ASC 840, Leases. The Group leases office space under operating lease agreements with various expiration dates. Rental expense is recognized from the date of initial possession of the leased property on a straight-line basis over the term of the lease, part of which was allocated from SINA. Certain lease agreements contain rent holidays, which are recognized on a straight-line basis over the lease term. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease terms.

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, the Group adopted the new lease standard using the transition method by applying the standard to all leases existing at the date of initial application. The Group 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.

The Group did not retrospectively adjust the prior comparative periods. Under the new lease standard, the Group determines if an arrangement is or contains a lease at inception. Right-of-use assets and liabilities are recognized at lease commencement date based on the present value of remaining lease payments over the lease terms. The Group considers only payments that are fixed and determinable at the time of lease commencement. The adoption of new leasing guidance resulted in recognition of \$14.4 million of operating lease assets and \$14.9 million of leasing liabilities as of January 1, 2019, respectively, and no impact to the beginning retained earnings of the year.

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**APPENDIX IA**

**ACCOUNTANT’S REPORT**

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**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**2. Significant Accounting Policies (continued)**

*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. Depreciation expenses were \$18.5 million, \$22.4 million, \$26.5 million, \$12.0 million and \$16.1 million for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, respectively.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group’s acquisitions of interests in its subsidiaries, consolidated VIEs and VIEs’ subsidiaries. The Group assesses 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. The guidance provides the option that the Group may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test, by taking into consideration of macroeconomics, overall financial performance, industry and market conditions and the share price of the Group. 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 the Group 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. The management fully impaired the goodwill arising from acquisition of several game business amounting \$10.6 million as the management expect it’s hard for the game business to recover. For the years ended December 31, 2019, 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.

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**APPENDIX IA**

**ACCOUNTANT'S REPORT**

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**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**2. Significant Accounting Policies (continued)**

*Long-lived assets (continued)*

*Intangible assets other than goodwill (continued)*

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*

The Group determines the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature. After considering the impact of such features, the Group may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense over the contractual life. The Group 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.

*Deferred revenues*

Deferred revenues consist of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition, which are mainly from the customer advance of the advertising and marketing services and the sales of the fee-based services, such as VIP membership, live streaming, and virtual currency or in-game virtual items sold for game related services.

*Non-controlling interests*

For the Company's majority-owned subsidiaries and VIEs, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. To reflect the economic interest held by non-controlling shareholders, net income/loss attributable to the non-controlling ordinary shareholders is recorded as non-controlling interests in the Company's consolidated statements of comprehensive income. Non-controlling interests are

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Non-controlling interests (continued)*

classified as a separate line item in the equity section of the Company's consolidated balance sheets and have been separately disclosed in the Company's consolidated financial statements to distinguish the interests from that of the Company.

*Foreign currency*

The Company's reporting currency and functional currency are the U.S. dollar. The Group's operations in China and in international regions use their respective currencies as their functional currencies. The financial statements of these subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates of exchange in the period for revenues, costs and expenses. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of shareholders' equity. Translation gains or losses are not released to net income unless the associated net investment has been sold, liquidated, or substantially liquidated.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rate prevailing on the transactions dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in interest and other income, net.

Foreign currency translation adjustments included in the Group's consolidated statements of comprehensive income for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 were a loss of \$60.3 million, a loss of \$19.0 million, a gain of \$148.5 million, a loss of \$31.3 million and a gain of \$29.2 million respectively. Net foreign currency transaction gains or losses arise from transacting in a currency other than the functional currency of the entity and the amounts recorded were immaterial for each of the periods presented.

*Net income per share*

Basic net income per share is computed using the weighted average number of ordinary shares outstanding during the period. Options and RSUs are not considered outstanding in computation of basic earnings per share. Diluted net income per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period, which include options to purchase ordinary shares, restricted share units and conversion of the convertible debt. The computation of diluted net income per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts or a decrease in loss per share amounts) on net income per share. The Group uses the two-class method to calculate net income per share though both classes share the same rights in dividends. Therefore, basic and diluted earnings per share are the same for both classes of ordinary shares.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Segment reporting*

In accordance with ASC 280, Segment Reporting, the Group’s chief operating decision maker (“CODM”), the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group currently operates and manages its business in two principal business segments globally — advertising and marketing services and value-added services. Information regarding the business segments provided to the Group’s CODM is at the revenue level and the Group currently does not allocate operating costs or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments. As the Group’s long-lived assets are substantially all located in the PRC and substantially the Group’s revenues are derived from within the PRC, no geographical information is presented.

*Concentration of risks*

*Concentration of credit risk.* The Group’s financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and accounts receivable. In addition, with the majority of its operations in China, the Group is subject to RMB currency risk and the risk of remittance of currency out of PRC, both of which have been difficult to hedge and the Group has not done so. The Group limits its exposure to credit loss by depositing its cash and cash equivalents with financial institutions in the U.S., PRC and Hong Kong, which are among the largest and most respected with high ratings by international-recognized rating agencies, that the management believes are of high credit quality. The management periodically reviews these institutions’ reputations, track records and reported reserves.

As of December 31, 2018, 2019 and 2020 and June 30, 2021, the Group had approximately \$1.7 billion, \$2.2 billion, \$3.0 billion and \$2.4 billion, respectively, in cash and bank time deposits (with terms generally up to twelve months) with large domestic banks in China. China promulgated a Bankruptcy Law that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the Bankruptcy Law, a Chinese bank may go bankrupt. In addition, since China’s concession to WTO, foreign banks have been gradually permitted to operate in China and have become significant competitors to Chinese banks in many aspects, especially since the opening of RMB business to foreign banks in late 2006. Therefore, the risk of bankruptcy on Chinese banks in which the Group holds cash and bank deposits has increased. In the event that a Chinese bank which holds the Group’s deposits goes bankrupt, the Group is unlikely to claim its deposits back in full, since it is unlikely to be classified as a secured creditor to the bank under the PRC laws.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Concentration of risks (continued)*

Alibaba as an advertiser accounted for 7%, 6%, 9%, 9% and 7% of the Group’s total revenues for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, respectively. No other customer nor advertising agency individually represented 10% or more of the Group’s total revenues during the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021. Additionally, the Group’s top 10 advertising agencies contributed 26%, 28%, 32%, 33% and 38% to its total revenues for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019, 2020 and as of June 30, 2021, substantially all accounts receivable were derived from the Group’s China operations. Excluding accounts receivable due from Alibaba and other related parties, accounts receivable primarily consists of amounts due from advertising agencies and direct customers. Alibaba accounted for 13%, 14%, 28% and 19%, of the Group’s net accounts receivables as of December 31, 2018, 2019, 2020 and as of June 30, 2021, respectively.

*Concentration of foreign currency risks.* The majority of the Group’s operations were in RMB. As of December 31, 2018, 2019, 2020 and as of June 30, 2021, the Group’s cash, cash equivalents and short-term investments balance denominated in RMB was \$950.8 million, \$936.9 million, \$1,651.3 million and \$1,451.6 million, accounting for 52%, 39%, 47% and 49% of the Group’s total cash, cash equivalents and short-term investments balance at the respective dates. As of December 31, 2018, 2019, 2020 and as of June 30, 2021, the Group’s aggregate net accounts receivable balance (including accounts receivable due from third parties, Alibaba and other related parties) denominated in RMB was \$368.8 million, \$422.2 million \$492.0 million and \$631.2 million, respectively, representing almost all of its net accounts receivable balance. As of December 31, 2018, 2019, 2020 and as of June 30, 2021, the Group’s current liabilities balance denominated in RMB was \$620.4 million, \$744.2 million, \$947.6 million and \$1,064.1 million, accounting for 99%, 93%, 99% and 97% of its total current liabilities balance. Accordingly, the Group may experience economic losses and negative impacts on earnings and equity as a result of exchange rate fluctuations of the RMB against the U.S. dollars. Moreover, the Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Group may experience difficulties in completing the administrative procedures necessary to remit its RMB out of the PRC and convert it into foreign currency.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

*Recent accounting pronouncements*

In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The ASU is currently not expected to have a material impact on the consolidated financial statements.

3. Cash, Cash Equivalents and Short-term Investments

Cash, cash equivalents and short-term investments consist of the following:

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(In thousands)</i>			
Cash and cash equivalents:				
Cash	\$1,234,596	\$1,452,985	\$1,814,844	\$2,005,106
Short-term investments:				
Bank time deposits	591,269	951,235	1,515,880	750,467
Wealth management products	—	—	166,168	180,355
Subtotal	591,269	951,235	1,682,048	930,822
Total cash, cash equivalents and short-term investments	<u>\$1,825,865</u>	<u>\$2,404,220</u>	<u>\$3,496,892</u>	<u>\$2,935,928</u>

The carrying amounts of cash, cash equivalents and short-term investments approximate fair value. Interest income was \$58.0 million, \$85.4 million, \$85.8 million, \$45.6 million and \$40.1 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively. The maturity dates for the bank time deposits and wealth management products were within one year.



APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. 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 the Group’s 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
	<i>(In thousands)</i>			
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 (Note 6)	(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

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**4. Long-term Investments (continued)**

In the second quarter of 2021, the Group obtained control of its investment in an investee operating a leading mobile photo and video application in China, Wuta application, through a step acquisition of consideration of \$39.5 million. The Group recorded \$27.6 million fair value change loss for the equity interest previously held by the Group immediately prior to the step acquisition. The impact of the transaction was reflected in the changes from measurement alternative to consolidation.

For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2021, the Group invested in private high-tech companies totaling \$134.8 million, \$268.7 million, \$134.9 million and \$48.0 million, respectively, which were accounted for under investments without readily determinable fair values. These investments were to further expand and strengthen the Group’s ecosystem and mainly included an investment of \$72.7 million in an investee in e-commerce business and an investment of \$21.8 million in a company engaged in creating and providing unique online cartoon content in 2018, a follow-on investment of \$100.0 million in Yixia Tech Co., Ltd. (“Yixia Tech”), a developer of mobile video apps in 2019, an investment of \$46.8 million in a financing guarantee company and an investment of \$30.6 million in a commercial search business in 2020, as well as a further investment of \$39.5 million in a leading mobile photo and video application in China for the six months ended June 30, 2021, which was mentioned above. The follow-on investment in Yixia Tech resulted in an aggregate investment in the company of \$290.0 million prior to the \$214.7 million impairment recognized in 2019 as described below. The Group also invested \$97.3 million, \$91.9 million, \$92.9 million and \$103.9 million in companies, which were accounted for under equity method, in 2018, 2019, 2020 and for the six months ended June 30, 2021, respectively. These investments mainly included \$93.0 million investments in two funds in 2018, a \$57.4 million investment in a company providing consumer finance services in 2019, several investment funds in 2020 and an additional investment of \$60.0 million in an investment fund for the six months ended June 30, 2021.

The Group used measurement alternative for recording equity investments without readily determinable fair values at cost, less impairment, adjusted for subsequent observable price changes. Based on ASU 2016-01, entities that elect the measurement alternative will report changes in the carrying value of the equity investments in current earnings. If measurement alternative is used, changes in the carrying value of the equity investment will be recognized whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer, and impairment charges will be recorded when any impairment indicators are noted and the fair value is lower than the carrying value. The Group classifies the valuation techniques on investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**4. Long-term Investments (continued)**

The following table summarizes the total carrying value of the equity investments accounted for under measurement alternative as of December 31, 2018, 2019, 2020 and as of June 30, 2021, respectively, including cumulative upward and downward adjustments made to the initial cost basis of the securities (in thousands):

	<b>Cumulative Results</b>
Initial cost basis	\$ 555,153
Upward adjustments	42,877
Downward adjustments (impairment only)	(23,557)
Foreign currency translation	(3,854)
	<hr/>
Total carrying value at December 31, 2018	<u>\$ 570,619</u>
Initial cost basis	\$ 738,035
Upward adjustments	81,458
Downward adjustments (impairment only)	(254,416)
Foreign currency translation	(6,475)
	<hr/>
Total carrying value at December 31, 2019	<u>\$ 558,602</u>
Initial cost basis	\$ 870,893
Upward adjustments	81,458
Downward adjustments	(383,698)
Foreign currency translation	10,431
	<hr/>
Total carrying value at December 31, 2020	<u>\$ 579,084</u>
Initial cost basis	\$ 835,552
Upward adjustments	82,217
Downward adjustments	(477,891)
Foreign currency translation	13,580
	<hr/>
Total carrying value at June 30, 2021	<u>\$ 453,458</u>

As of June 30, 2021, investment in Didi Global Inc. (“Didi”) amounting to \$142.0 million was accounted for under measurement alternative. Didi completed its initial public offering and its shares started trading on July 1, 2021, China time. Therefore, investment in Didi was transferred from measurement alternative to equity securities with readily determinable fair value from July 1, 2021, with the fair value determined based on the quoted prices in active market.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. Long-term Investments (continued)

The Group assessed or engaged independent valuation firms to help the management assess the fair value of certain investments as of December 31, 2018, 2019, 2020 and June 30, 2021, using Level 3 of fair value measurements and concluded that the impairment was warranted for those investments at the periods end. Thus, the Group recognized \$23.6 million, \$230.9 million, \$126.8 million, \$2.5 million and \$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. The impairment charges mainly included an \$11.9 million write-off on an online-reading business and a \$9.7 million write-off on a company operating in game business in 2018, a partial impairment of \$214.7 million on Yixia Tech in 2019, a partial impairment of \$59.8 million on an investee in e-commerce business as well as a \$39.3 million write-off on a game company in 2020, and a partial impairment of \$59.4 million on Yixia Tech for the six months ended June 30, 2021, due to their unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future.

Investments in marketable equity securities are valued using the market approach based on the quoted prices in active markets at the reporting dates. The Group classifies 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. (“Showworld”), 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 \$2.8 million fair value change loss, \$171.6 million fair value change gain, \$37.6 million fair value change gain, \$120.3 million fair value change loss and \$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.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4. Long-term Investments (continued)

The following table shows the carrying amount and fair value of the marketable securities:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	<i>(In thousands)</i>			
One marketable security	\$ 5,274	\$ –	\$ (3,798)	\$ 1,476
<b>December 31, 2018</b>	<u>\$ 5,274</u>	<u>\$ –</u>	<u>\$ (3,798)</u>	<u>\$ 1,476</u>
Showworld	\$ 81,385	\$176,169	\$ –	\$257,554
Other marketable securities	20,292	513	(8,881)	11,924
<b>December 31, 2019</b>	<u>\$101,677</u>	<u>\$176,682</u>	<u>\$ (8,881)</u>	<u>\$269,478</u>
Showworld	\$ 81,385	\$204,675	\$ –	\$286,060
Other marketable securities	15,274	–	(12,113)	3,161
<b>December 31, 2020</b>	<u>\$ 96,659</u>	<u>\$204,675</u>	<u>\$ (12,113)</u>	<u>\$289,221</u>
Showworld	\$ 81,385	\$160,205	\$ –	\$241,590
<b>June 30, 2021</b>	<u>\$ 81,385</u>	<u>\$160,205</u>	<u>\$ –</u>	<u>\$241,590</u>

The Group recorded investment-related impairment of \$24.1 million, \$249.9 million, \$212.0 million, \$3.9 million and \$66.6 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively, as a result of the investees not performing to expectation or them becoming incapable of making repayments. The impairment charged in 2019 included write-offs of prepayments of \$19.1 million and the partial impairment charge of \$214.7 million to the carrying value of Yixia Tech, as well as other impairments of \$16.2 million. The impairment charged in 2020 included a partial impairment of \$59.8 million on an investee in e-commerce business, a \$39.3 million write-off on a game company, and \$82.2 million impairment charge on loans to investees (Note 10), as well as other impairments of \$30.7 million. The impairment charged for the six months ended June 30, 2021 was mainly caused by a partial impairment of \$59.4 million on Yixia Tech.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. Leases

On January 1, 2019, the Group adopted the new lease standard using the transition method by applying the standard to all leases existing at the date of initial application. The adoption of new leasing guidance resulted in recognition of \$14.4 million of operating lease assets and \$14.9 million of leasing liabilities as of January 1, 2019, respectively, and no impact to the beginning retained earnings of the year.

The Group has operating leases primarily for office spaces in China. The determination of whether an arrangement is or contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating lease assets and liabilities are included in operating lease right-of-use assets, operating lease liabilities, short-term, and operating lease liabilities, long-term on the Group’s consolidated balance sheets. The Group has chosen to not recognize lease assets and lease liabilities for leases with a term of twelve months or less on the consolidated balance sheets.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments over the lease terms at the lease commencement dates. The Group uses its incremental borrowing rate in determining the present value of lease payments. The incremental borrowing rate is a hypothetical rate based on the Group’s understanding of what interest the Group would pay in order to obtain a borrowing with an amount equivalent to the lease payments in a similar economic environment over the lease term on a collateralized basis from banks in China.

Certain lease agreements contain an option for the Group to renew a lease for a term agreed by the Group and the lessor or an option to terminate a lease earlier than the maturity dates. The Group considers these options, which may be elected at the Group’s sole discretion, in determining the lease term on a lease-by-lease basis. The Group’s lease agreements generally do not contain any residual value guarantees or material restrictive covenants. Certain of the Group’s leases contain free or escalating rent payment terms. The Group’s lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Group has chosen to combine payments for non-lease components with lease payments and accounted them together as a single lease component. Payments under the lease arrangements are primarily fixed. However, for arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. Additionally, certain lease agreements with SINA contain variable payments, which are determined based on actual SINA headquarters space occupied by the Group and are expensed as incurred and not included in the operating lease assets and liabilities.

APPENDIX IA

ACCOUNTANT'S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. Leases (continued)

The components of lease costs for the years ended December 31, 2019 and 2020 and six months ended June 30, 2020 and 2021 were as follows:

	Year Ended December 31,		Six Months Ended June 30,	
	2019	2020	2020	2021
	<i>(Unaudited)</i>			
	<i>(In thousands)</i>			
Operating lease cost	\$ 4,693	\$ 4,902	\$2,246	\$3,339
Short term lease cost	2,663	3,167	1,611	1,921
Variable lease cost	4,172	4,479	2,131	2,598
Total lease cost	<u>\$11,528</u>	<u>\$12,548</u>	<u>\$5,988</u>	<u>\$7,858</u>

Other information related to leases was as follows:

	Year Ended December 31,		Six Months Ended June 30,	
	2019	2020	2020	2021
	<i>(Unaudited)</i>			
	<i>(In thousands)</i>			

Supplemental Cash Flows

Information:

Cash paid for amounts included in the measurement of lease liabilities:				
Cash paid for operating leases	\$(4,683)	\$(5,522)	\$(2,589)	\$(3,938)
Operating lease assets obtained in exchange for operating lease liabilities	\$ 944	\$ 1,675	\$ -	\$ 8,287

Maturities of lease liabilities under operating leases as of June 30, 2021 were as follows:

Twelve Months Ended June 30, 2021	<i>(In thousands)</i>
2022	\$ 6,020
2023	2,020
2024	1,612
2025	1,434
2026 and thereafter	<u>1,714</u>
Total future payments for recognized leasing assets	<u>\$12,800</u>
Less: imputed interest	<u>1,052</u>
Total lease liabilities	<u>\$11,748</u>

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**5. Leases (continued)**

As of June 30, 2021, operating leases recognized in lease liabilities have average remaining lease terms of 3.6 years and weighted-average discount rate of 5%. As of June 30, 2021, the Group had no lease contract that has been entered into but not yet commenced.

**6. Acquisitions, Goodwill and Intangible Assets**

On October 1, 2018, the Group entered into a series of business and asset transfer agreements with Yixia Tech to acquire the whole of the live streaming business of Yizhibo, which was previously operated by Yixia Tech. The acquisition included the Yizhibo APP and related assets/technology, employees and business contracts with a cash consideration of \$50 million. The Group paid \$40 million consideration payable to Yixia Tech in 2018 and settled the rest \$10 million in 2019 (Note 10). The Group engaged an independent valuation firm to help management determine the value of assets and liabilities from the acquisition. Total identifiable intangible assets acquired on acquisition date included supplier-relationship of \$9.7 million with estimated useful life of five years, core technology of \$6.6 million with estimated useful life of eight years, and trademark and domain name of \$5.6 million with estimated useful life of ten years. In addition, there was no acquisition in 2019.

The consideration of acquisition of Yizhibo was allocated based on the fair value of the assets acquired and the liabilities assumed as follows:

	<b>As of October 1, 2018</b>
	<i>(In thousands)</i>
Consideration	<u>\$50,000</u>
Property and equipment, net	\$ 466
Identifiable intangible assets acquired	21,942
Other tangible assets	2,874
Liabilities assumed	(2,434)
Goodwill	<u>27,152</u>
Total	<u>\$50,000</u>

The acquisition mentioned above resulted in an increase of \$28.0 million to revenues and an immaterial impact to net income for 2018. Since it did not have a material impact on the Group’s consolidated financial statements, pro forma disclosures have not been presented.



APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. Acquisitions, Goodwill and Intangible Assets (continued)

On October 31, 2020, the Group entered into a series of share purchase agreements with then existing shareholders of Shanghai Jiamian Information Technology Co., Ltd. or JM Tech, which provides online interactive entertainment services, to acquire the majority of JM Tech’s equity interest, with a total consideration of \$218.6 million. The Group also entered into a contingent payment arrangement and a contingent allocation arrangement over JM Tech’s earnings with the founder and CEO of the company, both of which are subject to a service period through December 31, 2022 and certain performance conditions. The Group accounted for these arrangements as compensation expenses over the required service period when it is probable that the performance conditions will be met. The transaction was reflected in the Group’s consolidated financial statements from November 1, 2020. An independent valuation firm was engaged by the Group to help the management determine the fair value of assets and liabilities obtained from the transaction. The identifiable intangible assets acquired on acquisition date included launched games and products in development stage of \$124.2 million with estimated lives ranging from four to ten years. The intangible assets were measured at fair value upon acquisition primarily using valuation techniques under the income approach. Key assumptions used in determining the fair value of these intangible assets include cash flow forecasts, the revenue growth rates and the discount rate.

The consideration of acquisition of JM Tech was allocated based on the fair value of the assets acquired and the liabilities assumed as follows:

	<b>As of October 31, 2020</b>
	<i>(In thousands)</i>
Consideration	\$218,590
Redeemable non-controlling interest ( <i>Note 18</i> )	55,192
Non-controlling interest	16,133
	<hr/>
Total	\$289,915
	<hr/> <hr/>
Short-term investments acquired	\$155,205
Other assets acquired	26,087
Identifiable intangible assets acquired	124,196
Goodwill	30,075
Liabilities assumed	(45,648)
	<hr/>
Total	\$289,915
	<hr/> <hr/>

JM Tech contributed \$11.5 million of revenues and \$7.2 million of net income to the Group in 2020. Since it did not have a material impact on the Group’s consolidated financial statements, pro forma disclosures have not been presented.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**6. Acquisitions, Goodwill and Intangible Assets (continued)**

In the second quarter of 2021, the Group acquired another 51.2% equity interest of an investee operating a leading mobile photo and video application in China, Wuta application, in which the Group previously held 34.8% equity interest, with a cash consideration of \$39.5 million. The Group obtained the control and held 86% equity interest in the investee upon completion of the transaction on May 1, 2021. An independent valuation firm was engaged by the Group to help the management determine the fair value of assets and liabilities obtained from the transaction. The identifiable intangible assets acquired on acquisition date included user base, domain names and operating system of \$16.5 million with estimated lives ranging from three to ten years. The intangible assets were measured at fair value upon acquisition primarily using royalty savings method, multi-periods excess earning model and cost approach. Key assumptions used in determining the fair value of these intangible assets include cash flow forecasts, the revenue growth rates, the discount rate, the customer attrition rate and replacements costs.

The consideration of acquisition of the mobile app company was allocated based on the fair value of the assets acquired and the liabilities assumed as follows:

	<b>As of May 1, 2021</b>
	<i>(In thousands)</i>
Consideration	\$39,540
Fair value of previously held equity interest	26,875
Non-controlling interest	10,811
	<hr/>
Total	77,226
	<hr/> <hr/>
Cash and short-term investments acquired	5,786
Other assets acquired	6,801
Identifiable intangible assets acquired	16,495
Goodwill	51,034
Liabilities assumed	(2,890)
	<hr/>
Total	\$77,226
	<hr/> <hr/>

The acquisition mentioned above resulted an immaterial impact to revenues and net income for the six months ended 2021. Since it did not have a material impact on the Group’s consolidated financial statements, pro forma disclosures have not been presented. Apart from what have been mentioned above, there was no acquisition during the six months ended June 30, 2021.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

6. Acquisitions, Goodwill and Intangible Assets (continued)

The following sets forth the changes in the Group’s goodwill by segment:

	Advertising & Marketing	Value-added services	Total
	<i>(In thousands)</i>		
<b>Balance as of December 31, 2017</b>	\$ 2,318	\$ 11,102	\$ 13,420
Acquisition of Yizhibo	27,152	–	27,152
Impairment	–	(10,554)	(10,554)
Currency translation adjustment	(124)	(548)	(672)
<b>Balance as of December 31, 2018</b>	\$29,346	\$ –	\$ 29,346
Currency translation adjustment	(357)	–	(357)
<b>Balance as of December 31, 2019</b>	\$28,989	\$ –	\$ 28,989
Acquisition of JM Tech	–	30,075	30,075
Currency translation adjustment	1,910	738	2,648
<b>Balance as of December 31, 2020</b>	\$30,899	\$ 30,813	\$ 61,712
Acquisition of the company operating Wuta application	51,034	–	51,034
Currency translation adjustment	499	359	858
<b>Balance as of June 30, 2021</b>	<u>\$82,432</u>	<u>\$ 31,172</u>	<u>\$113,604</u>

The Group performs at least annually a qualitative analysis on the goodwill arising from acquisitions taking into consideration the events and circumstances listed in ASC350 *Intangibles — Goodwill and Other*, including consideration of macroeconomic factors, industry and market conditions, share price of the Group, and overall financial performance, in addition to other entity-specific factors. During 2018, impairment indicators were identified by the Group 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. The management fully impaired the goodwill arising from acquisition of several game business amounting \$10.6 million as the management expect it’s hard for the game business to recover. For the years ended December 31, 2019, 2020 and six months ended June 30, 2020 and 2021, no impairment indicator was noted by performing qualitative analysis, therefore, no provision was recorded.

The increase of the balance in the six months ended June 30, 2021 was mainly due to the goodwill arising from the acquisition of the company operating Wuta application completed in the second quarter of 2021.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**6. Acquisitions, Goodwill and Intangible Assets (continued)**

The following table summarizes the Group’s intangible assets arising from acquisitions:

	As of December 31, 2018			As of December 31, 2019			As of December 31, 2020			As of June 30, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	<i>(In thousands)</i>											
Game related Technology	\$ 8,978	\$ (2,594)	\$ 6,384	\$ 8,869	\$ (3,351)	\$ 5,518	\$ 127,238	\$ (4,417)	\$ 125,039	\$ 128,725	\$ (8,905)	\$ 119,820
Trademark and Domain name	5,623	(147)	5,476	5,555	(724)	4,831	12,788	(1,542)	11,246	19,763	(2,792)	16,971
Supplier-relationship	9,738	(495)	9,243	9,619	(2,444)	7,175	10,253	(4,689)	5,564	10,373	(5,798)	4,575
Others	2,326	(2,326)	-	2,298	(2,298)	-	2,449	(2,449)	-	13,706	(2,989)	10,717
<b>Total</b>	<b>\$26,665</b>	<b>\$ (5,562)</b>	<b>\$21,103</b>	<b>\$26,341</b>	<b>\$ (8,817)</b>	<b>\$17,524</b>	<b>\$162,272</b>	<b>\$ (15,296)</b>	<b>\$146,976</b>	<b>\$182,579</b>	<b>\$ (25,402)</b>	<b>\$157,177</b>

The amortization expenses for intangible assets were \$1.3 million, \$3.4 million, \$5.7 million, \$1.6 million and \$9.9 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively. As of June 30, 2021, estimated amortization expenses for future periods are expected as follows:

<b>Year Ended December 31,</b>	<i>(In thousands)</i>
The remainder of 2021	\$ 11,348
2022	22,347
2023	20,858
2024	19,191
2025 and thereafter	83,433
Total expected amortization expenses	<u>\$157,177</u>

**7. Stock-Based Compensation**

In March 2014, the Company adopted the 2014 Share Incentive Plan (the “2014 Plan”), which included the remaining 4.6 million shares from the terminated 2010 Share Incentive Plan, plus an additional 1.0 million shares. On January 1, 2015, shares in the 2014 Plan, which has a term life of ten years, were allowed a one-time increase in the amount equal to 10% of the total number of Weibo shares issued and outstanding on a fully-diluted basis as of December 31, 2014. Each share in the 2014 Plan pool allows for a grant of a restricted share unit or option share. The Company intends to use such share incentive plan to attract and retain employee talents. Stock-based compensation related to the grants is amortized generally over four years on a straight-line basis (generally one year for performance-based restricted shares).

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**7. Stock-Based Compensation (continued)**

The following table sets forth the stock-based compensation included in each of the relevant accounts:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
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
<b>Total</b>	<b>\$41,011</b>	<b>\$61,289</b>	<b>\$67,105</b>	<b>\$30,188</b>	<b>\$36,221</b>

\* Excluded non-cash stock-based compensation of \$1.6 million to SINA employees charged through Amount due from SINA for the six months ended June 30, 2021.

The following table sets forth a summary of the number of shares available for issuance:

	<b>Shares Available</b>
	<i>(In thousands)</i>
<b>December 31, 2017</b>	18,540
Addition	–
Granted*	(1,597)
Cancelled/expired/forfeited	350
<b>December 31, 2018</b>	17,293
Addition	–
Granted*	(2,411)
Cancelled/expired/forfeited	222
<b>December 31, 2019</b>	15,104
Addition	–
Granted*	(3,040)
Cancelled/expired/forfeited	431
<b>December 31, 2020</b>	12,495
Addition	–
Granted*	(1,098)
Cancelled/expired/forfeited	277
<b>June 30, 2021</b>	<b>11,674</b>

\* For the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, 1.6 million, 2.4 million, 2.5 million, 0.3 million and 1.1 million restricted share units were granted under the 2014 Plan, respectively. Options of nil, nil, 0.5 million, nil and nil were granted during the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021.

**APPENDIX IA**

**ACCOUNTANT'S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**7. Stock-Based Compensation (continued)**

*Stock Options*

The following table sets forth a summary of option activities under the Company's stock option program:

	Options Outstanding <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life <i>(In years)</i>	Aggregate Intrinsic Value <i>(In thousands)</i>
<b>December 31, 2017</b>	437	\$ 3.24	2.0	\$43,800
Granted	-	\$ -		
Exercised	(248)	\$ 3.14		
Cancelled/expired/forfeited	(5)	\$ 1.16		
<b>December 31, 2018</b>	184	\$ 3.45	1.5	\$10,089
Granted	-	\$ -		
Exercised	(95)	\$ 3.41		
Cancelled/expired/forfeited	-	\$ -		
<b>December 31, 2019</b>	89	\$ 3.49	0.7	\$ 3,799
Granted	482	\$32.68		
Exercised	(16)	\$ 3.47		
Cancelled/expired/forfeited	(4)	\$30.96		
<b>December 31, 2020</b>	551	\$28.85	5.8	\$ 6,683
Granted	-	\$ -		
Exercised	(72)	\$ 3.50		
Cancelled/expired/forfeited	(10)	\$32.68		
<b>June 30, 2021</b>	469	\$32.68	6.1	\$ 9,342
Vested and expected to vest as of December 31, 2018	184	\$ 3.45	1.5	\$10,089
Exercisable as of December 31, 2018	184	\$ 3.45	1.5	\$10,089
Vested and expected to vest as of December 31, 2019	89	\$ 3.49	0.7	\$ 3,799
Exercisable as of December 31, 2019	89	\$ 3.49	0.7	\$ 3,799
Vested and expected to vest as of December 31, 2020	503	\$28.50	5.7	\$ 6,294
Exercisable as of December 31, 2020	72	\$ 3.50	0.2	\$ 2,707
Vested and expected to vest as of June 30, 2021	423	\$32.68	6.1	\$ 8,428
Exercisable as of June 30, 2021	-	\$ -	-	\$ -

APPENDIX IA

ACCOUNTANT'S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7. Stock-Based Compensation (continued)

*Stock Options (continued)*

The total intrinsic value of options exercised for the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 was \$25.6 million, \$4.2 million, \$0.5 million, \$0.3 million and \$3.4 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. As reported by the NASDAQ Global Selected Market, the Company's ending stock price as of December 31, 2018, 2019 and 2020 and as of June 30, 2021 was \$58.43, \$46.35, \$40.99 and \$52.62, respectively. Cash received from the exercise of stock options during the years ended December 31, 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021 was \$0.8 million, \$0.3 million, \$0.1 million, \$0.1 million and \$0.2 million, respectively.

As of December 31, 2018, 2019, 2020 and June 30, 2021, unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options granted to the Group's employees and directors was nil, nil, \$5.4 million and \$4.5 million, respectively. As of June 30, 2021, total unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.1 years and may be adjusted for future changes in estimated forfeitures.

Information regarding stock options outstanding is summarized below:

Range of Exercise Prices	Options Outstanding <i>(In thousands)</i>	Weighted Average Exercise Price	Options Exercisable <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life <i>(In years)</i>
<b>As of December 31, 2018</b>					
\$3.25 – \$3.36	32	\$ 3.30	32	\$3.30	0.8
\$3.43 – \$3.50	152	\$ 3.48	152	\$3.48	1.7
	184	\$ 3.45	184	\$3.45	1.5
<b>As of December 31, 2019</b>					
\$3.43 – \$3.50	89	\$ 3.49	89	\$3.49	0.7
<b>As of December 31, 2020</b>					
\$3.43 – \$3.50	72	\$ 3.50	72	\$3.50	0.2
\$32.68	479	\$32.68	–	\$ –	–
	551	\$28.85	72	\$3.50	0.2
<b>As of June 30, 2021</b>					
\$32.68	469	\$32.68	–	\$ –	–

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**7. Stock-Based Compensation (continued)**

*Restricted Share Units*

*Summary of Performance-Based Restricted Share Units*

The following table sets forth a summary of performance-based restricted share unit activities:

	<b>Shares Granted</b>	<b>Weighted- Average Grant Date Fair Value</b>
	<i>(In thousands)</i>	
<b>December 31, 2017</b>	129	\$50.32
Awarded	191	\$86.63
Vested	(126)	\$50.32
Cancelled	(190)	\$86.90
<b>December 31, 2018</b>	4	\$87.14
Awarded	98	\$64.33
Vested	(4)	\$87.14
Cancelled	(39)	\$69.14
<b>December 31, 2019</b>	59	\$61.17
Awarded	46	\$36.49
Vested	(54)	\$60.16
Cancelled	(34)	\$36.49
<b>December 31, 2020</b>	17	\$36.49
Awarded	1	\$47.09
Vested	(2)	\$36.49
Cancelled	(15)	\$36.49
<b>June 30, 2021</b>	<u>1</u>	<u>\$47.09</u>

As of December 31, 2018, 2019 and 2020, the unrecognized compensation cost (adjusted for estimated forfeitures) was \$0.02 million, \$0.4 million and \$0.1 million, respectively. As of June 30, 2021, there was no material unrecognized compensation cost (adjusted for estimated forfeitures), which was related to performance-based restricted share units granted to the Company’s employees.



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ACCOUNTANT'S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7. Stock-Based Compensation (continued)

*Restricted Share Units (continued)*

*Summary of Service-Based Restricted Share Units*

The following table sets forth a summary of service-based restricted share unit activities:

	Shares Granted	Weighted- Average Grant Date Fair Value
	<i>(In thousands)</i>	
<b>December 31, 2017</b>	3,267	\$25.45
Awarded	1,406	\$68.18
Vested	(1,757)	\$21.59
Cancelled	(160)	\$44.00
<b>December 31, 2018</b>	2,756	\$48.62
Awarded	2,313	\$45.49
Vested	(1,374)	\$37.60
Cancelled	(183)	\$48.48
<b>December 31, 2019</b>	3,512	\$50.89
Awarded	2,512	\$33.50
Vested	(1,307)	\$49.12
Cancelled	(393)	\$44.96
<b>December 31, 2020</b>	4,324	\$41.86
Awarded	1,097	\$46.06
Vested	(520)	\$52.65
Cancelled	(252)	\$38.98
<b>June 30, 2021</b>	<u>4,649</u>	<u>\$41.81</u>

As of December 31, 2018, 2019 and 2020 and as of June 30, 2021, unrecognized compensation cost (adjusted for estimated forfeitures) was \$112.5 million, \$150.7 million, \$139.6 million and \$134.4 million, respectively, which was related to non-vested service-based restricted share units granted to the Group's employees and directors. The cost was expected to be recognized over a weighted-average period of 3.5 years, 3.2 years, 2.9 years and 2.7 years at December 31, 2018, 2019, 2020 and June 30, 2021, respectively. The total fair value based on the vesting date of the restricted share units vested was \$37.9 million, \$51.7 million, \$64.2 million and \$27.4 million for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2021, respectively.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**8. Other Balance Sheet Components**

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(In thousands)</i>			
<b>Accounts receivable, net:</b>				
Due from third parties	\$201,835	\$298,752	\$343,220	\$503,126
Due from Alibaba	48,222	60,392	135,321	122,991
Due from other related parties	131,465	99,675	48,625	40,972
Total gross amount	<u>\$381,522</u>	<u>\$458,819</u>	<u>\$527,166</u>	<u>\$667,089</u>
Allowance for credit losses:				
Balance at the beginning of the year/period	(8,114)	(12,429)	(36,594)	(35,156)
Additional provision charged to expenses, net	(6,226)	(38,561)	(53,124)	(10,444)
Write-off	1,911	14,396	54,562	9,720
Balance at the end of the year/period	<u>(12,429)</u>	<u>(36,594)</u>	<u>(35,156)</u>	<u>(35,880)</u>
	<u>\$369,093</u>	<u>\$422,225</u>	<u>\$492,010</u>	<u>\$631,209</u>
<b>Prepaid expenses and other current assets:</b>				
Rental and other deposits	\$ 684	\$ 371	\$ 1,186	\$ 1,169
Deductible value-added taxes	4,539	652	598	4,960
Investment prepayments <sup>(1)</sup>	62,561	47,069	15,308	15,487
Loans to and interest receivable from other related parties <i>(Note 10)</i> <sup>(2)</sup>	43,695	301,526	158,622	336,558
Loans to and interest receivable from third parties <sup>(2)</sup>	–	14,421	41,784	148,891
Advertising prepayment	4,575	3,406	18,888	11,907
Prepayment to outsourced service providers	4,730	3,483	3,719	3,727
Amounts deposited by users <sup>(3)</sup>	30,631	34,912	45,745	49,849
Content fees	11,021	14,013	3,080	352
Others	6,385	5,052	7,827	14,393
	<u>\$168,821</u>	<u>\$424,905</u>	<u>\$296,757</u>	<u>\$587,293</u>

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**8. Other Balance Sheet Components (continued)**

	As of December 31,			As of
	2018	2019	2020	June 30, 2021
	<i>(In thousands)</i>			
<b>Property and equipment, net:</b>				
Computers and equipment	\$124,241	\$132,477	\$ 165,880	\$ 173,498
Leasehold improvements	5,008	5,732	6,429	6,924
Furniture and fixtures	1,677	1,725	2,159	2,437
Others	2,696	3,696	5,077	6,431
Property and equipment, gross	133,622	143,630	179,545	189,290
Accumulated depreciation	(87,999)	(96,901)	(118,913)	(128,257)
	<u>\$ 45,623</u>	<u>\$ 46,729</u>	<u>\$ 60,632</u>	<u>\$ 61,033</u>
<b>Other non-current assets</b>				
Investment related deposits <sup>(4)</sup>	\$ 1,454	\$ 19,388	\$ 15,450	\$ 408,432
Prepayment for purchase of SINA Plaza <sup>(5)</sup>	–	–	–	131,636
Deferred tax assets	11,908	16,460	27,020	27,279
Others	1,564	1,729	2,126	14,998
	<u>\$ 14,926</u>	<u>\$ 37,577</u>	<u>\$ 44,596</u>	<u>\$ 582,345</u>
<b>Accrued and other liabilities<sup>(6)</sup>:</b>				
Payroll and welfare	\$ 69,101	\$ 84,394	\$ 126,023	\$ 138,603
Marketing expenses	49,998	77,046	59,410	79,173
Sales rebates	95,121	140,629	222,064	312,418
Professional fees	8,249	13,437	3,880	7,431
VAT and other tax payable	39,446	50,662	49,971	54,744
Amounts due to users <sup>(3)</sup>	30,631	34,912	45,745	49,849
Unpaid consideration for acquisition	10,000	–	10,280	–
Unpaid consideration for investment	–	30,000	19,257	434
Interest payable for convertible debt and unsecured senior notes	1,500	15,344	923	27,579
Others	13,391	14,448	19,200	22,159
	<u>\$317,437</u>	<u>\$460,872</u>	<u>\$ 556,753</u>	<u>\$ 692,390</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

8. Other Balance Sheet Components (continued)

- (1) For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2021, the Group recognized \$0.5 million, \$19.1 million, \$1.5 million and nil of impairment charges on investment prepayments (all fully impaired), respectively, due to the deterioration of the investees’ operations resulting in their inability to refund the prepayments.
- (2) Loans to related parties and third parties incurred for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2021 were non-trade in nature.
- (3) Weibo wallet enables users to conduct interest-generation activities on Weibo, such as handing out “red envelopes” and coupons to users and purchase different types of products and services on Weibo, including those offered by the Group, such as marketing services and VIP membership, and those offered by Weibo’s platform partners, such as e-commerce merchandises, financial products and virtual gifts. Amounts deposited by users primarily represent the receivables temporarily held in Weibo’s account on a third party online payment platform for Weibo wallet users. Amounts due to users represent the balances that are payable on demand to Weibo wallet users and therefore are reflected as current liability on the consolidated balance sheets.
- (4) As of June 30, 2021, investment related deposits primarily included \$76.7 million in a micro-loan company, \$79.0 million in an insurance company and \$221.9 million in a game company. These non-current assets will be transferred to long-term investment when the legal procedures are completed.
- (5) Weibo entered into a letter of intent to purchase the office building (SINA Plaza) from SINA. As of June 30, 2021, the balance of prepayment for SINA Plaza was \$131.6 million.
- (6) Include amounts due to third parties, employees, related parties (Note 10) and Weibo wallet users.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes

The Company is registered in the Cayman Islands and mainly operates in two taxable jurisdictions — the PRC and Hong Kong.

The Group’s income before income taxes is as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands, except percentage)</i>				
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	<u>\$712,108</u>	<u>\$ 708,653</u>	<u>\$432,944</u>	<u>\$226,914</u>	<u>\$355,216</u>
Income tax expense applicable to China operations	\$ 96,222	\$ 88,091	\$ 58,464	\$ 43,331	\$ 66,130
Income tax expense (benefits) applicable to non-China operations	<u>—</u>	<u>21,473</u>	<u>2,852</u>	<u>13,296</u>	<u>(4,275)</u>
Total income tax expenses	<u>\$ 96,222</u>	<u>\$ 109,564</u>	<u>\$ 61,316</u>	<u>\$ 56,627</u>	<u>\$ 61,855</u>
Effective tax rate for China operations	13.5%	12.4%	13.5%	19.1%	18.6%

The Company generated the majority of its operating income from PRC operations and has recorded income tax provisions for the periods presented. Income (loss) from non-China operations mainly included stock-based compensation, fair value changes through earnings on investments and investment related impairment recorded by the Group’s non-China subsidiaries. For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020, the Group’s non-China operations have recognized nil, \$21.5 million, \$2.9 million and \$13.3 million deferred tax charges from fair value change of investments, respectively, as well as a \$4.3 million reversal of previously recognized deferred tax charges during the six months ended June 30, 2021.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes (continued)

*Cayman Islands*

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is required.

*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 entities 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. As of December 31, 2018, 2019 and 2020, the Company’s Hong Kong subsidiary had a net operating loss of \$1.4 million, \$8.9 million and \$10.4 million, which can be carried forward indefinitely to offset future taxable income. The deferred tax assets of Weibo HK as of December 31, 2018, 2019 and 2020 consist mainly of net operating loss carried forward, for which a full valuation allowance was provided. The management believes it is more likely than not that these assets will not be realized in the future.

*China*

Effective January 1, 2008, the Enterprise Income Tax Law (the “EIT Law”) in China unifies the enterprise income tax rate for the entities incorporated in China at 25%, unless they are eligible for preferential tax treatment. Preferential tax treatments will be granted to companies conducting businesses in certain encouraged sectors and to entities qualified as “software enterprises”, “key software enterprises” (“KSE”) and/or “high and new technology enterprise” (“HNTE”). Weibo Technology, the Group’s WFOE, 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 (2017-2019). Although Weibo Technology was qualified as a “software enterprise” in 2020, it will 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, respectively, therefore was entitled to enjoy a further reduced preferential tax rate of 10% for 2017, 2018 and 2019. The qualification as a KSE is subject to annual evaluation and approval by the relevant authorities in China and the Group will only recognize the preferential tax treatment of KSE status when approval from the relevant authorities is obtained, usually one year in arrears. Weibo Technology was also granted the HNTEs status for the fiscal years from 2017 to 2022, which entitled the qualified entity a preferential tax rate of 15% in 2020 and 2021. Its qualification as a HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. In addition, certain of the Group’s other PRC entities are also qualified as a “software enterprises”, and/or HNTE, and currently enjoy the respective preferential tax treatments.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes (continued)

*China (continued)*

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, should Weibo be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The EIT Law also imposes a withholding income tax rate of 10% on dividends distributed by a WFOE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a WFOE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the WFOE). The State Administration of Taxation further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance and that a beneficial ownership analysis will be used based on a “substance-over-form” principle to determine whether or not to grant the tax treaty benefits.

The operations of the Group’s WFOE in China are invested and held by Weibo HK. If the Company is regarded as a non-resident enterprise and Weibo HK is regarded as a resident enterprise, then Weibo HK may be required to pay a 10% withholding tax on any dividends payable to the Company. If Weibo HK is regarded as a non-resident enterprise, then Weibo Technology may be required to pay a 5% withholding tax for any dividends payable to Weibo HK. However, it is still unclear at this stage whether Circular 601 applies to dividends from Weibo Technology paid to Weibo HK. If Weibo HK were not considered as “beneficial owners” of any dividends from Weibo Technology, the dividends payable to Weibo HK would be subject to a withholding tax of 10%. The current policy approved by the Company’s board of directors allows the Group to distribute PRC earnings offshore only if the Group does not have to pay a dividend tax. As of December 31, 2018, 2019 and 2020 and June 30, 2021, the Group did not record any withholding tax for its PRC subsidiaries.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes (continued)

*China (continued)*

According to the relevant laws and regulations in the PRC, 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 State Taxation Administration of the PRC 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. The Company recorded tax benefit of research and development super deduction of US\$0.9 million for 2017 in 2018, US\$8.5 million for 2018 in 2019, and US\$13.2 million for 2019 in 2020.

*Composition of income tax expenses*

The following table sets forth current and deferred portion of income tax expenses of the Group:

	Years Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
Deferred tax provisions (benefits)	\$ 4,438	\$ 16,839	\$(15,727)	\$12,745	\$(5,061)
Current income tax expenses	91,784	92,725	77,043	43,882	66,916
Income tax expenses	<u>\$96,222</u>	<u>\$109,564</u>	<u>\$ 61,316</u>	<u>\$56,627</u>	<u>\$61,855</u>



APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes (continued)

*China (continued)*

*Reconciliation of the statutory tax rate to the effective tax rate for China operations*

The following table sets forth reconciliation between the statutory EIT rate and the effective tax rate for China operations:

	Year Ended December 31,		
	2018	2019	2020
Statutory EIT rate	25.0%	25.0%	25.0%
Effect on tax holiday and preferential tax treatment <sup>(1)</sup>	(12.1)%	(13.7)%	(20.9)%
Research and development super-deduction	(0.1)%	(1.2)%	(3.0)%
Non-deductible expenses, non-taxable income and others	0.7%	0.3%	(0.5)%
Change in valuation allowance	–%	2.0%	12.9%
Effective tax rate for China operations	<u>13.5%</u>	<u>12.4%</u>	<u>13.5%</u>

(1) Included the impact of Weibo Technology’s preferential tax treatment of “key software enterprise” status of 2017 to 2019, which enjoyed by the Group one year in arrears during the three-year period ended December 31, 2020, as well as preferential tax treatment benefited by certain other PRC entities.

The provision for income taxes for China operations for the years ended December 31, 2018, 2019 and 2020 differs from the amounts computed by applying the statutory EIT rate primarily due to the preferential tax treatments described above enjoyed by the WFOE, Weibo Technology, during the periods presented. For the years ended December 31, 2018 and 2019, Weibo Technology enjoyed a tax reduction of \$77.2 million and \$83.2 million due to the preferential tax treatment of being a qualified software enterprise. It also enjoyed a tax reduction of \$55.1 million for the HNTE status in 2020. The WFOE further recognized preferential tax treatment of “key software enterprise” status and tax benefit of research and development super deduction of \$11.7 million for 2017 in 2018, \$21.5 million for 2018 in 2019, and \$26.6 million for 2019 in 2020. The Group did not recognize these tax benefits in the corresponding year as they were uncertain, and only recorded them on a lag basis when the tax benefits become more-likely-than-not to be sustained in the next year. The preferential tax treatments benefited by the Group during the three-year period ended December 31, 2020 resulted in an effect of \$0.39, \$0.43 and \$0.40 on basic net income per share in 2018, 2019 and 2020, respectively.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

9. Income Taxes (continued)

*Deferred tax assets and liabilities*

The following table sets forth the significant components of deferred tax assets and liabilities for the Group:

	As of December 31,			As of
	2018	2019	2020	June 30,
	2021			
	<i>(In thousands)</i>			
Deferred tax assets:				
Net operating loss carry forwards	\$ 4,180	\$ 5,515	\$ 8,872	\$ 8,976
Valuation allowance	(4,180)	(5,515)	(8,872)	(8,976)
Depreciation, investment-related impairment, accounts receivable, accrued and other liabilities	25,327	42,932	107,892	109,154
Valuation allowance	(13,419)	(26,472)	(80,872)	(81,875)
Net deferred tax assets (included in other non-current assets)	<u>\$ 11,908</u>	<u>\$ 16,460</u>	<u>\$ 27,020</u>	<u>\$ 27,279</u>
Deferred tax liabilities:				
Acquired intangible assets	\$ 2,310	\$ 1,793	\$ 30,999	\$ 32,652
Depreciation	702	1,044	1,435	1,452
Investment gain	9,565	31,135	25,496	21,571
Others	–	–	369	373
Total deferred tax liabilities	<u>\$ 12,577</u>	<u>\$ 33,972</u>	<u>\$ 58,299</u>	<u>\$ 56,048</u>

Valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary differences and carry forwards; and (iii) tax planning strategies. The valuation allowance on deferred tax assets as of December 31, 2018, 2019, 2020 and June 30, 2021 was \$17.6 million, \$32.0 million, \$89.7 million and \$90.9 million, respectively. The change in valuation allowance was primarily due to bad debt expenses and investment impairment charges/fair value change of investments. Historically, deferred tax assets were valued using the statutory rate of 25% for China operations. As of December 31, 2018, 2019 and 2020, the Group had net operating loss carry forwards for China operations totaling \$16.7 million, \$22.1 million and \$30.1 million, respectively, for which full valuation allowance was provided as the Group anticipates that it is more likely than not that these net operating losses may not be utilized based on its estimate of the operation performance of these PRC entities. Net operating loss carry forwards for China operations as of December 31, 2020 will expire, if unused, in the years ending December 31, 2021 through December 31, 2025.

**APPENDIX IA**

**ACCOUNTANT'S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**9. Income Taxes (continued)**

*Uncertain tax position*

Except for the lag recognitions of preferential tax treatment of KSE status, research and development super deduction and stock based related deduction, the Group did not record any liability or decrease in deferred tax asset related to uncertain tax positions as of December 31, 2018, 2019, 2020 and June 30, 2021, and thus, no interest and penalties related to uncertain tax positions were recorded.

For the six months ended June 30, 2021, based on interactions with the tax authorities, the Group received additional guidance regarding certain areas with heightened requirements, and updated its estimate of related tax benefit amount that is expected to be sustained upon settlement with tax authorities. Additional \$27.9 million tax liability related to uncertain tax positions was recognized for the six months ended June 30, 2021, which is based on the updated estimate of the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with the tax authorities. It is possible that the estimate and ultimate resolution of these uncertain tax positions may further change based on further interactions with the tax authorities.

In general, the PRC tax authorities have up to five years to review a company's tax filings. Accordingly, tax filings of the Company's PRC subsidiaries and VIEs for tax years 2016 through 2020 remain subject to the review by the relevant PRC tax authorities.

**10. Related Party Transactions**

The following sets forth significant related parties and their relationships with the Group:

<u>Company Name</u>	<u>Relationship with the Group</u>
SINA	Parent and affiliates under common control.
Alibaba	Strategic partner and significant shareholder of the Company.

During 2018, 2019 and 2020 and six months ended June 30, 2020 and 2021, the Group entered into a series of one-year loan agreements with SINA pursuant to which SINA is entitled to borrow from the Group to facilitate SINA's business operations. SINA has withdrawn a total of \$149.5 million, \$233.9 million, \$473.8 million, \$188.2 million and \$310.9 million from the Group and repaid \$101.1 million, \$43.6 million, \$181.7 million, \$146.7 million and \$388.4 million to the Group during 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively. As of December 31, 2018, 2019, 2020 and June 30, 2021, the loans to and interest receivable from SINA were \$43.6 million, \$236.6 million, \$547.9 million and \$480.7 million (included in Amount due from SINA in the consolidated balance sheets), respectively.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. Related Party Transactions (continued)

The following table sets forth significant related party transactions with the Group:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
<u>Transactions with SINA</u>					
Revenues billed through SINA	\$ 78,821	\$109,949	\$ 41,754	\$23,712	\$24,586
Revenue from services provided to SINA	11,824	27,274	20,348	11,534	11,707
Total	<u>\$ 90,645</u>	<u>\$137,223</u>	<u>\$ 62,102</u>	<u>\$35,246</u>	<u>\$36,293</u>
Costs and expenses allocated from SINA <sup>(1)</sup>	\$ 47,334	\$ 51,848	\$ 43,011	\$23,129	\$18,603
Interest income on loans to SINA	\$ 2,425	\$ 9,295	\$ 13,458	\$ 4,936	\$ 9,995
<u>Transactions with Alibaba</u>					
Advertising and marketing revenues from Alibaba – as an advertiser	\$117,696	\$ 97,772	\$152,000	\$63,313	\$73,266
Advertising and marketing revenues from Alibaba – as an agent	\$ –	\$ –	\$ 36,597	\$ 9,229	\$36,652
Services provided by Alibaba	\$ 47,642	\$ 50,205	\$ 52,338	\$26,400	\$21,504

(1) Costs and expenses allocated from SINA represented the charges for certain services provided by SINA’s affiliates and charged to the Group using actual cost allocation based on proportional utilization (Note 1). In addition to the allocated costs and expenses, SINA also billed \$23.4 million, \$37.5 million, \$48.3 million, \$20.1 million and \$21.9 million for other costs and expenses incurred by Weibo but paid by SINA in 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively. During 2020 and six months ended June 30, 2021, Weibo allocated \$9.7 million and \$1.5 million to SINA for costs and expenses related to certain of SINA’s activities for which Weibo made the payments.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. Related Party Transactions (continued)

The following table sets forth the details of the revenues from SINA by advertising and marketing revenues and value-added services revenues for the periods specified.

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands)</i>				
<i>Transactions with SINA</i>					
Advertising and marketing revenues	\$79,148	\$112,974	\$48,353	\$27,624	\$30,931
Value-added services revenues	11,497	24,249	13,749	7,622	5,362
Total	<u>\$90,645</u>	<u>\$137,223</u>	<u>\$62,102</u>	<u>\$35,246</u>	<u>\$36,293</u>

The following sets forth related party outstanding balances:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	<i>(In thousands)</i>			
Amount due from SINA <sup>(2)</sup>	\$105,319	\$384,828	\$548,900	\$498,618
Accounts receivable due from Alibaba	\$ 48,222	\$ 60,392	\$135,321	\$122,991
Loans to and interest receivable from other related parties <sup>(3)(4)</sup>				
— Company A (an investee in e-commerce business)	\$ 43,695	\$160,010	\$ 79,762	\$ 18,546
— Company B (an investee providing social and new media marketing services)	\$ —	\$ 60,602	\$ 21,771	\$ 15,056
— Company C (an investee providing online brokerage services)	\$ —	\$ 40,982	\$ 41,205	\$270,898
— Others	\$ —	\$ 39,932	\$ 15,884	\$ 32,058
Total	<u>\$ 43,695</u>	<u>\$301,526</u>	<u>\$158,622</u>	<u>\$336,558</u>

**APPENDIX IA**

**ACCOUNTANT'S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**10. Related Party Transactions (continued)**

- (2) The Group uses amount due from/to SINA to settle balances arising from cost and expenses allocated from SINA based on proportional utilization, other expenditures incurred by Weibo business but paid by SINA, transactions with third-party customers and suppliers settled through SINA, as well as business transactions between Weibo and SINA. These balances are trade in nature. As of December 31, 2018, 2019, 2020 and June 30, 2021, the amount due from SINA also included loans to and interest receivable from SINA of \$43.6 million at an annual interest rate of 4.8%, \$236.6 million at an annual interest rate of 4.5%, \$547.9 million and \$480.7 million at annual interest rates ranging from 1.0% to 4.5% of maturity within one year, respectively, which are non-trade in nature.
- (3) The annual interest rates of the loans were ranging from 3.5% to 10.5% (interest free for Company B) and the maturities of all loans were within one year as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively. These balances are non-trade in nature.
- (4) The Group assessed the collectability of outstanding loans at least on annual basis or whenever impairment indicators noted. For the year ended December 31, 2020, the Group recognized \$82.2 million impairment charges on loans to and interest receivable from other related parties due to their unsatisfied financial performance and decline in forecasted revenues. For the six months ended June 30, 2021, the Group didn't recognize any impairment charges on loans to and interest receivable from other related parties.

Other related parties mainly include investee companies on which SINA or Weibo has significant influence. These investees are generally high-tech companies operating in different internet-related businesses, such as short video applications, e-commerce and so on. For the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, advertising and marketing revenues generated from other related parties were \$130.2 million, \$117.0 million, \$46.5 million, \$18.0 million and \$22.7 million. Value-added services revenues generated from other related parties were \$24.1 million, \$5.4 million, \$3.4 million, \$0.9 million and \$0.9 million, and cost and expenses were \$19.0 million, \$31.2 million, \$48.1 million, \$16.7 million and \$20.2 million, respectively. As of December 31, 2018, 2019, 2020 and June 30, 2021, other related parties accounted for outstanding balances of net accounts receivable of \$130.8 million, \$99.7 million, \$42.5 million and \$41.0 million, accounts payable of \$31.2 million, \$10.7 million, \$30.8 million and \$28.7 million, and accrued and other liabilities of \$14.4 million, \$34.4 million, \$4.8 million and \$5.4 million, respectively. In 2019, the Group signed an agreement with one related party, which is an equity investee in the short video business, to settle partial transaction amounts between the two parties, resulting in accounts receivable of \$38.7 million due from the related party offset by accounts payable of \$28.7 million and accrued and other liabilities of \$10 million due to the related party on the consolidated balance sheet, where a legally enforceable right of setoff existed.

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**11. Employee Benefit Plans**

*China Contribution Plan*

The Company’s subsidiaries, VIEs and VIEs’ subsidiaries in China participate in a government-mandated, multi-employer, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. Chinese labor laws require the entities incorporated in China to pay to the local labor and welfare authorities a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The local labor bureau is responsible for meeting all retirement benefit obligations. The Group has no further commitments beyond its monthly contribution. For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, the Group’s total contribution was \$53.7 million, \$53.3 million, \$51.1 million, \$21.4 million and \$37.8 million, respectively. Total contribution for the year ended December 31, 2020 was partially offset by \$12.2 million one-off benefit of the social security relief as part of the measures taken by the government to ease the negative impact from Covid-19 pandemic.

**12. Net Income per Share**

Basic net income per share is computed using the weighted average number of the ordinary shares outstanding during the period. Options and RSUs are not considered outstanding in the computation of basic earnings per share (“EPS”). Diluted EPS is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period under the treasury stock method. For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, options to purchase ordinary shares and RSUs of 2.2 million, 1.0 million, 0.7 million, 0.6 million and 1.5 million, as well as the number of “if converted” shares related to convertible debt of 6.8 million in 2018, were recognized as dilutive factors and included in the calculation of diluted net income per share. For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, options and RSUs which were anti-dilutive and excluded from the calculation of diluted net income per share were 0.1 million, 0.4 million, 3.3 million, 1.0 million and 0.1 million, respectively. During each of the years ended December 31, 2019 and 2020 and six months ended June 30, 2020 and 2021, shares of 6.8 million convertible from the convertible debt were anti-dilutive and excluded from the calculation of diluted net income per share.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. Net Income per Share (continued)

The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands, except per share data)</i>				
Basic net income per share calculation:					
Numerator:					
Net income attributable to Weibo’s shareholders	\$571,823	\$494,675	\$313,364	\$250,524	\$130,848
Denominator:					
Weighted average ordinary shares outstanding	223,751	225,452	226,921	226,535	227,936
Basic net income per share attributable to Weibo’s shareholders	\$ 2.56	\$ 2.19	\$ 1.38	\$ 1.11	\$ 0.57
Diluted net income per share calculation:					
Numerator:					
Net income attributable to Weibo’s shareholders	\$571,823	\$494,675	\$313,364	\$250,524	\$130,848
Add: Effect on interest expenses and amortized issuance cost of convertible debt	15,390	—	—	—	—
Net income attributable to Weibo for calculating diluted net income per share	587,213	494,675	313,364	250,524	130,848



APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12. Net Income per Share (continued)

	Year Ended December 31,			Six Months Ended June 30,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
	<i>(In thousands, except per share data)</i>				
Denominator:					
Weighted average ordinary shares outstanding	223,751	225,452	226,921	226,535	227,936
Effects of dilutive securities					
Stock options	283	153	71	76	82
Unvested restricted share units	1,896	807	645	518	1,411
Convertible debt	6,753	—	—	—	—
Shares used in computing diluted net income per share attributable to Weibo’s shareholders	232,683	226,412	227,637	227,129	229,429
Diluted net income per share attributable to Weibo’s shareholders	\$ 2.52	\$ 2.18	\$ 1.38	\$ 1.10	\$ 0.57

13. Segment Information

The Group currently operates and manages its business in two principal business segments globally — advertising and marketing services and value-added services. Information regarding the business segments provided to the Group’s chief operating decision makers (“CODM”), its Chief Executive Officer, is at the revenue level and the Group currently does not allocate operating costs and expenses or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments. As substantially all of the Group’s revenues are derived from the PRC and substantially all of the Group’s long-lived assets are located within the PRC, no geographical information is presented.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**13. Segment Information (continued)**

The following is a summary of the Group’s revenues:

<u>Revenues</u>	<u>Advertising &amp; Marketing</u>	<u>Value-added services</u>	<u>Total</u>
<i>(In thousands)</i>			
Year ended December 31, 2018	\$1,499,180	\$219,338	\$1,718,518
Year ended December 31, 2019	\$1,530,211	\$236,703	\$1,766,914
Year ended December 31, 2020	\$1,486,155	\$203,776	\$1,689,931
Six months ended June 30, 2020 <i>(Unaudited)</i>	\$ 616,006	\$ 94,776	\$ 710,782
Six months ended June 30, 2021	\$ 892,349	\$141,013	\$1,033,362

**14. Profit Appropriation and Restricted Net Assets**

The Company’s subsidiaries, VIEs and VIEs’ subsidiaries in China are required to make appropriations to certain non-distributable reserve funds. In accordance with the laws applicable to WFOEs in China, its subsidiaries have to make appropriations from their after-tax profit (as determined under Generally Accepted Accounting Principles in the PRC (“PRC GAAP”)) to non-distributable reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. General reserve fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. The appropriation of the other two reserve funds is at the Group’s discretion. At the same time, the Company’s VIEs, in accordance with the China Company Laws, must make appropriations from their after-tax profit (as determined under the PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund, and (ii) discretionary surplus fund. Statutory surplus fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company.

General reserve fund and statutory surplus fund are restricted for set off against losses, expansion of production and operation or increase in registered capital of the respective companies. These reserves are not transferable to the Company in the form of cash dividends, loans or advances. These reserves are therefore not available for distribution except in liquidation.

As of December 31, 2018, 2019, 2020 and June 30, 2021 the Group’s PRC subsidiaries accrued approximately \$98.7 million, \$105.8 million, \$127.2 million and \$127.0 million in the general reserve/statutory surplus funds, respectively.

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

14. Profit Appropriation and Restricted Net Assets (continued)

Under the PRC laws and regulations, the subsidiaries, VIEs and VIEs’ subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Group either in the form of dividends, loans or advances of the consolidated net assets. Even though the Group currently does not require any such dividends, loans or advances from the PRC subsidiaries, VIEs and VIEs’ subsidiaries for working capital and other funding purposes, the Group may in the future require additional cash resources from the PRC subsidiaries, VIEs and VIEs’ subsidiaries due to changes in business conditions, to fund future acquisitions and development, or merely declare and pay dividends to or distribution to its shareholders. Net assets subject to restriction for the Group amounted to \$450.3 million, or 14.5% of the Group’s total consolidated net assets as of June 30, 2021.

15. Fair Value Measurement

The following table summarizes, for assets measured at fair value on a recurring basis, the respective fair value and the classification by level of input within the fair value hierarchy as of December 31, 2018, 2019, 2020 and as of June 30, 2021:

	<i>Fair Value Measurements</i>			
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<i>(In thousands)</i>				
<b>As of December 31, 2018:</b>				
Bank time deposits*	\$ 591,269	\$ -	\$ 591,269	\$-
Equity securities with readily determinable market value**	1,476	1,476	-	-
<b>Total</b>	<b>\$ 592,745</b>	<b>\$ 1,476</b>	<b>\$ 591,269</b>	<b>\$-</b>
<b>As of December 31, 2019:</b>				
Bank time deposits*	\$ 951,235	\$ -	\$ 951,235	\$-
Equity securities with readily determinable market value**	269,478	269,478	-	-
<b>Total</b>	<b>\$1,220,713</b>	<b>\$269,478</b>	<b>\$ 951,235</b>	<b>\$-</b>
<b>As of December 31, 2020:</b>				
Bank time deposits*	\$1,515,880	\$ -	\$1,515,880	\$-
Wealth management products*	166,168	-	166,168	-
Equity securities with readily determinable market value**	289,221	289,221	-	-
<b>Total</b>	<b>\$1,971,269</b>	<b>\$289,221</b>	<b>\$1,682,048</b>	<b>\$-</b>

APPENDIX IA

ACCOUNTANT’S REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. Fair Value Measurement (continued)

	<i>Fair Value Measurements</i>			
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
<i>(In thousands)</i>				
<b>As of June 30, 2021:</b>				
Bank time deposits*	\$ 750,467	\$ -	\$750,467	\$-
Wealth management products*	180,355	-	180,355	-
Equity securities with readily determinable market value**	241,590	241,590	-	-
Total	<u>\$1,172,412</u>	<u>\$241,590</u>	<u>\$930,822</u>	<u>\$-</u>

\* Included in short-term investments on the Group’s consolidated balance sheets.

\*\* Included in long-term investments on the Group’s consolidated balance sheets.

**Recurring**

The Group measures short-term investments and equity securities with readily determinable fair values on a recurring basis. The fair value of the Group’s equity securities with readily determinable fair values are determined based on the quoted market price (Level 1). The fair value of the Group’s short-term investments are determined based on the quoted market price for similar products (Level 2).

**Non-recurring**

For those equity investments without readily determinable fair value, the Group measures them at market value when observable price changes are identified or impairment charge were recognized. The market values of the Group’s 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 Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements. The Group measures equity method investments at fair value on a non-recurring basis only if an impairment charge is recognized.

Certain privately held investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the investees’ financial performance, assumptions about future growth, and future financing plan, with impairment charges incurred and recorded in earnings for the year then ended. The Group recognized impairment charges of \$23.6 million, \$230.9 million, \$126.8 million, \$2.5 million and \$66.6 million on these equity 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. As of December 31, 2018, 2019, 2020 and June 30, 2021, the carrying value of these impaired investments

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. Fair Value Measurement (continued)

*Non-recurring (continued)*

measured at Level 3 inputs were \$2.5 million, \$77.5 million, \$89.5 million, and \$30.3 million respectively. The fair value of the privately held investments was measured either based on discounted cash flow with unobservable inputs including the discount curve of market interest rates, which ranged from 12% to 23%, or based on comparing the operating metrics of public peer companies with the investees.

The Group’s non-financial assets, such as intangible assets, goodwill, fixed assets and operating lease assets, are measured at fair value only if they were determined to be impaired. In accordance with the Group’s policy to perform an impairment assessment of its goodwill on an annual basis as of the balance sheet date or when facts and circumstances warrant a review, the Group performed an impairment assessment on its goodwill by reporting unit annually. The Group recognized impairment charge of goodwill arising from previous acquisitions of \$10.6 million, nil, nil, nil and nil for the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively.

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, amount due from SINA, accounts payable, accrued and other liabilities approximates fair value because of their short-term nature.

16. Convertible Debt and Unsecured Senior Notes

In October 2017, the Company issued \$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes due on November 15, 2022 (“2022 Notes”) at par. The Notes may be converted into Weibo’s American depositary shares (“ADSs”), each representing one Class A ordinary share of the Company, at the option of the holders, which is equivalent to an initial conversion price of approximately \$133.27 per ADS, subject to adjustment. The conversion rate may be adjusted under certain circumstances, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change prior to the maturity date of the notes, the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert his/her notes in connection with such make-whole fundamental change.

The net proceeds received by the Company from the issuance of the 2022 Notes were \$879.3 million, net of issuance cost of \$20.7 million. The Company will pay cash interest at an annual rate of 1.25%, payable semiannually in arrears on May 15 and November 15 of each year, beginning May 15, 2018. The issuance costs of the 2022 Notes are being amortized to interest expenses over the contractual life. The 2022 Notes related interest expenses were \$7.7 million for both of the six months ended June 30, 2020 and 2021.

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**16. Convertible Debt and Unsecured Senior Notes (continued)**

In July 2019, the Company issued \$800 million in aggregate principal amount of unsecured senior notes due on July 5, 2024 (“2024 Notes”), unless previously repurchased or redeemed in accordance with the terms prior to maturity. The 2024 Notes were issued at par value and bear an annual interest rate of 3.50%, payable semiannually in arrears on January 5 and July 5 of each year, beginning on January 5, 2020. The net proceeds to the Company from the issuance of the 2024 Notes were \$793.3 million, net of issuance cost of \$6.7 million. The issuance costs of the 2024 Notes are being amortized to interest expenses over the contractual life. The 2024 Notes related interest expenses were \$14.5 million, \$29.3 million, \$14.7 million and \$14.7 million for the years ended December 31, 2019, 2020 and six months ended June 30, 2020 and 2021, respectively.

In July 2020, the Company issued \$750 million in aggregate principal amount of unsecured senior notes due on July 8, 2030 (“2030 Notes”), unless previously repurchased or redeemed in accordance with the terms prior to maturity. The 2030 Notes bear an annual interest rate of 3.375%, payable semiannually in arrears on January 8 and July 8 of each year, beginning on January 8, 2021. The net proceeds to the Company from the issuance of the 2030 Notes were \$740.3 million, net of issuance cost of \$9.7 million. The issuance costs of the 2030 Notes are being amortized to interest expenses over the contractual life. For the year ended December 31, 2020, the Group recognized \$12.7 million interest expenses from the 2030 Notes. For the six months ended June 30, 2021, the Group recognized \$13.1 million interest expenses from the 2030 Notes.

**17. Commitments and Contingencies**

Operating lease commitments include the commitments under the lease agreements for the Group’s office premises. The Group leases its office facilities under non-cancelable operating leases with various expiration dates. For the years ended December 31, 2018, 2019, 2020 and six months ended June 30, 2020 and 2021, lease expense was \$11.2 million, \$11.5 million, \$12.5 million, \$6.0 million and \$7.9 million, respectively. Based on the current rental lease agreements, commitments of future minimum lease payments (including those lease liabilities recognized upon the adoption of ASC 842) as of June 30, 2021 were as follows:

Operating lease commitments	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
<i>(In thousands)</i>					
As of June 30, 2021	\$12,800	\$6,020	\$3,632	\$2,855	\$293

**APPENDIX IA**

**ACCOUNTANT’S REPORT**

**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

**17. Commitments and Contingencies (continued)**

Purchase commitments mainly include minimum commitments for marketing activities and internet connection. Purchase commitments as of June 30, 2021 were as follows:

<b>Purchase commitments</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More than Five Years</b>
<i>(In thousands)</i>					
As of June 30, 2021	\$591,545	\$561,167	\$28,263	\$2,093	\$22

2022 Notes represent the future maximum commitments relating to the principal amount and interests in connection with the issuance of \$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes, which will mature on November 15, 2022. 2024 Notes represent future maximum commitment relating to the principal amount and interests in connection with the issuance of \$800 million in aggregate principal amount of unsecured senior notes bearing an annual interest rate of 3.50%, which will mature on July 5, 2024. 2030 Notes represent future maximum commitment relating to the principal amount and interests in connection with the issuance of \$750 million in aggregate principal amount of unsecured senior notes bearing an annual interest rate of 3.375%, which will mature on July 8, 2030.

<b>Other commitments Ended June 30, 2021</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More than Five Years</b>
<i>(In thousands)</i>					
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
<b>Total</b>	<b>\$2,805,336</b>	<b>\$64,563</b>	<b>\$1,012,242</b>	<b>\$864,625</b>	<b>\$863,906</b>

There are uncertainties regarding the legal basis of the Group’s ability to operate an Internet business in China. Although China has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries remain highly regulated. Not only are such restrictions currently in place, the existing regulations are unclear as to which specific segments of these industries companies with foreign investors, including the Company, may operate. Therefore, the Group may be required to limit the scope of its operations in China, and this could have a material adverse effect on its financial position, results of operations and cash flows.

There are no claims, lawsuits, investigations or proceedings, including unasserted claims that are probable to be assessed, that have in the recent past had, or to the Group’s knowledge, are reasonably possible to have, a material impact on the Group’s financial statements.

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**APPENDIX IA****ACCOUNTANT'S REPORT**

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**II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)****18. Redeemable Non-controlling Interests**

In the fourth quarter of 2020, the Group entered into a series of share purchase agreements with then existing shareholders of JM Tech to acquire the majority of the company's equity interest (Note 6). The Group agreed to redeem the non-controlling interests held by founder and CEO of the company under certain circumstances during the following years subsequent to the acquisition. The Group determined that the non-controlling interest with redemption rights should be classified as redeemable non-controlling interest since they are contingently redeemable upon the occurrence of certain conditional events, which are not solely within the control of the Group.

The redeemable non-controlling interests is recognized at fair value on the acquisition date. The Group records accretion on the redeemable non-controlling interest to the redemption value over the period from the date of the acquisition to the date of earliest redemption. The accretion using the effective interest method, is recorded as deemed dividends to preferred shareholders, which reduce retained earnings and equity classified non-controlling interests, and earnings available to common shareholders in calculating basic and diluted earnings per share.

The process of adjusting redeemable non-controlling interests to its redemption value (the "Mezzanine Adjustment") should be performed after attribution of the subsidiary's net income or loss pursuant to ASC 810, Consolidation. The carrying amount of redeemable non-controlling interests will equal the higher of the amount resulting from application of ASC 810 or the amount resulting from the Mezzanine Adjustment. As the expected redemption value is less than the carrying value of redeemable non-controlling interests, there is nil and nil mezzanine adjustment recognized for the year ended December 31, 2020 and six months ended June 30, 2021, respectively.

Pursuant to the agreements between the Group and the founders who are also employees of JM Tech, the founders are required to be in employment during the following two years till December 31, 2022 to be entitled to their proportionate share in JM Tech's existing and future retained earnings during the period. Such entitlement will automatically be forfeited upon the termination of their employment during the period. The Company considered this arrangement as certain economic interests associated with the founders' non-controlling interest in JM Tech till December 31, 2022. Therefore, the Company recognized compensation costs for the founders' share of JM Tech's retained earnings with the credit increasing non-controlling interest and redeemable non-controlling interest. During the six months ended June 30, 2021, \$13.3 million compensation costs were recognized, of which \$10.9 million was recorded to increase redeemable non-controlling interest.

**19. Subsequent events**

From June 30, 2021 to the date of publication of this report, there was no subsequent event which had a material impact on the Group.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company in respect of any period subsequent to June 30, 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to June 30, 2021.



**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

*The following is the text of a report set out on pages [IB-[1]] to [IB-[2]], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED]. The information set out below is the unaudited interim condensed financial information of the Group for the nine months ended September 30, 2021, and does not form part of the Accountant’s Report from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix [IA] to this [REDACTED], and is included herein for information purpose only.*

*[Letterhead of PricewaterhouseCoopers]*

[DRAFT]

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF WEIBO CORPORATION**  
(incorporated in the Cayman Islands with limited liability)

**Introduction**

We have reviewed the interim financial information set out on pages [IB-[3]] to [IB-[67]], which comprises the interim condensed consolidated balance sheet of Weibo Corporation (the “Company”) and its subsidiaries (together, the “Group”) as at September 30, 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of shareholders’ equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with accounting policies generally accepted in the United States of America. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with accounting policies generally accepted in the United States of America.

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**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

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**Other Matter**

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2020. The comparative information for the interim condensed consolidated statements of comprehensive income, shareholders’ equity and cash flows, and related explanatory notes, for the period ended September 30, 2020 has not been audited or reviewed.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong  
[Date]

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands of U.S. dollars, except for par value)

		<u>As of</u>	
	<i>Notes</i>	<u>December 31, 2020</u>	<u>September 30, 2021</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	3	\$1,814,844	\$1,828,691
Short-term investments	3	1,682,048	878,487
Accounts receivable due from third parties, net of allowances of \$29,061 and \$35,219 as of December 31, 2020 and September 30, 2021, respectively	8	314,159	544,283
Accounts receivable due from Alibaba, net of allowances of nil and nil as of December 31, 2020 and September 30, 2021, respectively	8 & 10	135,321	98,262
Accounts receivable due from other related parties, net of allowances of \$6,095 and \$64 as of December 31, 2020 and September 30, 2021, respectively	8 & 10	42,530	41,165
Prepaid expenses and other current assets (including loans to and interest receivable from other related parties of \$158,622 and \$283,904 as of December 31, 2020 and September 30, 2021, respectively)	8 & 10	296,757	944,044
Amount due from SINA	10	548,900	515,534
		<u>4,834,559</u>	<u>4,850,466</u>
Total current assets		<u>4,834,559</u>	<u>4,850,466</u>
Property and equipment, net	8	60,632	64,396
Operating lease assets	5	7,176	10,666
Intangible assets, net	6	146,976	170,756
Goodwill	6	61,712	128,576
Long-term investments	4	1,179,466	1,195,549
Other non-current assets	8	44,596	577,627
		<u>\$6,335,117</u>	<u>\$6,998,036</u>
<b>LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY</b>			
Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiary of \$538,269 and \$710,781 as of December 31, 2020 and September 30, 2021, respectively.)			
Accounts payable		\$ 149,509	\$ 177,647
Accrued and other liabilities	8	556,753	732,519
Operating lease liability, short-term	5	5,580	4,405
Income taxes payable		102,844	115,241
Deferred revenues		143,684	132,468
		<u>958,370</u>	<u>1,162,280</u>
Total current liabilities		<u>958,370</u>	<u>1,162,280</u>

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)**  
(In thousands of U.S. dollars, except for par value)

		<u>As of</u>	
	<i>Notes</i>	<u>December 31, 2020</u>	<u>September 30, 2021</u>
Long-term liabilities			
Convertible debt	16	892,399	895,505
Unsecured senior notes	16	1,536,112	1,537,840
Deferred tax liability	9	58,299	54,453
Operating lease liability, long-term	5	1,505	5,831
Other non-current liabilities		2,102	11,714
		<u>2,490,417</u>	<u>2,505,343</u>
<b>Total long-term liabilities</b>		<u>2,490,417</u>	<u>2,505,343</u>
<b>Total liabilities</b>		<u>\$3,448,787</u>	<u>\$3,667,623</u>
<b>Commitments and contingencies</b>	17		
<b>Redeemable non-controlling interests</b>	18	<u>\$ 57,714</u>	<u>\$ 74,170</u>
Shareholders' equity:			
Ordinary shares: \$0.00025 par value; 2,400,000 and 2,400,000 shares (including 1,800,000 Class A ordinary shares, 200,000 Class B ordinary shares and 400,000 shares to be designated) authorized; 227,688 shares (including 125,909 Class A ordinary shares and 101,779 Class B ordinary shares) and 229,092 shares (including 127,313 Class A ordinary shares and 101,779 Class B ordinary shares) issued and outstanding as of December 31, 2020 and September 30, 2021, respectively.		\$ 57	\$ 57
Additional paid-in capital		1,201,622	1,269,014
Accumulated other comprehensive income		79,526	114,066
Retained earnings		1,531,220	1,843,806
		<u>2,812,425</u>	<u>3,226,943</u>
Total Weibo shareholders' equity		<u>2,812,425</u>	<u>3,226,943</u>
Non-controlling interests		16,191	29,300
		<u>2,828,616</u>	<u>3,256,243</u>
<b>Total shareholders' equity</b>		<u>2,828,616</u>	<u>3,256,243</u>
<b>Total liabilities, redeemable non-controlling interests and shareholders' equity</b>		<u><u>\$6,335,117</u></u>	<u><u>\$6,998,036</u></u>

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

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

(In thousands of U.S. dollars, except for par value)

		<b>Nine Months Ended September 30,</b>	
	<i>Notes</i>	<b>2020</b>	<b>2021</b>
<b>Revenues:</b>			
Advertising and marketing revenues	<i>13</i>		
Third parties		\$ 852,263	\$1,198,168
Alibaba	<i>10</i>	112,906	134,892
SINA	<i>10</i>	34,149	58,178
Other related parties	<i>10</i>	33,360	38,731
		<u>1,032,678</u>	<u>1,429,969</u>
Value-added services revenues	<i>13</i>	143,843	210,827
		<u>1,176,521</u>	<u>1,640,796</u>
<b>Costs and Expenses</b>			
Cost of revenues		214,892	275,296
Sales and marketing		316,483	439,207
Product development		233,881	316,806
General and administrative		86,111	94,597
		<u>851,367</u>	<u>1,125,906</u>
Total costs and expenses		<u>851,367</u>	<u>1,125,906</u>
Income from operations		325,154	514,890
Income from equity method investments		4,422	17,688
Realized gain from investments		848	1,299
Fair value changes through earnings on investments, net		127,641	(33,073)
Investment related impairment		(117,835)	(102,594)
Interest income		65,667	56,909
Interest expense		(39,677)	(53,255)
Other income, net		3,889	3,147
		<u>370,109</u>	<u>405,011</u>
Income before income tax expenses		370,109	405,011
Less: Provision of income taxes	<i>9</i>	86,630	93,260
		<u>283,479</u>	<u>311,751</u>
Net income		\$ 283,479	\$ 311,751
Less: Net loss attributable to non-controlling interests		(843)	(835)
		<u>(843)</u>	<u>(835)</u>
Net income attributable to Weibo’s shareholders		<u>\$ 284,322</u>	<u>\$ 312,586</u>

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME (Continued)**

(In thousands of U.S. dollars, except for par value)

		<b>Nine Months Ended September 30,</b>	
	<i>Notes</i>	<b>2020</b>	<b>2021</b>
Net income		\$283,479	\$311,751
Other comprehensive income			
Currency translation adjustments (for which there were no taxes)		<u>57,670</u>	<u>34,888</u>
Total comprehensive income		\$341,149	\$346,639
Less: Comprehensive loss attributable to non- controlling interests		<u>(810)</u>	<u>(487)</u>
Comprehensive income attributable to Weibo’s shareholders		<u><u>\$341,959</u></u>	<u><u>\$347,126</u></u>
Shares used in computing net income per share attributable to Weibo’s shareholders:			
Basic	<i>12</i>	226,728	228,185
Diluted	<i>12</i>	227,352	229,765
Income per share:			
Basic	<i>12</i>	\$ 1.25	\$ 1.37
Diluted	<i>12</i>	\$ 1.25	\$ 1.36

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

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF  
SHAREHOLDERS’ EQUITY**

(In thousands of U.S. dollars)

	Ordinary Shares		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non- controlling Interests	Total Shareholders’ Equity
	Shares	Amount					
<b>Balance at December 31, 2019</b>	226,310	\$57	\$1,133,913	\$(68,559)	\$1,217,856	\$(1,448)	\$2,281,819
Issuance of ordinary shares							
pursuant to stock plan	1,002	-	57	-	-	-	57
Non-cash stock-based							
compensation	-	-	47,785	-	-	-	47,785
Conversion of convertible debt	-	-	8	-	-	-	8
Net income (loss)	-	-	-	-	284,322	(843)	283,479
Sale of a subsidiary’s shares to non-controlling shareholders	-	-	539	-	-	978	1,517
Currency translation adjustments	-	-	-	57,637	-	33	57,670
<b>Balance at September 30, 2020</b>	<u>227,312</u>	<u>\$57</u>	<u>\$1,182,302</u>	<u>\$(10,922)</u>	<u>\$1,502,178</u>	<u>\$(1,280)</u>	<u>\$2,672,335</u>
<b>Balance at December 31, 2020</b>	227,688	\$57	\$1,201,622	\$ 79,526	\$1,531,220	\$16,191	\$2,828,616
Issuance of ordinary shares							
pursuant to stock plan	1,404	-	1,214	-	-	-	1,214
Non-cash stock-based							
compensation	-	-	66,437	-	-	-	66,437
Net income (loss)	-	-	-	-	312,586	(835)	311,751
Compensation cost to non- controlling interest shareholders	-	-	-	-	-	2,792	2,792
Disposal of a subsidiary with non-controlling interests	-	-	(259)	-	-	(7)	(266)
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	10,811	10,811
Currency translation adjustments	-	-	-	34,540	-	348	34,888
<b>Balance at September 30, 2021</b>	<u>229,092</u>	<u>\$57</u>	<u>\$1,269,014</u>	<u>\$114,066</u>	<u>\$1,843,806</u>	<u>\$29,300</u>	<u>\$3,256,243</u>

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands of U.S. dollars)

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
Cash flows from operating activities:		
Net income	\$ 283,479	\$ 311,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,422	40,172
Stock-based compensation	47,785	61,258
Amortization of operating lease assets	2,958	4,211
Non-cash compensation cost to non-controlling interest shareholders	–	18,420
Provision of allowance for credit losses	52,900	13,160
Deferred income taxes	11,682	(11,546)
Income from equity method investments	(4,422)	(17,688)
Dividend received from equity method investments	–	11,695
Gain on sale of investments	(848)	(1,299)
Fair value changes through earnings on investments, net	(127,641)	33,073
Investment related impairment	117,835	102,594
Gain on disposal of property and equipment	(27)	(63)
Amortization of convertible debt and unsecured senior notes issuance cost	4,333	4,834
Changes in assets and liabilities:		
Accounts receivable due from third parties	(61,633)	(241,309)
Accounts receivable due from Alibaba	(35,618)	38,743
Accounts receivable due from other related parties	36,659	8,000
Prepaid expenses and other current assets	(36,769)	7,849
Other non-current assets	(159)	(4,194)
Accounts payable	(14,256)	24,290
Accrued and other liabilities	6,081	190,348
Amount due from SINA	70,807	(23,357)
Deferred revenues	40,956	(13,235)
Operating lease liabilities	(3,100)	(4,550)
Income taxes payable	8,071	11,195
Net cash provided by operating activities	<u>420,495</u>	<u>564,352</u>
Cash flows from investing activities:		
Purchases of bank time deposits and wealth management products	(2,048,210)	(560,246)
Maturities of bank time deposits and wealth management products	1,241,610	1,371,867
Investment in and prepayment on long-term investments	(287,449)	(1,471,280)
Proceeds from disposal of/refund of prepayment on long-term investments	178,886	242,558



**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH  
FLOWS (Continued)**

(In thousands of U.S. dollars)

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
Proceeds from disposal of property and equipment	38	273
Purchases of property and equipment	(26,404)	(23,786)
Prepayment for purchase of SINA Plaza	–	(132,531)
Loan to SINA	(443,637)	(481,215)
Repayment of loan by SINA	146,697	547,660
Payment for acquisitions, net of cash acquired	(2,386)	(61,160)
 Net cash used in investing activities	 (1,240,855)	 (567,860)
 Cash flows from financing activities:		
Proceeds from employee options exercised	122	1,214
Proceeds from unsecured senior notes, net of issuance costs	740,324	–
Proceeds from sale of a subsidiary's equity interest to a non-controlling shareholder	1,517	–
 Net cash provided by financing activities	 741,963	 1,214
 Effect of exchange rate changes on cash and cash equivalents	 37,341	 16,141
 Net increase (decrease) in cash and cash equivalents	 (41,056)	 13,847
Cash and cash equivalents at the beginning of the year/period	1,452,985	1,814,844
 Cash and cash equivalents at the end of the period	 <u>\$ 1,411,929</u>	 <u>\$1,828,691</u>
 Supplemental disclosure of cash flow information		
Cash paid for income taxes	\$ (66,305)	\$ (94,189)
Cash paid for interest expenses on convertible debt/unsecured senior notes	\$ (33,625)	\$ (32,281)
 Supplemental schedule of non-cash investing and financing activities		
Property and equipment in accounts payable	\$ 4,492	\$ 5,657
Unpaid consideration for acquisition	\$ –	\$ 6,205

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021**

**1. Operations**

Weibo Corporation (“Weibo” or the “Company”) is a leading social media for people to create, share and discover content. It provides an unprecedented and simple way for people and organizations to publicly express themselves in real time, interact with others on a massive global platform and stay connected with the world. As a microcosm of the Chinese society and a cultural phenomenon in China, Weibo allows people to be heard publicly and exposed to the rich ideas, cultures and experiences of the broader world. Media outlets use Weibo as a source of news and a distribution channel for their headline news. Government agencies and officials use Weibo as an official communication channel for disseminating information timely and gauging public opinion to improve public services. Weibo provides charities a platform to launch charitable projects, seek donations and volunteers, and leverage celebrities and organizations on Weibo to amplify their impact to society. Weibo generates its revenues mostly from advertising and marketing services, as well as from value-added services, including VIP membership, live streaming, and game-related services.

Incorporated in the Cayman Islands, Weibo Corporation is a controlled subsidiary of Sina Corporation (the “Parent” or “SINA”). In April 2014, the Company completed an initial public offering (the “IPO”) and received \$306.5 million in net proceeds. Immediately prior to the completion of the IPO, all the ordinary shares held by SINA was converted into an equal number of the Class B ordinary shares, all the ordinary shares held by other shareholders was converted into an equal number of the Class A ordinary shares, and all of its outstanding preferred shares was automatically converted into Class A ordinary shares. The call option held by a subsidiary of Alibaba Group was exercised to purchase Class A ordinary shares from SINA and the Company. Each Class A ordinary share is entitled to one vote per share and each Class B ordinary share is entitled to three votes per share. Each Class B ordinary share can be converted into one Class A ordinary share at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares.

Weibo Corporation, an exempted company with limited liability under the laws of the Cayman Islands, is the holding company for the Weibo business. WB Online and Weibo HK are wholly owned subsidiaries of Weibo, and Weibo Technology, a wholly foreign-owned enterprise, (“the WFOE”), is a subsidiary of Weibo HK. The operation of Weibo business is carried out by various subsidiaries and variable interest entities (“VIE”) of the Company. The Company’s VIEs and VIEs’ subsidiaries are controlled by the WFOE through a series of contractual agreements. Weibo Corporation, its subsidiaries, VIEs and VIEs’ subsidiaries together are referred to as “the Group”.

**APPENDIX IB** **UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

The following sets forth the Company’s major subsidiaries, major VIEs and major VIEs’ subsidiary:

<u>Company</u>	<u>Date of Incorporation</u>	<u>Place of Incorporation</u>	<u>Percentage of Direct/ Indirect Economic Interest</u>
<i>Major Subsidiaries</i>			
Weibo Hong Kong Limited (“Weibo HK”)	July 19, 2010	Hong Kong	100%
Weibo Internet Technology (China) Co., Ltd. (“Weibo Technology” or “the WFOE”)	October 11, 2010	PRC	100%
WB Online Investment Limited (“WB Online”)	June 5, 2014	Cayman Islands	100%
Hangzhou Weishichangmeng Advertising Co., Ltd. (“Weishichangmeng”)	September 25, 2018	PRC	100%
<i>Major VIEs</i>			
Beijing Weimeng Technology Co., Ltd (“Weimeng”)	August 9, 2010	PRC	99%
Beijing Weimeng Chuangke Investment Management Co., Ltd. (“Weimeng Chuangke”)	April 9, 2014	PRC	100%
<i>Major VIEs’ subsidiary</i>			
Beijing Weibo Interactive Internet Technology Co., Ltd. (“Weibo Interactive”)	Acquired in May 2013	PRC	100%

***Intellectual Property License Agreement***

The intellectual property license agreement was entered into by and between SINA and the Company in April 2013. Under this agreement, SINA granted the Company and its subsidiaries a perpetual, worldwide, royalty-free, fully paid-up, non-sub licensable, non-transferable, limited, exclusive license of certain trademarks and a non-exclusive license of certain other intellectual property owned by SINA to make, sell, offer to sell and distribute products, services and applications on a microblogging and social networking platform. The Company granted SINA and its affiliates a non-exclusive, perpetual, worldwide, non-sub licensable, non-transferable limited license of certain of the Company’s intellectual property to use, reproduce, modify, prepare derivative works of, perform, display or otherwise exploit such intellectual property. This agreement commenced on April 29, 2013 and will continue to be in effect unless terminated by SINA should the Company breach the terms as provided in the agreement.

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

*Transactions between SINA and Weibo*

Accounts receivable directly related to Weibo but for which SINA will receive payments and remit payments to the Group, as well as accounts receivable directly from SINA, are included in the amount due from SINA. Liabilities directly related to Weibo but for which SINA will make payments and receive reimbursements from the Group, as well as liabilities directly to SINA, are included in the amount due to SINA. The amount due from/to SINA is presented as an offsetting balance on the Group’s unaudited interim condensed consolidated balance sheets. Loans from SINA are presented under cash flow from financing activities, whereas loans to SINA are presented under investing activities in the unaudited interim condensed consolidated statements of cash flows. Cash payment for billings from SINA for costs and expenses allocated to the Group is presented under operating activities in the unaudited interim condensed consolidated statements of cash flows. The Group’s unaudited interim condensed consolidated statements of comprehensive income contain all the related costs and expenses of the Weibo business, including allocation to the cost of revenues, sales and marketing expenses, product development expenses, and general and administrative expenses, which are incurred by SINA but related to the Weibo business. These allocations were based on proportional cost allocation by considering proportion of the revenues, infrastructure usage metrics and labor usage metrics, among other things, attributable to the Group and are made on a basis considered reasonable by mutual managements.

Total cost and expenses allocated from SINA were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Cost of revenues	\$14,210	\$11,544
Sales and marketing	1,079	2,832
Product development	7,112	7,692
General and administrative	6,725	6,728
	<u>\$29,126</u>	<u>\$28,796</u>

While the costs and expenses allocated to the Group for these items are not necessarily indicative of the costs and expenses that would have been incurred if the Group had transactions with independent third party suppliers directly or hired more employees, the Company does not believe that there is any significant difference between the nature and amounts of these allocated costs and expenses and the ones that would have been incurred if the Group had transactions with independent third party suppliers directly or hired more employees.

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

*Consolidation*

The unaudited interim condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, VIEs, of which the Company is the primary beneficiary, and VIEs’ subsidiaries. All significant intercompany balances and transactions have been eliminated.

To comply with PRC laws and regulations, the Group provides a substantial amount of its services in China via the VIEs, which hold critical operating licenses that enable the Group to do business in China. Most of the Group’s revenues, costs and expense, and net income in China were generated directly or indirectly through the VIEs. The Company, through the WFOE, has signed various agreements with the VIEs to allow the transfer of economic benefits from the VIEs to the Company. The Group has determined that it is the primary beneficiary of the VIEs through Weibo Technology’s contractual arrangements with the VIEs. Accordingly, the Company has consolidated the VIEs’ results of operations and assets and liabilities in the Group’s financial statements pursuant to the United States Generally Accepted Accounting Principles (“US GAAP”) for all the periods presented.

Shareholders of the VIEs are certain nominee shareholders from the Company or SINA. The capital for their investments in the VIEs is funded by the Company and recorded as interest-free loans to these individuals. These loans were eliminated with the capital of the VIEs during consolidation. Each shareholder of the VIEs has agreed to transfer their equity interest in the VIEs to Weibo Technology when permitted by PRC laws and regulations or to designees of the Company at any time for the amount of loans outstanding. All voting rights of the VIEs, including without limitation the right to appoint all directors of the VIEs, has been assigned to Weibo Technology. Weibo Technology has also entered into exclusive technical service agreements with the VIEs under which Weibo Technology provides technical and other services to the VIEs in exchange for substantially all net income of the VIEs. In addition, the shareholders of the VIEs have pledged their shares in the VIEs as collateral for the non-payment of loans or for the technical and other services fees due to Weibo Technology. As of December 31, 2020 and September 30, 2021, the total amounts of interest-free loans to the VIEs’ shareholders were \$89.5 million and \$90.7 million, respectively. The VIEs and VIEs’ subsidiaries had accumulated deficit of \$96.1 million and \$186.1 million as of December 31, 2020 and September 30, 2021, respectively, which were included in the Group’s unaudited interim condensed consolidated financial statements.

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

*Consolidation (continued)*

The following table sets forth the assets, liabilities, results of operations and cash flows of the VIEs and VIEs’ subsidiaries taken as a whole, which are included in the Group’s unaudited interim condensed consolidated balance sheets and unaudited interim condensed consolidated statements of comprehensive income:

	<b>As of</b>	
	<b>December 31, 2020</b>	<b>September 30, 2021</b>
	<i>(In thousands)</i>	
Cash, cash equivalents and short-term investments	\$ 445,210	\$ 359,508
Accounts receivable	431,022	599,831
Prepaid expenses and other current assets	55,653	445,338
Amount due from SINA	31,142	28,175
Property and equipment, net	692	1,872
Operating lease assets	1,783	4,602
Intangible assets	146,976	170,756
Goodwill	61,712	128,576
Long-term investments	394,745	412,122
Deferred tax assets	15,392	15,542
Others	223	245,006
	<u>\$1,584,550</u>	<u>\$2,411,328</u>
Total assets		
Accounts payable	\$ 83,336	\$ 114,551
Accrued and other liabilities	341,552	414,080
Deferred revenues	85,846	79,001
Income taxes payable	26,417	101,337
Amount due to the subsidiaries of the Group	968,138	1,666,777
Operating lease liability	1,704	4,587
Deferred tax liability	32,418	37,520
Other non-current liabilities	2,102	11,715
	<u>\$1,541,513</u>	<u>\$2,429,568</u>
Total liabilities		

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

*Consolidation (continued)*

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Net revenues	\$ 925,789	\$1,286,641
Net loss after intercompany service fee charge	\$(138,779)	\$ (90,069)
	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Net cash provided by (used in) operating activities	\$(20,553)	\$ 363,351
Net cash used in investing activities	(30,331)	(816,742)
Net cash provided by financing activities	46,236	326,392
Net decrease in cash and cash equivalents	<u>\$ (4,648)</u>	<u>\$ (126,999)</u>

Under the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs through Weibo Technology and can have assets transferred freely out of the VIEs without restrictions. Therefore, the Company considers that there is no asset of the VIEs that can only be used to settle obligations of the VIEs and VIEs’ subsidiaries, except for the registered capital and non-distributable reserve funds of the VIEs and VIEs’ subsidiaries, amounting to \$196.6 million and \$228.8 million as of December 31, 2020 and September 30, 2021, respectively. Since the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Company is conducting certain businesses mainly through the VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss. The total amount of costs and expenses allocated from SINA to the VIEs was \$7.0 million and \$2.6 million for the nine months ended September 30, 2020 and 2021, respectively.

**APPENDIX IB**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2021 (Continued)**

**1. Operations (continued)**

*Consolidation (continued)*

Unrecognized revenue-producing assets held by the VIEs include the Internet Content Provision License, the Online Culture Operating Permit, the domain names of Weibo.com, Weibo.cn and Weibo.com.cn and so on. Recognized revenue-producing assets held by the VIEs include game technology, live streaming platform technology, supplier-relationship contracts, and trademark and domain names, which were acquired through the previous acquisitions. Unrecognized revenue-producing assets, including customer lists relating to advertising and marketing services, VIP membership, and game-related services, as well as trademarks, are also held by Weibo Technology.

The following is a summary of the VIE agreements with Weimeng. The VIE agreements with Weimeng Chuangke are substantially the same as those described below:

*Loan Agreements.* Weibo Technology has granted interest-free loans to the shareholders of Weimeng, who are senior officers of the Group or SINA, but not the controlling shareholders of SINA, with the sole purpose of providing funds necessary for those shareholders to make capital injections to Weimeng. The term of the loans is 10 years and Weibo Technology has the right, at its own discretion, to shorten or extend the term of the loans if necessary. In the consolidated financial statements, these loans are eliminated with the capital of Weimeng during consolidation.

*Share Transfer Agreements.* Each shareholder of Weimeng has granted Weibo Technology an option to purchase his shares in Weimeng at a purchase price equal to the amount of capital injection. Weibo Technology may exercise such option at any time until it has acquired all shares of Weimeng, subject to applicable PRC laws. The options will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

*Loan Repayment Agreements.* Each shareholder of Weimeng has agreed with Weibo Technology that the interest-free loans under the loan agreements shall only be repaid through share transfers. Once the share transfers are completed, the purchase price for the share transfer will be set off against the loan repayment. These agreements will be effective until the earlier of (i) Weibo Technology and the shareholders of Weimeng have fully performed their obligations under these agreements, and (ii) Weibo Technology and the shareholders of Weimeng agree in writing to terminate these agreements.

*Agreement on Authorization to Exercise Shareholder's Voting Power.* Each shareholder of Weimeng has authorized Weibo Technology to exercise all his voting power as a shareholder of the applicable VIE on all matters requiring shareholders' approval under PRC laws and regulations and the articles of association of Weimeng, including without limitation to the appointment of directors, transfer, mortgage or dispose of Weimeng's assets, transfer of any equity interest in Weimeng, and merger, split, dissolution and liquidation of Weimeng. The authorizations are irrevocable and will not expire until Weimeng dissolves.



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**1. Operations (continued)**

*Consolidation (continued)*

*Share Pledge Agreements.* Each shareholder of Weimeng has pledged all of his shares in Weimeng and all other rights relevant to his rights in those shares to Weibo Technology as security for his obligations to pay off all debts to Weibo Technology under the loan agreement. In the event of default of such obligations, Weibo Technology will be entitled to certain rights, including transferring the pledged shares to itself and disposing of the pledged shares through sale or auction. During the term of the agreements, Weibo Technology is entitled to receive all dividends and distributions paid on the pledged shares. The pledges will be effective until the earlier of (i) the third anniversary of the due date of the last guaranteed debt, (ii) Weimeng and its shareholders have fully performed their obligations under these agreements, and (iii) Weibo Technology consents to terminate these agreements.

*Exclusive Technical Services Agreement, Exclusive Sales Agency Agreement and Trademark License Agreement.* Weimeng has entered into an exclusive technical services agreement, an exclusive sales agency agreement and a trademark license agreement with Weibo Technology. Under the exclusive technical services agreement, Weibo Technology is engaged to provide technical services for Weimeng's online advertising and other related businesses. Under the exclusive sales agency agreement, Weimeng has granted Weibo Technology the exclusive right to distribute, sell and provide agency services for all the products and services provided by Weimeng. Due to its control over Weimeng, Weibo Technology has the right to determine the service fee to be charged to Weimeng under these agreements by considering, among other things, the technical complexity of the services, the actual cost that may be incurred for providing such services, the operations of Weimeng, applicable tax rates, planned capital expenditure and business strategies. These agreements can only be prematurely terminated by Weibo Technology, and will not expire until Weimeng dissolves. Under the trademark license agreement, Weibo Technology has granted Weimeng trademark licenses to use the trademarks held by or licensed to Weibo Technology in specific areas, and Weimeng is obligated to pay license fees to Weibo Technology. The term of this agreement is one year and is automatically renewed provided there is no objection from Weibo Technology.

These VIE agreements provide Weibo Technology with the power to direct the activities that most significantly affect the economic performance of the Group's consolidated VIEs and enable the Group to receive substantially all of the economic benefits generated by them. For the nine months ended September 30, 2020 and 2021, the total amount of service fees that Weibo Technology charged to Weimeng under these service agreements and trademark license agreement was \$528.6 million and \$744.1 million, respectively, which were based on the actual cost incurred from providing the services and the cash position and operations of Weimeng.

Weibo Technology, Weimeng Chuangke and Weimeng Chuangke's shareholders have entered into contractual arrangements which contain agreements and terms substantially similar to Weibo Technology's contractual arrangements with Weimeng and Weimeng's shareholders described above.

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**1. Operations (continued)**

*Minority Investment in Weimeng*

In April 2020, WangTouTongDa (Beijing) Technology Co., Ltd., an entity affiliated with ZhongWangTou (Beijing) Technology Co., Ltd., made an investment of approximately RMB10.7 million in Weimeng for 1% of Weimeng’s enlarged registered capital. Such third party minority stake holder is entitled to customary economic rights in proportion to its equity ownership, and certain minority shareholder rights such as the right to appoint a director to Weimeng’s three-member board of directors, and veto rights over certain matters related to content decision, and certain future financings of Weimeng.

The third party minority stake holder is not a party to the contractual arrangements mentioned above that are currently in effect among Weimeng, Weibo Technology and Weimeng’s other shareholders. As such, despite the fact that the Company is still able to enjoy economic benefits and exercise effective control over Weimeng and its subsidiaries, the Company is not able to purchase or have the third party minority stake holder pledge its 1% equity interests in Weimeng in the same manner as agreed under existing contractual arrangements, nor is it granted the authorization of voting rights over these 1% equity interests. The Company believes Weibo Technology, the wholly-owned PRC subsidiary, still controls and is the primary beneficiary of Weimeng as it continues to have a controlling financial interest in Weimeng pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

The Company believes that the contractual arrangements among the WFOE, VIEs and VIEs’ shareholders are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company’s ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the VIEs and VIEs’ subsidiaries in the consolidated financial statements. The Company’s ability to control the VIEs also depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholder approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder’s voting power are legally enforceable. In addition, if the legal structure and contractual arrangements with the VIEs were found to be in violation of any future PRC laws and regulations, the Company may be subject to fines or other actions. The Company believes the possibility that it will no longer be able to control and consolidate the VIEs as a result of the aforementioned risks and uncertainties is remote.

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**2. Significant Accounting Policies**

*Basis of presentation*

The preparation of the Group's unaudited interim condensed consolidated financial statements is in conformity with U.S. GAAP. The unaudited interim condensed consolidated financial statements include the accounts of Weibo, its wholly owned subsidiaries, VIEs, and VIEs' subsidiaries. All significant intercompany balances and transactions have been eliminated.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of the Company, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position as of September 30, 2021, its results of operations and cash flows for the nine months ended September 30, 2020 and 2021. The unaudited interim condensed consolidated balance sheet as of December 31, 2020, was derived from audited financial statements as of that date, but does not contain all of the footnote disclosures required by U.S. GAAP for a complete set of financial statements. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes for the year ended December 31, 2020.

*Use of estimates*

Conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts in the unaudited interim condensed consolidated financial statements and accompanying notes. These estimates form the basis for judgments the management makes 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, long-term investments, 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. The management bases the estimates and judgments on historical information and on various other assumptions that management believes are reasonable under the circumstances. Actual results could differ materially from such estimates.

*Revenue recognition*

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 the Group expects to be entitled to in exchange for those goods or services. The Group identifies its contracts with customers and all performance obligations within those contracts. The Group then determines the transaction price and allocates the transaction price to the performance obligations within the Group's contracts with customers, recognizing revenue when, or as, the Group satisfies its performance obligations.

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**2. Significant Accounting Policies (continued)**

*Revenue recognition (continued)*

The Group does not believe that significant management judgments are involved in revenue recognition, but the amount and timing of the Group’s 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. The Group estimates annual expected revenue volume of each individual agent with reference to their historical results. The Group recognizes revenue for the amount of fees it receives from its advertisers, after deducting estimated sales rebates and net of value-added tax (“VAT”) under ASC 606. The Group believes that there will not be significant changes to its estimates of variable consideration.

Revenue disaggregated by revenue source for the nine months ended September 30, 2020 and 2021 consists of the following:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Advertising and marketing revenues	\$1,032,678	\$1,429,969
Value-added services revenues	143,843	210,827
 Total revenues	 <u>\$1,176,521</u>	 <u>\$1,640,796</u>

The Group enters into contracts with its customers, which may give rise to contract assets (unbilled revenue) or contract liabilities (deferred revenue). The payment terms and conditions within the Group’s contracts vary by the type and location of its customers and products or services purchased, the substantial majority of which are due in less than one year. Deferred revenues related to unsatisfied performance obligations at the end of the period are mainly from the customer advance of the advertising and marketing services and the sales of the fee-based services, such as VIP membership, live streaming, and virtual currency or in-game virtual items sold for game related 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. The amount of revenue recognized that was included in the deferred revenue balance at the beginning of the period was \$120.1 million for the nine months ended September 30, 2021.

*Practical Expedients and Exemptions*

The Group generally expenses sales commissions when incurred because the amortization period is generally one year or less. These costs are recorded within sales and marketing expenses.

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**2. Significant Accounting Policies (continued)**

*Revenue recognition (continued)*

*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 the Group's platform or website in particular formats and over particular periods of time, which is typically no more than three months. The Group enters into cost per mille ("CPM"), or cost per thousand impressions, advertising arrangements with the customers, under which the Group recognizes revenues based on the number of times that the advertisement has been displayed. The Group also enters into cost per day ("CPD") advertising arrangements with customers, under which the Group recognizes 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.

The Group's 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. The Group believes its estimation approach in variable consideration results in revenue recognition in a manner consistent with the underlying economics of the transaction.

The Group's contracts with customers may include multiple performance obligations, which primarily consist of combinations of service to allow customers to place advertisements on different areas of its 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, the Group determines best estimate of the stand-alone selling price by taking into consideration of the pricing of advertising areas of the Group's platform or website with similar popularities and advertisements with similar formats and quoted prices from competitors and other market conditions. The Group believes the 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. The Group pays a predetermined portion of revenues 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. The Group has determined that it is the principal in these transactions, as it has primary responsibility for fulfilling all the obligations related to advertising contracts. The Group has discretion in establishing pricing of the contracts and controls the advertising inventory before the delivery to customers. The Group records revenues derived from such contracts on a gross basis and the portion paid to the third parties is recognized as cost of revenues.

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**2. Significant Accounting Policies (continued)**

*Revenue recognition (continued)*

*Advertising and marketing revenues (continued)*

Revenues from barter transactions are recognized during the period in which the advertisements are displayed on the Group's 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*

The Group generates value-added services revenues principally from fee-based 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. Revenues from these services are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those services.

*VIP membership.* 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.* Live streaming generates revenue from sales of virtual items on the live-streaming platform ("Yizhibo"). Users can access the platform and view the live streaming content and interact with the broadcasters for free.

The Group designs, creates and offers various virtual items for sales to users with pre-determined selling prices. 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, the Group shares 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 the Group has determined that it acts 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 cost of revenues. The Group does not have further obligations to the user after the virtual items are consumed.

*Game-related services.* Game-related service revenues are mostly generated from the purchase of virtual items by game players through the Group's platform, including items, avatars, skills, privileges or other in game consumables, features or functionality, within the games. The Group's performance obligation is to provide on-going 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. The Group collects

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**2. Significant Accounting Policies (continued)**

*Revenue recognition (continued)*

*Value-added services revenues (continued)*

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 that the Group is 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 in which the Group is 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.

*Cost of revenues*

Cost of revenues consists mainly of costs associated with the maintenance of platform, which primarily include bandwidth and other infrastructure costs, revenue-share cost, advertisement production cost, labor cost and turnover taxes levied on the revenues, part of which were allocated from SINA. The Group is subject to 3% cultural business construction fees for its advertising and marketing revenues, which is included in cost of revenues. Starting from July 1 2019, the 3% cultural business construction fees was reduced to 1.5%. Moreover, as part of the measures taken by the government to ease the negative impact from Covid-19 pandemic, the cultural business construction fees were exempted for the fiscal years of 2020 and 2021. An aggregate of \$15.7 million and \$18.8 million cultural business construction fees was exempted for the nine months ended September 30, 2020 and 2021, respectively.

*Sales and marketing expenses*

Sales and marketing expenses consist mainly of online and offline advertising and promotional expenses, salary, benefits and commission expenses, and facility expenses. Advertising and promotional expenses generally represent the expenses of promotions of corporate image and product marketing. The Group expenses all advertising and promotional expenses as incurred and classifies these expenses under sales and marketing expenses. Pursuant to the adoption of ASC 606, the recognition of revenues and expenses at fair value for advertising barter transactions has resulted in an increase of revenue and advertising expenses. For the nine months ended September 30, 2020 and 2021, the advertising and promotional expenses were \$230.3 million and \$312.9 million, respectively.

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**2. Significant Accounting Policies (continued)**

*Product development expenses*

Product development expenses consist mainly of payroll-related expenses and infrastructure costs incurred for enhancement to and maintenance of the Group's platform, as well as costs associated with new product development and product enhancements, part of which were allocated from SINA. The Group expenses all costs incurred for the planning, post implementation phases of development and costs associated with repair or maintenance of the existing site or the development of platform content. Since inception, the amount of costs qualifying for capitalization has been immaterial and, as a result, all product development costs have been expensed as incurred.

*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 expense on a straight-line basis over the requisite service period, which is the vesting period.

The Group uses 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 the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected value volatility of the Company 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.

The Group recognizes the estimated compensation cost of restricted share units based on the fair value of its ordinary shares on the date of the grant. The Group recognizes the compensation cost, net of estimated forfeitures, over a vesting term of generally four years for service-based restricted share units. The Group also recognizes 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. The Group uses historical data to estimate pre-vesting option and records stock-based compensation expense only for those awards that are expected to vest. See Note 7 *Stock-based Compensation* for further discussion on stock-based compensation.



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**2. Significant Accounting Policies (continued)**

***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 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 carry forwards. The Group records 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, the Group applies 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 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.

***Short-term investments***

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, the Group 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 unaudited interim condensed consolidated statements of comprehensive income as interest income.

***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 the Group adopted ASC Topic 326 on January 1, 2020. Accounts receivable are recorded at the original amounts less an allowance for any potential uncollectible amounts. The Group makes estimates of expected credit and collectability trends for the allowance for credit losses based upon 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. The Group also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected. Expected credit losses for accounts receivable are recorded as general and administrative expenses on the unaudited interim condensed consolidated statements of comprehensive income. The initial impact of applying ASC Topic 326 on the consolidated financial statements is immaterial to the Group's retained earnings as of January 1, 2020.

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**2. Significant Accounting Policies (continued)**

*Credit losses (continued)*

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 unaudited interim condensed consolidated balance sheets. Management estimates the allowance for credit losses on loans and interest receivable not sharing similar risk characteristic on an individual basis, based on lifetime expected credit losses of these loans and interest receivable by estimating 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 estimated loan collection schedule, discount rate, financial condition and performance data of the borrowers and reasonable and supportable performance forecasts.

*Fair value measurements*

*Financial instruments*

All financial assets and liabilities are recognized or disclosed at fair value in the unaudited interim condensed 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, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Group measures 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, the Group measures them at fair value when observable price changes are identified or impairment charge was recognized. The fair values of the Group's 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 the Group's long-term investments in the equity securities of publicly listed companies are measured using quoted market prices. The Group's non-financial assets, such as intangible assets, goodwill, fixed assets and operating lease assets, are measured at fair value only if they are determined to be impaired.

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**2. Significant Accounting Policies (continued)**

*Fair value measurements (continued)*

*Financial instruments (continued)*

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 asset 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, amount due from SINA, accounts payable, accrued and other liabilities approximates fair value because of their short-term nature. See Note 15 *Fair Value Measurement* for additional information.

*Long-term investments*

Long-term investments are comprised of investments in publicly traded companies, privately held companies, and limited partnerships. The Group uses the equity method to account for ordinary-share-equivalent equity investments on which it has significant influence but does not own a majority equity interest or otherwise control.

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**2. Significant Accounting Policies (continued)**

*Long-term investments (continued)*

The Group measures investments in equity securities, other than equity method investments, at fair value through earnings. For those investments without readily determinable fair values, the Group elects to record these investments at cost, less impairment, 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 unaudited interim condensed consolidated statement of comprehensive income, whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For equity investments without readily determinable fair value for which the Group has elected to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date, applying significant judgement in considering various factors and events including a) adverse performance of investees; b) adverse industry developments affecting investees; and c) adverse regulatory, social, economic or other developments affecting investees. If a qualitative assessment indicates that the investment is impaired, the Group estimates 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, the Group recognizes an impairment loss in net income equal to the difference between the carrying value and fair value. Significant judgement is applied by the Group in estimating the fair value to determine if an impairment exists, and if so, to measure the impairment losses for these equity security investments. These judgements include the selection of valuation methods in estimating fair value and the determination of key valuation assumptions used, including cash flow forecasts and critical assumptions used in cash flow forecasts, such as the investees' revenue growth rate, terminal growth rate, discount rate, selection of comparable companies and multiples, estimated volatility rate and discount for lack of marketability.

Investments in entities which the Group can exercise significant influence and holds an investment in voting common shares or in-substance common shares (or both) of the investee but does 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. Under the equity method, the Group initially records its investments at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the unaudited interim condensed consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

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**2. Significant Accounting Policies (continued)**

*Long-term investments (continued)*

In January 2020, the FASB issued ASU No. 2020-01, Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force). The amendments in this update clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the unaudited interim condensed consolidated financial statements.

*Business combination*

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of consideration paid, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the unaudited interim condensed consolidated statements of comprehensive income.

*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.

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**2. Significant Accounting Policies (continued)**

*Leases (continued)*

On January 1, 2019, the Group adopted the new lease standard using the transition method by applying the standard to all leases existing at the date of initial application. The Group 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.

The Group did not retrospectively adjust the prior comparative periods. Under the new lease standard, the Group determines if an arrangement is or contains a lease at inception. Right-of-use assets and liabilities are recognized at lease commencement date based on the present value of remaining lease payments over the lease terms. The Group considers 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. Depreciation expenses were \$18.9 million and \$24.3 million for the nine months ended September 30, 2020 and 2021, respectively.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Group’s acquisitions of interests in its subsidiaries, consolidated VIEs and VIEs’ subsidiaries. The Group assesses 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. The guidance provides option that the Group may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test, by taking into consideration of macroeconomics, overall financial performance, industry and market conditions and the share price of the Group. 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

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**2. Significant Accounting Policies (continued)**

*Long-lived assets (continued)*

*Goodwill (continued)*

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. For nine months ended September 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*

The Group determines the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature. After considering the impact of such features, the Group may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 *Derivatives and Hedging* and ASC 470 *Debt*.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense over the contractual life. The Group presented the issuance costs of debt as a direct deduction from the related debt during the periods presented.

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**2. Significant Accounting Policies (continued)**

*Convertible debt and unsecured senior notes (continued)*

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 unaudited interim condensed consolidated statement of comprehensive income over the estimated term using the effective interest method.

*Deferred revenues*

Deferred revenues consist of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition, which are mainly from the customer advance of the advertising and marketing services and the sales of the fee-based services, such as VIP membership, live streaming, and virtual currency or in-game virtual items sold for game related services.

*Non-controlling interests*

For the Company's majority-owned subsidiaries and VIE, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. To reflect the economic interest held by non-controlling shareholders, net income/loss attributable to the non-controlling ordinary shareholders is recorded as non-controlling interests in the Company's unaudited interim condensed consolidated statements of comprehensive income. Non-controlling interests are classified as a separate line item in the equity section of the Company's unaudited interim condensed consolidated balance sheets and have been separately disclosed in the Company's unaudited interim condensed consolidated financial statements to distinguish the interests from that of the Company.

*Foreign currency*

The Company's reporting currency and functional currency is the U.S. dollar. The Group's operations in China and in international regions use their respective currencies as their functional currencies. The financial statements of these subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates of exchange in the period for revenues, costs and expenses. Translation gains and losses are recorded in accumulated other comprehensive income (loss) as a component of shareholders' equity. Translation gains or losses are not released to net income unless the associated net investment has been sold, liquidated, or substantially liquidated.



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**2. Significant Accounting Policies (continued)**

*Foreign currency (continued)*

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rate prevailing on the transactions dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in other income, net.

Foreign currency translation adjustments included in the Group’s unaudited interim condensed consolidated statements of comprehensive income for the nine months ended September 30, 2020 and 2021 were gains of \$57.7 million and \$34.9 million respectively. Net foreign currency transaction gains or losses arise from transacting in a currency other than the functional currency of the entity and the amounts recorded were immaterial for each of the periods presented.

*Net income per share*

Basic net income per share is computed using the weighted average number of ordinary shares outstanding during the period. Options and RSUs are not considered outstanding in the computation of basic earnings per share. Diluted net income per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period, which include options to purchase ordinary shares, restricted share units and conversion of the convertible debt. The computation of diluted net income per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts or a decrease in loss per share amounts) on net income per share. The Group uses the two-class method to calculate net income per share though both classes share the same rights in dividends. Therefore, basic and diluted earnings per share are the same for both classes of ordinary shares.

*Segment reporting*

In accordance with ASC 280, *Segment Reporting*, the Group’s chief operating decision maker (“CODM”), the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group currently operates and manages its business in two principal business segments globally – advertising and marketing services and value-added services. Information regarding the business segments provided to the Group’s CODM is at the revenue level and the Group currently does not allocate operating costs or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments. As the Group’s long-lived assets are substantially all located in the PRC and substantially the Group’s revenues are derived from within the PRC, no geographical information is presented.

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**2. Significant Accounting Policies (continued)**

*Concentration of risks*

*Concentration of credit risk.* Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. In addition, with the majority of its operations in China, the Group is subject to RMB currency risk and offshore remittance risk, both of which have been difficult to hedge and the Group has not done so. The Group limits its exposure to credit loss by depositing its cash and cash equivalents with financial institutions in the US, PRC and Hong Kong, which are among the largest and most respected financial institutions with high ratings from internationally-recognized rating agencies, that management believes are of high credit quality. The Group periodically reviews these institutions’ reputations, track records and reported reserves.

As of December 31, 2020 and September 30, 2021, the Group had \$3.0 billion and \$2.2 billion, respectively, in cash and bank time deposits (with terms generally up to twelve months) with large domestic banks in China. China promulgated a Bankruptcy Law that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the Bankruptcy Law, a Chinese bank may go bankrupt. In addition, since China’s concession to WTO, foreign banks have been gradually permitted to operate in China and have become significant competitors to Chinese banks in many aspects, especially since the opening of RMB business to foreign banks in late 2006. Therefore, the risk of bankruptcy on Chinese banks in which the Group holds cash and bank deposits has increased. In the event that a Chinese bank that holds the Group’s deposits goes bankrupt, the Group is unlikely to claim its deposits back in full, since it is unlikely to be classified as a secured creditor to the bank under the PRC laws.

Alibaba, as an advertiser, accounted for 8% and 6% of the Group’s total revenues for the nine months ended September 30, 2020 and 2021, respectively. No customer nor advertising agency accounted for 10% or more of the Group’s revenues. The Group’s top 10 advertising agencies contributed to 32% and 40% of the Group’s revenues for the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2020 and September 30, 2021, substantially all accounts receivable were derived from the Group’s China operations. Excluding accounts receivable due from Alibaba and other related parties, accounts receivable primarily consist of amounts due from advertising agencies and direct customers. Alibaba accounted for 28% and 14% of the Group’s net accounts receivable as of December 31, 2020 and September 30, 2021, respectively.

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**2. Significant Accounting Policies (continued)**

*Concentration of risks (continued)*

*Concentration of foreign currency risks.* The majority of the Group's operations were in RMB. As of December 31, 2020 and September 30, 2021, the Group's cash, cash equivalents and short-term investments balance denominated in RMB was \$1,651.3 million and \$1,228.0 million, accounting for 47% and 45% of the Group's total cash, cash equivalents and short-term investments balance at the respective dates. As of December 31, 2020 and September 30, 2021, the Group's aggregate net accounts receivable balance (including accounts receivable due from third parties, Alibaba and other related parties) denominated in RMB was \$492.0 million and \$683.7 million, respectively, accounting for almost all of its net accounts receivable balance. As of December 31, 2020 and September 30, 2021, the Group's current liabilities balance denominated in RMB was \$947.6 million and \$1,139.0 million, accounting for 99% and 98% of its total current liabilities balance. Accordingly, the Group may experience economic losses and negative impacts on earnings and equity as a result of exchange rate fluctuations of the RMB against the U.S. dollars. Moreover, the Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Group may experience difficulties in completing the administrative procedures necessary to remit its RMB out of the PRC and convert it into foreign currency.

*Recent accounting pronouncements*

In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40) to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The ASU is currently not expected to have a material impact on the unaudited interim condensed consolidated financial statements.

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**3. Cash, Cash Equivalents and Short-term Investments**

Cash, cash equivalents and short-term investments consist of the following:

	<b>As of</b>	
	<b>December 31, 2020</b>	<b>September 30, 2021</b>
	<i>(In thousands)</i>	
Cash and cash equivalents:		
Cash	\$1,814,844	\$1,828,691
Short-term investments:		
Bank time deposits	1,515,880	665,983
Wealth management products	166,168	212,504
	<u>1,682,048</u>	<u>878,487</u>
Subtotal		
	<u>1,682,048</u>	<u>878,487</u>
Total cash, cash equivalents and short-term investments	<u><u>\$3,496,892</u></u>	<u><u>\$2,707,178</u></u>

The carrying amounts of cash, cash equivalents and short-term investments approximate fair value. Interest income was \$65.7 million and \$56.9 million for the nine months ended September 30, 2020 and 2021, respectively. The maturity dates for the time deposits and wealth management products were within one year.

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**4. 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 the Group’s long-term investments:

	Equity Securities Without Readily Determinable Fair Values	Equity Method	Equity Securities With Readily Determinable Fair Values	Total
	<i>(In thousands)</i>			
Balance at December 31, 2020	\$ 579,084	\$311,161	\$289,221	\$1,179,466
Investments made/transfers from prepayments	67,957	159,584	–	227,541
Income from equity method investment, net	–	17,688	–	17,688
Dividend received from equity method investments	–	(11,695)	–	(11,695)
Disposal of investments	(16,883)	–	(4,946)	(21,829)
Changes from measurement alternative to consolidation (Note 6)	(66,415)	–	–	(66,415)
Reclassification of equity investment without readily determinable fair values to those with readily determinable fair values	(142,000)	–	142,000	–
Impairment on investments	(102,594)	–	–	(102,594)
Fair value change through earnings	(26,810)	–	(6,263)	(33,073)
Currency translation adjustment	3,565	2,895	–	6,460
Balance at September 30, 2021	<u>\$ 295,904</u>	<u>\$479,633</u>	<u>\$420,012</u>	<u>\$1,195,549</u>

For the nine months ended September 30, 2021, the Group invested in private high-tech companies totaling \$68.0 million, which were accounted for under investments without readily determinable fair values. These investments were to further expand and strengthen the Group’s ecosystem and mainly included a further investment of \$39.5 million in a leading mobile photo and video application in China during the nine months ended September 30, 2021. The Group obtained control of the company operating the mobile photo and video application through the step acquisition and recorded \$27.6 million fair value change loss for the equity interest previously held by the Group immediately prior to the step acquisition. The impact of the transaction was reflected in the changes from

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**4. Long-term Investments (continued)**

measurement alternative to consolidation. The Group also invested \$159.6 million in companies, which mainly included several investment funds and were accounted for under equity method, for the nine months ended September 30, 2021.

The Group used measurement alternative for recording equity investments without readily determinable fair values at cost, less impairment, adjusted for subsequent observable price changes. Based on ASU 2016-01, entities that elect the measurement alternative will report changes in the carrying value of the equity investments in current earnings. If measurement alternative is used, changes in the carrying value of the equity investment will be recognized whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer, and impairment charges will be recorded when any impairment indicators are noted and the fair value is lower than the carrying value. The Group classifies the valuation techniques on investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

The following table summarizes the total carrying value of the equity investments accounted for under the measurement alternative as of September 30, 2021, including cumulative upward and downward adjustments made to the initial cost basis of the securities. The Group recorded \$130.2 million downward adjustment for the nine months ended September 30, 2021, which included \$102.6 million impairment for equity investments accounted for under the measurement alternative in the period. The Group recorded a \$75.3 million full impairment for investment in Yixia Tech Co., Ltd. for the nine months ended September 30, 2021 due to its unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future.

	<b>Cumulative Results</b>
	<i>(In thousands)</i>
Initial cost basis	\$ 713,552
Upward adjustments	82,217
Downward adjustments	(513,861)
Foreign currency translation	13,996
	<hr/>
Total carrying value at September 30, 2021	<u><u>\$ 295,904</u></u>

Investments in marketable equity securities are valued using the market approach based on the quoted prices in active markets at the reporting dates. The Group classified the valuation techniques that use these inputs as Level 1 of fair value measurements. The Group recorded \$6.3 million fair value loss, which was unrealized in the nine months ended September 30, 2021, and the fair value of the marketable securities was \$420.0 million as of September 30, 2021.

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**4. Long-term Investments (continued)**

The following table shows the carrying amount and fair value of the marketable securities:

	<u>Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	<i>(In thousands)</i>			
Showworld	\$ 81,385	\$204,675	\$ –	\$286,060
Other marketable securities	15,274	–	(12,113)	3,161
<b>December 31, 2020</b>	<u>\$ 96,659</u>	<u>\$204,675</u>	<u>\$(12,113)</u>	<u>\$289,221</u>
Showworld	\$ 81,385	\$105,384	\$ –	\$186,769
Didi	\$142,000	\$ 91,243	\$ –	\$233,243
<b>September 30, 2021</b>	<u>\$223,385</u>	<u>\$196,627</u>	<u>\$ –</u>	<u>\$420,012</u>

One of the Group’s investees, Didi Global Inc. (“Didi”), a company operating a mobility technology platform, completed its initial public offering and started trading on July 1, 2021, China time. Therefore, investment in Didi amounting to \$142.0 million was transferred from measurement alternative to equity securities with readily determinable fair value, and a fair value change gain of \$91.2 million was recorded for the nine months ended September 30, 2021. The Group recorded a fair value change loss of \$99.3 million in Showworld for the nine months ended September 30, 2021.

**5. Leases**

The Group has operating leases primarily for office spaces in China. The determination of whether an arrangement is or contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Group obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating lease assets and liabilities are included in operating lease right-of-use assets, operating lease liabilities, short-term, and operating lease liabilities, long-term on the Group’s unaudited interim condensed consolidated balance sheets. The Group has chosen to not recognize lease assets and lease liabilities for leases with a term of twelve months or less on the unaudited interim condensed consolidated balance sheets.

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**5. Leases (continued)**

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments over the lease terms at the lease commencement dates. The Group uses its incremental borrowing rate in determining the present value of lease payments. The incremental borrowing rate is a hypothetical rate based on the Group’s understanding of what interest the Group would pay in order to obtain a borrowing with an amount equivalent to the lease payments in a similar economic environment over the lease term on a collateralized basis from banks in China.

Certain lease agreements contain an option for the Group to renew a lease for a term agreed by the Group and the lessor or an option to terminate a lease earlier than the maturity dates. The Group considers these options, which may be elected at the Group’s sole discretion, in determining the lease term on a lease-by-lease basis. The Group’s lease agreements generally do not contain any residual value guarantees or material restrictive covenants. Certain of the Group’s leases contain free or escalating rent payment terms. The Group’s lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Group has chosen to combine payments for non-lease components with lease payments and accounted them together as a single lease component. Payments under the lease arrangements are primarily fixed. However, for arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. Additionally, certain lease agreements with SINA contain variable payments, which are determined based on actual SINA headquarters spaces occupied by the Group and are expensed as incurred and not included in the operating lease assets and liabilities.

The components of lease cost for the nine months ended September 30, 2020 and 2021 were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Operating lease cost	\$3,515	\$ 5,206
Short-term lease cost	2,336	2,940
Variable lease cost	3,349	4,041
	<u>          </u>	<u>          </u>
Total lease cost	<u>\$9,200</u>	<u>\$12,187</u>



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**5. Leases (continued)**

Other information related to leases was as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	

**Supplemental Cash Flows Information:**

Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for operating leases	\$(3,922)	\$(5,824)
Operating lease assets obtained in exchange for operating lease liabilities	\$ 1,183	\$ 8,301

Maturities of lease liabilities under operating leases as of September 30, 2021 were as follows:

<b>Twelve Months Ended September 30,</b>	<b><i>(In thousands)</i></b>
2022	\$ 5,001
2023	1,979
2024	1,617
2025	1,436
2026 and thereafter	1,358
Total future payments for recognized leasing assets	<u>\$11,391</u>
Less: imputed interest	<u>1,155</u>
Total lease liabilities	<u><u>\$10,236</u></u>

As of September 30, 2021, operating leases recognized in lease liabilities have average remaining lease terms of 3.6 years and weighted-average discount rate of 5%. As of September 30, 2021, the Group had no lease contract that has been entered into but not yet commenced.

**6. Goodwill, Intangible Assets and Acquisitions**

In the second quarter of 2021, the Group acquired another 51.2% equity interest of an investee operating a leading mobile photo and video application in China, Wuta application, in which the Group previously held 34.8% equity interest, with a cash consideration of \$39.5 million. The Group obtained the control and held 86% equity interest in the investee upon completion of the transaction on May 1, 2021. An

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**6. Goodwill, Intangible Assets and Acquisitions (continued)**

independent valuation firm was engaged by the Group to help the management determine the fair value of assets and liabilities obtained from the transaction. The identifiable intangible assets acquired on the acquisition date included user base, domain names and operating system of \$16.5 million with estimated lives ranging from three to ten years. The intangible assets were measured at fair value upon acquisition primarily using royalty savings method, multi-periods excess earning model and cost approach. Key assumptions used in determining the fair value of these intangible assets include cash flow forecasts, the revenue growth rates, the discount rate, the customer attrition rate and replacements costs.

The consideration of acquisition of the mobile app company was allocated based on the fair value of the assets acquired and the liabilities assumed as follows:

	<b>As of May 1, 2021</b>
	<i>(In thousands)</i>
Consideration	\$39,540
Fair value of previously held equity interest	26,875
Non-controlling interest	<u>10,811</u>
Total	<u><u>77,226</u></u>
Cash and short-term investments acquired	5,786
Other assets acquired	6,801
Identifiable intangible assets acquired	16,495
Goodwill	51,034
Liabilities assumed	<u>(2,890)</u>
Total	<u><u>\$77,226</u></u>

In August, 2021, the Group acquired an E-sports team and related assets. An independent valuation firm was engaged by the Group to help the management determine the fair value of assets and liabilities obtained from the transaction. The identifiable intangible assets acquired on acquisition date included game related assets of \$19.3 million with estimated lives of ten years. The intangible assets were measured at fair value upon acquisition primarily using royalty savings method and multi-periods excess earning method. Key assumptions used in determining the fair value of these intangible assets include discount rate, terminal growth rate and royalty rate.

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**6. Goodwill, Intangible Assets and Acquisitions (continued)**

The consideration of acquisition of the E-sports team and related assets was allocated based on the fair value of the assets acquired and the liabilities assumed as follows:

	<u>As of August 1, 2021</u> <i>(In thousands)</i>
Consideration	<u>\$30,953</u>
Identifiable intangible assets acquired	19,274
Goodwill	14,745
Liabilities assumed	<u>(3,066)</u>
Total	<u>\$30,953</u>

The acquisition mentioned above resulted an immaterial impact to revenues and net income for the nine months ended September 30, 2021. Since it did not have a material impact on the Group’s consolidated financial statements, pro forma disclosures have not been presented. Apart from what have been mentioned above, there was no acquisition during the nine months ended September 30, 2021.

The following sets forth the changes in the Group’s goodwill by segment:

	<u>Advertising &amp; Marketing</u>	<u>Value-added services</u>	<u>Total</u>
	<i>(In thousands)</i>		
<b>Balance as of December 31, 2020</b>	\$30,899	\$30,813	\$ 61,712
Acquisition of the company operating Wuta application	51,034	–	51,034
Acquisition of an E-sports team	–	14,745	14,745
Currency translation adjustment	<u>638</u>	<u>447</u>	<u>1,085</u>
<b>Balance as of September 30, 2021</b>	<u>\$82,571</u>	<u>\$46,005</u>	<u>\$128,576</u>

The increase of the balance in the nine months ended September 30, 2021 was mainly due to the goodwill arising from the acquisition of the company operating Wuta application and the acquisition of the E-sports team and related assets.

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**6. Goodwill, Intangible Assets and Acquisitions (continued)**

The following table summarizes the Group’s intangible assets arising from acquisitions:

	As of December 31, 2020			As of September 30, 2021		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	<i>(In thousands)</i>			<i>(In thousands)</i>		
Game related	\$127,238	\$ (2,199)	\$125,039	\$148,262	\$(12,588)	\$135,674
Technology	9,544	(4,417)	5,127	10,029	(5,172)	4,857
Trademark and Domain name	12,788	(1,542)	11,246	19,796	(3,595)	16,201
Supplier-relationship	10,253	(4,689)	5,564	10,391	(6,336)	4,055
Others	2,449	(2,449)	-	13,729	(3,760)	9,969
<b>Total</b>	<b>\$162,272</b>	<b>\$(15,296)</b>	<b>\$146,976</b>	<b>\$202,207</b>	<b>\$(31,451)</b>	<b>\$170,756</b>

The amortization expense for the nine months ended September 30, 2020 and 2021 was \$2.5 million and \$15.9 million, respectively. As of September 30, 2021, estimated amortization expenses for future periods are expected as follows:

<b>Year Ended December 31,</b>	<b><i>(In thousands)</i></b>
The remainder of 2021	\$ 6,166
2022	24,317
2023	22,825
2024	21,156
2025 and thereafter	96,292
<b>Total expected amortization expense</b>	<b>\$170,756</b>

**7. Stock-Based Compensation**

In March 2014, the Company adopted the 2014 Share Incentive Plan (the “2014 Plan”), which included the remaining 4.6 million shares from the terminated 2010 Share Incentive Plan, plus an additional 1.0 million shares. On January 1, 2015, shares in the 2014 Plan, which has a term life of ten years, were allowed a one-time increase in the amount equal to 10% of the total number of Weibo shares issued and outstanding on a fully-diluted basis as of December 31, 2014. Each share in the 2014 Plan pool allows for a grant of a restricted share unit or option share. The Company intends to use such share incentive plan to attract and retain employee talents. Stock-based compensation related to the grants is amortized generally over four years on a straight-line basis (generally one year for performance-based restricted shares).

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**7. Stock-Based Compensation (continued)**

The following table sets forth the stock-based compensation included in each of the relevant accounts:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021*</b>
	<i>(In thousands)</i>	
Cost of revenues	\$ 3,909	\$ 5,690
Sales and marketing	6,886	10,249
Product development	22,890	29,260
General and administrative	14,100	16,059
	<u>\$47,785</u>	<u>\$61,258</u>

\* Excluded non-cash stock-based compensation of \$5.2 million to SINA employees charged through Amount due from SINA for the nine months end September 30, 2021.

The following table sets forth a summary of the number of shares available for issuance:

	<b>Shares Available</b>
	<i>(In thousands)</i>
<b>December 31, 2020</b>	12,495
Addition	–
Granted*	(4,407)
Cancelled/expired/forfeited	<u>613</u>
<b>September 30, 2021</b>	<u><u>8,701</u></u>

\* During the nine months ended September 30, 2021, 4.4 million restricted share units were granted under the 2014 Plan. No options were granted for the nine months ended September 30, 2021.

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**7. Stock-Based Compensation (continued)**

*Stock Options*

The following table sets forth a summary of option activities under the Company’s stock option program:

	<u>Options Outstanding</u> <i>(In thousands)</i>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u> <i>(In years)</i>	<u>Aggregate Intrinsic Value</u> <i>(In thousands)</i>
<b>December 31, 2020</b>	551	\$28.85	5.8	\$6,683
Granted	–	–		
Exercised	(102)	\$12.11		
Cancelled/expired/forfeited	(54)	\$32.68		
<b>September 30, 2021</b>	<u>395</u>	\$32.68	5.9	\$5,847
Vested and expected to vest as of September 30, 2021	359	\$32.68	5.9	\$5,316
Exercisable as of September 30, 2021	85	\$32.68	5.9	\$1,263

The total intrinsic value of options exercised for the nine months ended September 30, 2021 was \$4.0 million. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. As reported by the NASDAQ Global Selected Market, the Company’s ending stock price as of December 31, 2020 and September 30, 2021 was \$40.99 and \$47.49, respectively. Cash received from the exercise of stock options during the nine months ended September 30, 2020 and 2021 was \$0.1 million and \$1.2 million, respectively. As of September 30, 2021, unrecognized compensation cost (adjusted for estimated forfeitures) was \$3.6 million, which was related to non-vested stock options granted to the Company’s employees and directors. This cost is expected to be recognized over a weighted-average period of 2.9 years.

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**7. Stock-Based Compensation (continued)**

*Stock Options (continued)*

Information regarding stock options outstanding at September 30, 2021 is summarized below:

Range of Exercise Prices	Options Outstanding <i>(In thousands)</i>	Weighted Average Exercise Price	Options Exercisable <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life <i>(In years)</i>
\$32.68	395	\$32.68	85	\$32.68	5.9

*Restricted Share Units*

*Summary of Performance-Based Restricted Share Units*

The following table sets forth a summary of performance-based restricted share unit activities:

	Shares Granted <i>(In thousands)</i>	Weighted- Average Grant Date Fair Value
<b>December 31, 2020</b>		
Awarded	17	\$36.49
Vested	15	\$54.08
Cancelled	(2)	\$38.78
	(19)	\$40.63
<b>September 30, 2021</b>	11	\$54.17

As of September 30, 2021, there was no material unrecognized compensation cost (adjusted for estimated forfeitures), which was related to performance-based restricted share units granted to the Company’s employees.

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**7. Stock-Based Compensation (continued)**

*Restricted Share Units (continued)*

*Summary of Service-Based Restricted Share Units*

The following table sets forth a summary of service-based restricted share unit activities:

	<b>Shares Granted</b>	<b>Weighted- Average Grant Date Fair Value</b>
	<i>(In thousands)</i>	
<b>December 31, 2020</b>	4,324	\$41.86
Awarded	4,392	\$50.44
Vested	(1,299)	\$44.28
Cancelled	(540)	\$44.01
	<hr/>	<hr/>
<b>September 30, 2021</b>	<u>6,877</u>	<u>\$46.72</u>

As of September 30, 2021, unrecognized compensation cost (adjusted for estimated forfeitures) was \$232.9 million, which was related to non-vested service-based restricted share units granted to the Company’s employees and directors. This cost is expected to be recognized over a weighted-average period of 3.3 years. The total fair value based on the vesting date of the restricted share units vested was \$66.9 million for the nine months ended September 30, 2021.



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**8. Other Balance Sheet Components**

	As of		
	September 30, 2020	December 31, 2020	September 30, 2021
	<i>(In thousands)</i>		
<b>Accounts receivable, net:</b>			
Due from third parties		\$343,220	\$579,502
Due from Alibaba		135,321	98,262
Due from other related parties		48,625	41,229
Total gross amount		<u>\$527,166</u>	<u>\$718,993</u>
Allowance for credit losses:			
Balance at the beginning of the year/period	(36,594)	(36,594)	(35,156)
Additional provision charged to expenses, net	(52,900)	(53,124)	(13,160)
Write-off	32,670	54,562	13,033
Balance at the end of the year/period	<u>(56,824)</u>	<u>(35,156)</u>	<u>(35,283)</u>
		<u>\$492,010</u>	<u>\$683,710</u>
<b>Prepaid expenses and other current assets:</b>			
Rental and other deposits		\$ 1,186	\$ 876
Deductible value-added taxes		598	4,545
Investment prepayment <sup>(1)</sup>		15,308	310
Loans to and interest receivable from other related parties <sup>(2)</sup>		158,622	283,904
Loans to and interest receivable from third parties <sup>(2)</sup>		41,784	575,323
Advertising prepayment		18,888	9,471
Prepayment to outsourced service providers		3,719	3,809
Amounts deposited by users <sup>(3)</sup>		45,745	51,412
Content fees		3,080	199
Others		7,827	14,195
		<u>\$296,757</u>	<u>\$944,044</u>

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**8. Other Balance Sheet Components (continued)**

	As of	
	September 30, 2020	December 31, 2020
	September 30, 2021	
	<i>(In thousands)</i>	
<b>Property and equipment, net:</b>		
Computers and equipment	\$ 165,880	\$ 183,829
Leasehold improvements	6,429	6,923
Furniture and fixtures	2,159	2,310
Others	5,077	7,150
	<u>179,545</u>	<u>200,212</u>
Property and equipment, gross	179,545	200,212
Accumulated depreciation	(118,913)	(135,816)
	<u>\$ 60,632</u>	<u>\$ 64,396</u>
<b>Other non-current assets</b>		
Investment related deposits <sup>(4)</sup>	\$ 15,450	\$ 410,741
Prepayment for purchase of SINA Plaza <sup>(5)</sup>	–	131,859
Deferred tax assets	27,020	27,325
Others	2,126	7,702
	<u>\$ 44,596</u>	<u>\$ 577,627</u>
<b>Accrued and other liabilities<sup>(6)</sup>:</b>		
Payroll and welfare	\$ 126,023	\$ 177,235
Marketing expenses	59,410	77,339
Sales rebates	222,064	296,560
Professional fees	3,880	7,482
VAT and other tax payable	49,971	57,339
Amounts due to users <sup>(3)</sup>	45,745	51,412
Unpaid consideration for acquisition	10,280	6,205
Unpaid consideration for investment	19,257	434
Prepayment received for sale of an investee	–	12,410
Interest payable for convertible debt and unsecured senior notes	923	17,063
Others	19,200	29,040
	<u>\$ 556,753</u>	<u>\$ 732,519</u>

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**8. Other Balance Sheet Components (continued)**

- (1) For the year ended December 31, 2020 and nine months ended September 30, 2021, the Group recognized \$1.5 million and nil of impairment charges on investment prepayment (all fully impaired), respectively, due to the deterioration of investees’ operations resulting in their inability to refund the prepayments.
- (2) Loans to related parties and third parties incurred for the nine months ended September 30, 2021 were non-trade in nature.
- (3) Weibo wallet enables users to conduct interest-generation activities on Weibo, such as handing out “red envelopes” and coupons to users and purchase different types of products and services on Weibo, including those offered by the Group, such as marketing services and VIP membership, and those offered by Weibo’s platform partners, such as e-commerce merchandises, financial products and virtual gifts. Amounts deposited by users primarily represent the receivable temporarily held in Weibo’s account on a third party online payment platform for Weibo wallet users. Amounts due to users represent the balances that are payable on demand to Weibo wallet users and therefore are reflected as current liability on the unaudited interim condensed consolidated balance sheets.
- (4) As of September 30, 2021, investment related deposits primarily included \$76.8 million in a micro loan company, \$79.1 million in an insurance company and \$223.9 million in a game company. These non-current assets will be transferred to long-term investment when the legal procedures are completed.
- (5) Weibo entered into a letter of intent to purchase the office building (SINA Plaza) from SINA. As of September 30, 2021, the balance of prepayment for SINA Plaza was \$131.9 million.
- (6) Include amounts due to third parties, employees, related parties (Note 10) and Weibo wallet users.

**9. Income Taxes**

The Company is registered in the Cayman Islands and mainly operates in two taxable jurisdictions—the PRC and Hong Kong.

The Group’s income before income taxes is as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands, except percentage)</i>	
Income before income tax expenses	\$370,109	\$ 405,011
Less: Income (Loss) from non-China operations	64,479	(198,398)
Income from China operations	<u>\$305,630</u>	<u>\$ 603,409</u>

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**9. Income Taxes (continued)**

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands, except percentage)</i>	
Income tax expenses (benefits) applicable to non-China operations	\$12,358	\$ (9,757)
Income tax expenses applicable to China operations	74,272	103,017
Total income tax expenses	<u>\$86,630</u>	<u>\$ 93,260</u>
Effective tax rate for China operations	24.3%	17.1%

The Company generated the majority of its operating income from PRC operations and has recorded income tax provision for the periods presented. The Group’s income (loss) from non-China operations mainly included stock-based compensation, fair value changes through earnings on investments and investment related impairment recorded by the Group’s non-China subsidiaries. The Group’s non-China operations have recognized \$12.4 million deferred tax charges from fair value change of investments during the nine months ended September 30, 2020, as well as a \$9.8 million reversal of previously recognized deferred tax charges during the nine months ended September 30, 2021.

***Cayman Islands***

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is required.

***Hong Kong***

Weibo HK is subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Commencing from the year of assessment 2018/2019, the first HK\$2 million of profits earned by entities 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.

***China***

Effective January 1, 2008, the Enterprise Income Tax Law (the “EIT Law”) in China unifies the enterprise income tax rate for the entities incorporated in China at 25%, unless they are eligible for preferential tax treatment. Preferential tax treatments will be granted to companies conducting businesses in certain encouraged sectors and to entities qualified

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**9. Income Taxes (continued)**

*China (continued)*

as “software enterprise”, “key software enterprise” (“KSE”) and/or “high and new technology enterprise” (“HNTE”). Weibo Technology, the Group’s WFOE, was qualified as a “software enterprise” in 2020, it will not enjoy a reduced tax rate for its “software enterprise” status as it has been five years since its first profitable year of 2015 and it has already benefited from the preferential tax treatment of “software enterprise” status from 2015 to 2019. Weibo Technology was also granted the HNTE status for the fiscal years from 2017 to 2022, which entitled the qualified entity a preferential tax rate of 15% in 2020 and 2021. Its qualification as a HNTE is subject to annual evaluation and a three-year review by the relevant authorities in China. In addition, certain of the Group’s other PRC entities are also qualified as a “software enterprise”, and/or HNTE, and currently enjoy the respective preferential tax treatments.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, should Weibo be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The EIT Law also imposes a withholding income tax rate of 10% on dividends distributed by a WFOE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a WFOE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the WFOE). The State Administration of Taxation further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance and that a beneficial ownership analysis will be used based on a “substance-over-form” principle to determine whether or not to grant the tax treaty benefits.

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**9. Income Taxes (continued)**

*China (continued)*

The operations of the Group’s WFOE in China are invested and held by Weibo HK. If the Company is regarded as a non-resident enterprise and Weibo HK is regarded as a resident enterprise, then Weibo HK may be required to pay a 10% withholding tax on any dividends payable to the Company. If Weibo HK is regarded as a non-resident enterprise, then Weibo Technology may be required to pay a 5% withholding tax for any dividends payable to Weibo HK. However, it is still unclear at this stage whether Circular 601 applies to dividends from Weibo Technology paid to Weibo HK. If Weibo HK were not considered as “beneficial owners” of any dividends from Weibo Technology, the dividends payable to Weibo HK would be subject to a withholding tax of 10%. The current policy approved by the Company’s board of directors allows the Group to distribute PRC earnings offshore only if the Group does not have to pay a dividend tax. As of September 30, 2021, the Group did not record any withholding tax for its PRC subsidiaries.

According to the relevant laws and regulations in the PRC, 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 State Taxation Administration of the PRC 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.

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**9. Income Taxes (continued)**

**Composition of income tax expenses**

The following table sets forth current and deferred portion of income tax expenses of the Group:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
Deferred tax provisions (benefits)	\$11,682	\$ (11,546)
Current income tax expenses	74,948	104,806
Income tax expenses	<u>\$86,630</u>	<u>\$ 93,260</u>

**Deferred tax assets and liabilities**

The following table sets forth the significant components of deferred tax assets and liabilities for the Group:

	<b>As of</b>	
	<b>December 31, 2020</b>	<b>September 30, 2021</b>
	<i>(In thousands)</i>	
Deferred tax assets:		
Net operating loss carry forwards	\$ 8,872	\$ 8,991
Valuation allowance	(8,872)	(8,991)
Depreciation, investment-related impairment, accounts receivable, accrued and other liabilities	107,892	109,338
Valuation allowance	<u>(80,872)</u>	<u>(82,013)</u>
Net deferred tax assets (included in other non- current assets)	<u>\$ 27,020</u>	<u>\$ 27,325</u>
Deferred tax liabilities:		
Acquired intangible assets	\$ 30,999	\$ 36,768
Depreciation	1,435	1,454
Investment gain	25,496	15,857
Others	<u>369</u>	<u>374</u>
Total deferred tax liabilities	<u>\$ 58,299</u>	<u>\$ 54,453</u>

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**9. Income Taxes (continued)**

**Deferred tax assets and liabilities (continued)**

Valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary differences and carry forwards; and (iii) tax planning strategies. The valuation allowance on deferred tax assets as of December 31, 2020 and September 30, 2021 was \$89.7 million and \$91.0 million, respectively. The valuation allowance primarily consists of bad debt expenses and investment impairment charges/fair value change of investments. Historically, deferred tax assets were valued using the statutory rate of 25% for China operations. Net operating loss carry forwards for China operations as of December 31, 2020 will expire, if unused, in the years ending December 31, 2021 through December 31, 2025.

***Uncertain tax position***

Except for the lag recognition of preferential tax treatment of KSE status, research and development super deduction and stock based related deduction, the Group did not record any liability or decrease in deferred tax asset related to uncertain tax positions as of December 31, 2020 and September 30, 2021, and thus, no interest and penalties related to uncertain tax positions were recorded.

For the nine months ended September 30, 2021, based on interactions with the tax authorities, the Group received additional guidance regarding certain areas with heightened requirements, and updated its estimate of related tax benefit amount that is expected to be sustained upon settlement with tax authorities. Additional \$27.9 million tax liability related to uncertain tax positions was recognized for the nine months ended September 30, 2021, which is based on the updated estimate of the largest amount of tax benefit that is greater than 50% likely to be realized upon settlement with the tax authorities. It is possible that the estimate and ultimate resolution of these uncertain tax positions may further change based on further interactions with the tax authorities.

In general, the PRC tax authorities have up to five years to review a company's tax filings. Accordingly, tax filings of the Company's PRC subsidiaries and VIEs for tax years 2016 through 2020 remain subject to the review by the relevant PRC tax authorities.



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**10. Related Party Transactions**

The following sets forth significant related parties and their relationships with the Company:

<u>Company Name</u>	<u>Relationship with the Company</u>
SINA	Parent and affiliates under common control.
Alibaba	Strategic partner and significant shareholder of the Company.

During the nine months ended September 30, 2020 and 2021, the Group entered in to a series of one-year loan agreements with SINA pursuant to which SINA is entitled to borrow from the Group to facilitate SINA's business operations. SINA has withdrawn a total of \$443.6 million and \$481.2 million from the Group and repaid \$146.7 million and \$547.7 million to the Group during the nine months ended September 30, 2020 and 2021, respectively. As of December 31, 2020 and September 30, 2021, the loans to and interest receivable from SINA were \$547.9 million and \$487.9 million, respectively.

The following sets forth significant related party transactions with the Group:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
<u>Transactions with SINA</u>		
Revenue billed through SINA	\$29,233	\$46,374
Revenue from services provided to SINA	15,541	21,199
<b>Total</b>	<b>\$44,774</b>	<b>\$67,573</b>
Costs and expenses allocated from SINA <sup>(1)</sup>	\$29,126	\$28,796
Interest income on loans to SINA	\$ 8,647	\$13,985
<u>Transactions with Alibaba</u>		
Advertising and marketing revenues from Alibaba		
– as an advertiser	\$92,468	\$94,068
Advertising and marketing revenues from Alibaba		
– as an agent	\$20,438	\$40,824
Services provided by Alibaba	\$39,634	\$33,462

(1) Costs and expenses allocated from SINA represented the charges for certain services provided by SINA's affiliates and charged to the Group using actual cost allocation based on proportional utilization (Note 1). In addition to the allocated costs and expenses, SINA also billed \$32.9 million and \$35.5 million for other costs and expenses incurred by Weibo but paid by SINA for the nine months ended September 30, 2020 and 2021, respectively. During the nine months ended September 30, 2020 and 2021, Weibo allocated \$5.7 million and \$2.2 million to SINA for costs and expenses related to certain of SINA's activities for which Weibo made the payments, respectively.

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**10. Related Party Transactions (continued)**

The following table sets forth the details of the revenues from SINA by advertising and marketing revenues and value-added services revenues for the periods specified.

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands)</i>	
<i>Transactions with SINA</i>		
Advertising and marketing revenues	\$34,149	\$58,178
Value-added services revenues	10,625	9,395
<b>Total</b>	<b>\$44,774</b>	<b>\$67,573</b>

The following sets forth related party outstanding balance:

	<b>As of</b>	
	<b>December 31, 2020</b>	<b>September 30, 2021</b>
	<i>(In thousands)</i>	
Amount due from SINA <sup>(2)</sup>	\$548,900	\$515,534
Accounts receivable due from Alibaba	\$135,321	\$ 98,262
Loans to and interest receivable <sup>(3)(4)</sup>		
– Company A (an investee in e-commerce business)	\$ 79,762	\$ –
– Company B (an investee providing social and new media marketing services)	21,771	15,082
– Company C (an investee providing online brokerage services)	41,205	231,304
– Others	15,884	37,518
<b>Total</b>	<b>\$158,622</b>	<b>\$283,904</b>

(2) The Group uses amount due from/to SINA to settle balances arising from cost and expenses allocated from SINA based on proportional utilization, other expenditures incurred by Weibo business but paid by SINA, transactions with third-party customers and suppliers settled through SINA, as well as business transactions between Weibo and SINA. As of December 31, 2020 and September 30, 2021, the amount due from SINA also included loans to and interest receivable from SINA of \$547.9 million and \$487.9 million at an annual interest rate ranging from 1.0% to 4.5% of maturity within one year, respectively.

(3) The annual interest rates of the loans were ranging from 3.5% to 10.0% (interest free for Company B) and the maturities of all loans were within one year at both dates.

(4) The Group assessed the collectability of outstanding loans at least on annual basis or whenever impairment indicators noted. For the nine months ended September 30, 2020 and 2021, the Group recognized \$50.2 million and nil impairment charges on loans to and interest receivable from other related parties, respectively.

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**10. Related Party Transactions (continued)**

Other related parties mainly include investee companies on which SINA or Weibo has significant influence. These investees are generally high-tech companies operating in different internet-related business. For the nine months ended September 30, 2020 and 2021, advertising and marketing revenues generated from other related parties were \$33.4 million and \$38.7 million, value-added services revenues generated from other related parties were \$1.8 million and \$1.7 million, and cost and expenses were \$30.1 million and \$29.1 million respectively. As of December 31, 2020 and September 30, 2021, other related parties accounted for outstanding balances of net accounts receivable of \$42.5 million and \$41.2 million, accounts payable of \$30.8 million and \$19.7 million, and accrued and other liabilities of \$4.8million and \$6.3 million, respectively.

**11. Employee Benefit Plans**

*China Contribution Plan*

The Company’s subsidiaries, VIEs and VIEs’ subsidiaries in China participate in a government-mandated, multi-employer, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. Chinese labor laws require the entities incorporated in China to pay to the local labor and welfare authorities a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The local labor bureau is responsible for meeting all retirement benefit obligations. The Group has no further commitments beyond its monthly contribution. For the nine months ended September 30, 2020 and 2021, the Group’s total contribution was \$34.3 million and \$58.4 million, respectively.

**12. Net Income per Share**

Basic net income per share is computed using the weighted average number of the ordinary shares outstanding during the period. Options and RSUs are not considered outstanding in the computation of basic earnings per share (“EPS”). Diluted EPS is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period under the treasury stock method. For the nine months ended September 30, 2020 and 2021, options to purchase ordinary shares and RSUs of 0.6 million and 1.6 million were recognized as dilutive factors and included in the calculation of diluted net income per share, respectively. For the nine months ended September 30, 2020 and 2021, options and RSUs which were anti-dilutive and excluded from the calculation of diluted net income per share were 1.0 million and 0.1 million, respectively. For the nine months ended September 30, 2020 and 2021, 6.8 million shares convertible from the convertible debt were anti-dilutive and excluded from the calculation of diluted net income per share for both of the periods.

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**12. Net Income per Share (continued)**

The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2021</b>
	<i>(In thousands, except per share data)</i>	
Basic net income per share calculation:		
Numerator:		
Net income attributable to Weibo’s shareholders	\$284,322	\$312,586
Denominator:		
Weighted average ordinary shares outstanding	226,728	228,185
Basic net income per share attributable to Weibo’s shareholders	\$ 1.25	\$ 1.37
Diluted net income per share calculation:		
Numerator:		
Net income attributable to Weibo’s shareholders for calculating diluted net income per share	\$284,322	\$312,586
Denominator:		
Weighted average ordinary shares outstanding	226,728	228,185
Effects of dilutive securities		
Stock options	73	85
Unvested restricted share units	551	1,495
Shares used in computing diluted net income per share attributable to Weibo’s shareholders	227,352	229,765
Diluted net income per share attributable to Weibo’s shareholders	\$ 1.25	\$ 1.36

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**13. Segment Information**

The Group currently operates and manages its business in two principal business segments globally—advertising and marketing services and value-added services. Information regarding the business segments provided to the Group’s chief operating decision makers (“CODM”), its Chief Executive Officer, is at the revenue level and the Group currently does not allocate operating costs and expenses or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments. As substantially all of the Group’s revenues are derived from the PRC and substantially all of the Group’s long-lived assets are located within the PRC, no geographical information is presented.

The following is a summary of the Group’s revenues:

Revenues	Advertising & Marketing	Value-added services	Total
<i>(In thousands)</i>			
Nine months ended September 30, 2020	\$1,032,678	\$143,843	\$1,176,521
Nine months ended September 30, 2021	\$1,429,969	\$210,827	\$1,640,796

**14. Profit Appropriation and Restricted Net Assets**

The Company’s subsidiaries, VIEs and VIEs’ subsidiaries in China are required to make appropriations to certain non-distributable reserve funds. In accordance with the laws applicable to WFOEs in China, its subsidiaries have to make appropriations from their after-tax profit (as determined under Generally Accepted Accounting Principles in the PRC (“PRC GAAP”)) to non-distributable reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. General reserve fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. The appropriation of the other two reserve funds is at the Group’s discretion. At the same time, the Company’s VIEs, in accordance with the China Company Laws, must make appropriations from their after-tax profit (as determined under the PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund, and (ii) discretionary surplus fund. Statutory surplus fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company.

General reserve fund and statutory surplus fund are restricted for set off against losses, expansion of production and operation or increase in registered capital of the respective companies. These reserves are not transferable to the Company in the form of cash dividends, loans or advances. These reserves are therefore not available for distribution except in liquidation.

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**14. Profit Appropriation and Restricted Net Assets (continued)**

As of December 31, 2020 and September 30, 2021 the Group’s PRC subsidiaries accrued approximately \$127.2 million and \$127.0 million in the general reserve/statutory surplus funds, respectively.

Under the PRC laws and regulations, the subsidiaries, VIEs and VIEs’ subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Group either in the form of dividends, loans or advances of the consolidated net assets. Even though the Group currently does not require any such dividends, loans or advances from the PRC subsidiaries, VIEs and VIEs’ subsidiaries for working capital and other funding purposes, the Group may in the future require additional cash resources from the PRC subsidiaries, VIEs and VIEs’ subsidiaries due to changes in business conditions, to fund future acquisitions and development, or merely declare and pay dividends to or distribution to its shareholders. Net assets subject to restriction for the Group amounted to \$449.9 million, or 13.5% of the Group’s total consolidated net assets as of September 30, 2021.

**15. Fair Value Measurement**

The following table summarizes, for assets measured at fair value on a recurring basis, the respective fair value and the classification by level of input within the fair value hierarchy as of December 31, 2020 and September 30, 2021:

	Fair Value Measurements			
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>				
<b>As of December 31, 2020:</b>				
Bank time deposits*	\$1,515,880	\$ -	\$1,515,880	\$-
Wealth management products*	166,168	-	166,168	-
Equity securities with readily determinable market value **	289,221	289,221	-	-
<b>Total</b>	<b>\$1,971,269</b>	<b>\$289,221</b>	<b>\$1,682,048</b>	<b>\$-</b>
<b>As of September 30, 2021:</b>				
Bank time deposits*	\$ 665,983	\$ -	\$ 665,983	\$-
Wealth management products*	212,504	-	212,504	-
Equity securities with readily determinable market value **	420,012	420,012	-	-
<b>Total</b>	<b>\$1,298,499</b>	<b>\$420,012</b>	<b>\$ 878,487</b>	<b>\$-</b>

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**15. Fair Value Measurement (continued)**

\* Included in short-term investments on the Group's unaudited interim condensed consolidated balance sheets.

\*\* Included in long-term investments on the Group's unaudited interim condensed consolidated balance sheets.

***Recurring***

The Group measures short-term investments and equity securities with readily determinable fair values on a recurring basis. The fair value of the Group's equity securities with readily determinable fair values are determined based on the quoted market price (Level 1). The fair value of the Group's short-term investments are determined based on the quoted market price for similar products (Level 2).

***Non-recurring***

For those equity investments without readily determinable fair value, the Group measures them at market value when observable price changes are identified or impairment charges are recognized. The market values of the Group's 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 Group classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements. The Group measures equity method investments at fair value on a non-recurring basis only if an impairment charge is recognized.

The Group measures equity method investments at fair value on a non-recurring basis only if an impairment charge is recognized. Certain privately held investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the investees' financial performance, assumptions about future growth, and future financing plan, with impairment charges incurred and recorded in earnings for the period then ended. For the nine months ended September 30, 2020 and 2021, \$64.7 million and \$102.6 million impairment charges were recorded for those equity investments without readily determinable fair values.

The Group's non-financial assets, such as intangible assets, goodwill, fixed assets and operating lease assets, are measured at fair value only if they were determined to be impaired. In accordance with the Group's policy to perform an impairment assessment of its goodwill on an annual basis as of the balance sheet date or when facts and circumstances warrant a review, the Group performed an impairment assessment on its goodwill by reporting unit annually. The Group recognized no impairment charge of goodwill arising from previous acquisitions for the nine months ended September 30, 2020 and 2021, respectively.

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**15. Fair Value Measurement (continued)**

*Non-recurring (continued)*

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, amount due from SINA, accounts payable, accrued and other liabilities approximates fair value because of their short-term nature.

**16. Convertible Debt and Unsecured Senior Notes**

In October 2017, the Company issued \$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes due on November 15, 2022 (“2022 Notes”) at par. The Notes may be converted into Weibo’s American depository shares (“ADSs”), each representing one Class A ordinary share of the Company, at the option of the holders, which is equivalent to an initial conversion price of approximately \$133.27 per ADS, subject to adjustment. The conversion rate may be adjusted under certain circumstances, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change prior to the maturity date of the notes, the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert his/her notes in connection with such make-whole fundamental change.

The net proceeds received by the Company from the issuance of the 2022 Notes were \$879.3 million, net of issuance cost of \$20.7 million. The Company pays cash interest at an annual rate of 1.25%, payable semiannually in arrears on May 15 and November 15 of each year, beginning May 15, 2018. The issuance costs of the 2022 Notes are being amortized to interest expenses over the contractual life. The 2022 Notes related interest expenses were \$11.5 million for both of the nine months ended September 30, 2020 and 2021.

In July 2019, the Company issued \$800 million in aggregate principal amount of unsecured senior notes due on July 5, 2024 (“2024 Notes”), unless previously repurchased or redeemed in accordance with the terms prior to maturity. The 2024 Notes were issued at par value and bear an annual interest rate of 3.50%, payable semiannually in arrears on January 5 and July 5 of each year, beginning on January 5, 2020. The net proceeds to the Company from the issuance of the 2024 Notes were \$793.3 million, net of issuance cost of \$6.7 million. The issuance costs of the 2024 Notes are being amortized to interest expenses over the contractual life. The 2024 Notes related interest expenses were \$22.0 million for both of the nine months ended September 30, 2020 and 2021.

In July 2020, the Company issued \$750 million in aggregate principal amount of unsecured senior notes due on July 8, 2030 (“2030 Notes”), unless previously repurchased or redeemed in accordance with the terms prior to maturity. The 2030 Notes bear an annual interest rate of 3.375%, payable semiannually in arrears on January 8 and July 8 of each year, beginning on January 8, 2021. The net proceeds to the Company from the issuance of the 2030 Notes were \$740.3 million, net of issuance cost of \$9.7 million. The issuance costs of the 2030 Notes are being amortized to interest expenses over the contractual life. For the nine months ended September 30, 2020 and 2021, the Group recognized \$6.1 million and \$19.7 million interest expenses from the 2030 Notes.



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**17. Commitments and Contingencies**

Operating lease commitments include the commitments under the lease agreements for the Group's office premises. The Group leases its office facilities under non-cancelable operating leases with various expiration dates. For the nine months ended September 30, 2020 and 2021, the Group recorded \$9.2 million and \$12.2 million lease expense, respectively. Based on the current rental lease agreements, future minimum lease payments commitments as of September 30, 2021 were as follows:

<b>Operating lease commitments</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More than Five Years</b>
<i>(In thousands)</i>					
As of September 30, 2021	\$11,391	\$5,001	\$3,596	\$2,661	\$133

Purchase commitments mainly include minimum commitments for marketing activities and internet connection. Purchase commitments as of September 30, 2021 were as follows:

<b>Purchase commitments</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More than Five Years</b>
<i>(In thousands)</i>					
As of September 30, 2021	\$620,620	\$588,994	\$29,613	\$2,006	\$7

2022 Notes represent the future maximum commitments relating to the principal amount and interests in connection with the issuance of \$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes, which will mature on November 15, 2022. 2024 Notes represent future maximum commitment relating to the principal amount and interests in connection with the issuance of \$800 million in aggregate principal amount of unsecured senior notes bearing an annual interest rate of 3.50%, which will mature on July 5, 2024. 2030 Notes represent future maximum commitment relating to the principal amount and interests in connection with the issuance of \$750 million in aggregate principal amount of unsecured senior notes bearing an annual interest rate of 3.375%, which will mature on July 8, 2030.

<b>Other commitments</b>	<b>Total</b>	<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>More than Five Years</b>
<i>(In thousands)</i>					
2022 Notes	\$ 916,867	\$11,250	\$ 905,617	\$ –	\$ –
2024 Notes	884,000	28,000	856,000	–	–
2030 Notes	977,812	25,312	50,625	50,625	851,250
<b>Total</b>	<b>\$2,778,679</b>	<b>\$64,562</b>	<b>\$1,812,242</b>	<b>\$50,625</b>	<b>\$851,250</b>

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**17. Commitments and Contingencies (continued)**

There are uncertainties regarding the legal basis of the Group’s ability to operate an Internet business in China. Although China has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries remain highly regulated. Not only are such restrictions currently in place, the existing regulations are unclear as to which specific segments of these industries companies with foreign investors, including the Company, may operate. Therefore, the Group may be required to limit the scope of its operations in China, and this could have a material adverse effect on its financial position, results of operations and cash flows.

There are no claims, lawsuits, investigations or proceedings, including unasserted claims that are probable to be assessed, that have in the recent past had, or to the Group’s knowledge, are reasonably possible to have, a material impact on the Group’s financial statements.

**18. Redeemable Non-controlling Interests**

In the fourth quarter of 2020, the Group entered into a series of share purchase agreements with then existing shareholders of Shanghai Jiamian Information Technology Co., Ltd. (“JM Tech”) to acquire the majority of the company’s equity interest. The Group agreed to redeem the non-controlling interests held by founders and CEO of the company under certain circumstances during the following years subsequent to the acquisition. The Group determined that the non-controlling interest with redemption rights should be classified as redeemable non-controlling interest since they are contingently redeemable upon the occurrence of certain conditional events, which are not solely within the control of the Group.

The redeemable non-controlling interests is recognized at fair value on the acquisition date. The Group records accretion on the redeemable non-controlling interest to the redemption value over the period from the date of the acquisition to the date of earliest redemption. The accretion using the effective interest method, is recorded as deemed dividends to preferred shareholders, which reduce retained earnings and equity classified non-controlling interests, and earnings available to common shareholders in calculating basic and diluted earnings per share.

The process of adjusting redeemable non-controlling interests to its redemption value (the “Mezzanine Adjustment”) should be performed after attribution of the subsidiary’s net income or loss pursuant to ASC 810, Consolidation. The carrying amount of redeemable non-controlling interests will equal the higher of the amount resulting from application of ASC 810 or the amount resulting from the Mezzanine Adjustment. As the expected redemption value is less than the carrying value of redeemable non-controlling interests, there is nil mezzanine adjustment recognized for the nine months ended September 30, 2021.

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**18. Redeemable Non-controlling Interests (continued)**

Pursuant to the agreements between the Group and the founders who are also employees of JM Tech, the founders are required to be in employment during the following two years till December 31, 2022 to be entitled to their proportionate share in JM Tech's existing and future retained earnings during the period. Such entitlement will automatically be forfeited upon the termination of their employment during the period. The Company considered this arrangement as certain economic interests associated with the founders' non-controlling interest in JM Tech till December 31, 2022. Therefore, the Company recognized compensation costs for the founders' share of JM Tech's retained earnings with the credit increasing non-controlling interest and redeemable non-controlling interest. During the nine months ended September 30, 2021, \$18.4 million compensation costs were recognized, of which \$15.6 million was recorded to increase redeemable non-controlling interest.

**19. Subsequent events**

From September 30, 2021 to the date of publication of this report, there was no subsequent event which had a material impact on the Group.



**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

- (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] Class A ordinary shares 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.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2021.

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**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

[REDACTED]



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**APPENDIX III**

**SUMMARY OF OUR CONSTITUTION  
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**SUMMARY OF THE CONSTITUTION OF OUR COMPANY**

Notwithstanding the current provisions of the Articles, the Company undertakes to put forth certain resolutions at the next general meeting to revise the Articles to comply with the applicable articles requirements under Chapter 19C of the Hong Kong Listing Rules that are not currently met by the Articles. For further details, please see "Waivers and Exemptions — Shareholder Protection Requirements".

**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on March 28, 2014 and effective on April 17, 2014 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available on display at the websites specified in Appendix V in the section headed "Documents available on display".

**2 Articles of Association**

The Articles of Association of the Company were conditionally adopted on March 28, 2014 and effective on April 17, 2014 and include provisions to the following effect:

**2.1 Ordinary Class A ordinary shares**

The Company's ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Ordinary shares are issued in registered form. Shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Each Class B ordinary share shall automatically and immediately be converted into one Class A ordinary share if at any time SINA Corporation and its Affiliates (as defined in the Articles of Association) in the aggregate hold less than five percent (5%) of the issued Class B ordinary shares in the capital of the Company, and no Class B ordinary shares shall be issued by the Company thereafter.

Upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person or entity who is not an Affiliate (as defined in the Articles of Association) of such holder, such Class B ordinary share shall be automatically and immediately converted into an equal number of Class A ordinary shares.

Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

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### *2.2 Dividends*

The holders of ordinary shares are entitled to such dividends as may be declared by the Board of Directors. In addition, shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company's share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

### *2.3 Voting Rights*

Holders of Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of the shareholders, except as may otherwise be required by law or provided for in the Memorandum and Articles of Association. In respect of matters requiring shareholders' vote, on a show of hands, each shareholder is entitled to one vote for each ordinary shares registered in his name on the register of members of the Company or, on a poll, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to three votes. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy with a right to attend and vote at such meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of the Company, as permitted by the Companies Act and the Memorandum and Articles of Association.

### *2.4 Transfer of Shares*

Subject to applicable securities laws and the Articles, including, without limitation, the provisions in the case of transfer of Class B ordinary shares as set out in paragraph 2.1 above, any of the shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in writing and in the usual or common form or any other form approved by the Board of Directors.

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## APPENDIX III

## SUMMARY OF OUR CONSTITUTION AND CAYMAN COMPANY LAW

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However, the Board of Directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which the Company has a lien. The Board of Directors may also decline to register any transfer of any ordinary share unless:

- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four; and
- (e) the shares concerned are free of any lien in favour of the Company.

If the directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

### ***2.5 Liquidation***

On a winding up of the Company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess will be distributed amongst the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. If the assets available for distribution are insufficient to repay all of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses are borne by the shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

### ***2.6 Redemption, Repurchase and Surrender of Shares***

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the Board of Directors or by a special resolution of the shareholders. The Company may also repurchase any of the Company's shares provided that the manner and terms of such purchase have been approved by the Board of Directors. Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

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### *2.7 Variation of Rights of Shares*

The rights attaching to any class of shares may, subject to any rights or restrictions for the time being attached to any class, be varied or abrogated with the consent in writing of the holders of not less than two-thirds in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

### *2.8 General Meetings of Shareholders*

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as the Board of Directors considers appropriate. The quorum for a shareholders' general meeting is a member or members (or in the case of a member being a corporation, by its duly authorized representative) together holding (or representing by proxy) at the date of the relevant meeting not less than one-third of the voting power of then outstanding shares of the Company's ordinary shares that are entitled to vote at such meeting.

As a Cayman Islands exempted company, the Company is not obliged by the Companies Act to call shareholders' annual general meetings. The Memorandum and Articles of Association provide that we shall in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by the Board of Directors. The Board of Directors shall give not less than 14 days' notice of a shareholders' meeting to all shareholders other than such as, under the provisions hereof or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company. The Board of Directors may fix any date as the record date for determining the shareholders entitled to receive notice of and to vote at any general meeting of the Company but, unless so fixed, as regards the entitlement to receive notice of a meeting or notice of any other matter, the record date shall be the date of despatch of the notice and, as regards the entitlement to vote at a meeting, and any adjournment thereof, the record date shall be the date of the original meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Memorandum and Articles of Association allow any two or more shareholders holding shares representing in aggregate not less than one-third of the total voting rights in the paid up capital of the Company to requisition an extraordinary general meeting, in which case the directors are obliged to call such meeting; however, the Memorandum and Articles of Association do not provide the shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings.

### *2.9 Appointment and Removal of Directors*

The Articles of Association provide that the Shareholders of the Company may from time to time by ordinary resolution fix, increase or reduce the number of Directors but the number of Directors shall not be less than two.

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**APPENDIX III**

**SUMMARY OF OUR CONSTITUTION  
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The Articles of Association provide that the Company may by ordinary resolution appoint any person to be a Director or remove any Director. In addition, the Board may, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, appoint any person as a Director to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specific age limit for Directors.

The office of a Director shall be vacated:

- (a) if the Director gives notice in writing to the Company that such Director resigns the office of Director;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without leave, he is absent from meetings of the Board for a continuous period of 12 months, and the Board resolves that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provisions in the Articles;
- (f) if he shall be removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office; or
- (g) if he shall be removed from office by an ordinary resolution of the Shareholders of the Company.

***2.10 Proceedings of the Board***

The quorum necessary for the transaction of the business of the Directors shall be a majority of the Directors then in office.

The Directors may meet together (whether within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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## APPENDIX III

## SUMMARY OF OUR CONSTITUTION AND CAYMAN COMPANY LAW

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### *2.11 Changes in Share Capital*

The Company may by ordinary resolution:

- (a) increase the capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its share capital into shares or larger amount than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and
- (d) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

### *2.12 Directors' Power to Issue Class A ordinary shares*

Subject to the provisions in the Memorandum and the Articles and to any direction that may be given by the Company in a general meeting, the Directors may, in their absolute discretion and without approval of the existing shareholders, issue shares, grant rights over existing shares or issue other securities in one or more series as they deem necessary and appropriate and determine designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the shares held by existing shareholders, at such times and on such other terms as the Directors think proper.

### *2.13 Directors Borrowing Powers*

The Board may exercise all the powers of the Company to raise or borrow money or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

### *2.14 Disclosure of Interest in Contracts with the Company or any of our Subsidiaries*

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Board. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or arrangement which may thereafter be made with that company or firm or he is to be regarded as interested in any contract or arrangement which may thereafter be made with a specified person who is connected with him shall be deemed a sufficient declaration of interest in relation to any such contract or arrangement.

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Following a declaration being made as aforementioned and subject to any separate requirement for audit committee approval under applicable law or the listing rules of the Designated Stock Exchange (as defined in the Articles), and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum at such meeting.

### *2.15 Remuneration of Directors*

The remuneration of the Directors may be determined by the Directors or by ordinary resolution.

The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

### *2.16 Restriction on Ownership of Securities*

There are no provisions in the Articles of Association relating to restrictions on ownership of the Company's shares or securities.

## SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

### **1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **2 Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 8, 2015 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

### **3 Share Capital**

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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**APPENDIX III**

**SUMMARY OF OUR CONSTITUTION  
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The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.



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## APPENDIX III

## SUMMARY OF OUR CONSTITUTION AND CAYMAN COMPANY LAW

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There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### 4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph Summary of the Constitution of Our Company — 2 Articles of Association — 2.2 Dividends above for details).

### 5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

### 6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

### 7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

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## APPENDIX III

## SUMMARY OF OUR CONSTITUTION AND CAYMAN COMPANY LAW

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### 8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### 9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

### 10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### 11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

### 12 Subsidiary Owning Class A ordinary shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

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### 13 Mergers and Consolidations

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

### 14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

### 15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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### 16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

### 17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

### 18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### 19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

### 20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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**21 General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the section headed "Documents available on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

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**FURTHER INFORMATION ABOUT US**

**Our incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on June 7, 2010. We [have registered] with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance with an address at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. Ho Wing Tsz Wendy has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of Our Constitution and Cayman Company Law” in Appendix III.

**Changes in our share capital**

As at September 30, 2021, we had an authorized share capital of US\$600,000, divided into 2,400,000,000 shares of a nominal or par value of US\$0.00025, of which (i) 1,800,000,000, shall be designated as Class A ordinary shares, (ii) 200,000,000 shall be designated as Class B ordinary shares, and (iii) 400,000,000 undesignated and our issued share capital was 127,312,831 Class A ordinary shares and 101,778,958 Class B ordinary shares.

The following tables set out the changes in the share capital of our Company during the periods presented in this document:

	<b>Fiscal year ended December 31, 2018</b>		
	<b>Class A Ordinary Share</b>	<b>Class B Ordinary Share</b>	<b>Shareholders’ Equity</b>
			<i>(US\$)</i>
Balances as at January 1, 2018	120,926,916	101,778,958	55,676.47
Exercise and vesting of share-based awards	2,131,677	—	532.92
Balances as at December 31, 2018	<u>123,058,593</u>	<u>101,778,958</u>	<u>56,209.39</u>

	<b>Fiscal year ended December 31, 2019</b>		
	<b>Class A Ordinary Share</b>	<b>Class B Ordinary Share</b>	<b>Shareholders’ Equity</b>
			<i>(US\$)</i>
Balances as at January 1, 2019	123,058,593	101,778,958	56,209.39
Exercise and vesting of share-based awards	1,472,327	—	368.08
Balances as at December 31, 2019	<u>124,530,920</u>	<u>101,778,958</u>	<u>56,577.47</u>

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	<b>Fiscal year ended December 31, 2020</b>		
	<b>Class A Ordinary Share</b>	<b>Class B Ordinary Share</b>	<b>Shareholders’ Equity</b>
			<i>(US\$)</i>
Balances as at January 1, 2020	124,530,920	101,778,958	56,577.47
Exercise and vesting of share-based awards	1,377,705	—	344.43
Balances as at December 31, 2020	<u>125,908,625</u>	<u>101,778,958</u>	<u>56,921.90</u>

	<b>Nine months ended September 30, 2021</b>		
	<b>Class A Ordinary Share</b>	<b>Class B Ordinary Share</b>	<b>Shareholders’ Equity</b>
			<i>(US\$)</i>
Balances as at January 1, 2021	125,908,625	101,778,958	56,921.90
Exercise and vesting of share-based awards	1,404,206	—	351.05
Balances as at September 30, 2021	<u>127,312,831</u>	<u>101,778,958</u>	<u>57,272.95</u>

**Changes in the share capital of our Major Subsidiaries**

The following sets out the changes in the share capital of our subsidiaries during the three years immediately preceding the date of this document:

- On March 19, 2020, the registered capital of Beijing Weimeng Technology Co., Ltd. (北京微夢創科網絡技術有限公司) was increased from RMB555.0 million to RMB560.6 million.
- On February 17, 2020, the registered capital of Beijing Weimeng Chuangke Investment Management Co., Ltd. (北京微夢創科創業投資管理有限公司) was increased from RMB10 million to RMB30 million.

**SHARE INCENTIVE PLANS**

For information on our Company’s share incentive plans, see “Directors and Senior Management — Compensation”.

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### FURTHER INFORMATION ABOUT OUR BUSINESS

#### Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are material:

- (a) a loan agreement dated February 17, 2020 between Weibo Technology and Yunli Liu (劉運利), a shareholder of Beijing Weimeng Chuangke Investment Management Co., Ltd. (北京微夢創科創業投資管理有限公司, “**Weimeng Chuangke**”), pursuant to which Weibo Technology has granted an interest-free long term loan of RMB10 million to Yunli Liu (劉運利), with the sole purpose of providing funds necessary for Yunli Liu (劉運利) to make capital injections into Weimeng Chuangke for holding 50% equity interests of Weimeng Chuangke;
- (b) a loan repayment agreement dated February 17, 2020 between Weibo Technology and Yunli Liu (劉運利), pursuant to which the consideration paid to Yunli Liu (劉運利) by Weibo Technology for the transference of Yunli Liu (劉運利)’s 50% equity interests of Weimeng Chuangke to Weibo Technology under the equity transfer agreement offsets Yunli Liu (劉運利)’s loan repayment obligations owed to Weibo Technology;
- (c) an equity transfer agreement dated February 17, 2020 between Weibo Technology and Yunli Liu (劉運利), a shareholder of Weimeng Chuangke, pursuant to which Yunli Liu (劉運利) granted Weibo Technology an option to purchase Yunli Liu (劉運利)’s 50% equity interests in Weimeng Chuangke at a purchase price specified under the agreement;
- (d) an equity pledge agreement dated February 17, 2020 between Weibo Technology and Yunli Liu (劉運利), pursuant to which Yunli Liu (劉運利) agreed to pledge to Weibo Technology all the rights of Yunli Liu (劉運利)’s 50% equity interests of Weimeng Chuangke to secure the performance of Yunli Liu (劉運利)’s obligations under the loan agreement and the equity transfer agreement;
- (e) a power of attorney dated February 17, 2020 executed by Yunli Liu (劉運利), a shareholder of Weimeng Chuangke, in favour of and accepted by Weibo Technology, pursuant to which Yunli Liu (劉運利) agreed to authorize Weibo Technology or its designated person(s), as Yunli Liu (劉運利)’s attorney-in-fact to exercise all the voting rights in respect of Yunli Liu (劉運利)’s equity interests in Weimeng Chuangke at its shareholders’ meetings;
- (f) a loan agreement dated February 17, 2020 between Weibo Technology and Wei Wang (王巍), a shareholder of Weimeng Chuangke, pursuant to which Weibo Technology has granted an interest-free long term loan of RMB10 million to Wei Wang (王巍), with the sole purpose of providing funds necessary for Wei Wang (王巍) to make capital injections into Weimeng Chuangke for holding 50% equity interests of Weimeng Chuangke;
- (g) a loan repayment agreement dated February 17, 2020 between Weibo Technology and Wei Wang (王巍), pursuant to which the consideration paid to Wei Wang (王巍) by Weibo Technology for the transference of Wei Wang (王巍)’s 50% equity interests of Weimeng Chuangke to Weibo Technology under the equity transfer agreement offsets Wei Wang (王巍)’s loan repayment obligations owed to Weibo Technology;



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- (h) an equity transfer agreement dated February 17, 2020 between Weibo Technology and Wei Wang (王巍), a shareholder of Weimeng Chuangke, pursuant to which Wei Wang (王巍) granted Weibo Technology an option to purchase Wei Wang (王巍)'s 50% equity interests of Weimeng Chuangke at a purchase price specified under the agreement;
- (i) an equity pledge agreement dated February 17, 2020 between Weibo Technology and Wei Wang (王巍), pursuant to which Wei Wang (王巍) agreed to pledge to Weibo Technology all the rights of Wei Wang (王巍)'s 50% equity interests of Weimeng Chuangke to secure the performance of Wei Wang (王巍)'s obligations under the loan agreement and the equity transfer agreement;
- (j) a power of attorney dated February 17, 2020 executed by Wei Wang (王巍), a shareholder of Weimeng Chuangke, in favour of and accepted by Weibo Technology, pursuant to which Wei Wang (王巍) agreed to authorize Weibo Technology or its designated person(s), as Wei Wang (王巍)'s attorney-in-fact to exercise all the voting rights in respect of Wei Wang (王巍)'s equity interest in Weimeng Chuangke at its shareholders' meetings;
- (k) an exclusive technical services agreement dated February 17, 2020 between Weibo Technology and Weimeng Chuangke, pursuant to which Weimeng Chuangke has granted Weibo Technology the exclusive right to provide technical services required for any of Weimeng Chuangke's businesses, in consideration of the fees paid by Weimeng Chuangke;
- (l) an exclusive sales agency agreement dated February 17, 2020 between Weibo Technology and Weimeng Chuangke, pursuant to which Weimeng Chuangke has granted Weibo Technology the exclusive right to distribute, sell and provide agency services for all the products and services provided by Weimeng Chuangke;
- (m) a trademark license agreement dated February 17, 2020 between Weibo Technology and Weimeng Chuangke, pursuant to which Weibo Technology has granted Weimeng Chuangke trademark licenses to use the trademarks held by or licensed to Weibo Technology in consideration of the license fees paid by Weimeng Chuangke; and
- (n) the Hong Kong Underwriting Agreement.

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### Summary of the contractual arrangement

As described in “History and Corporate Structure — Corporate Structure — Contractual Arrangements”, our Company or its Major Subsidiaries entered into the following contracts in relation to the contractual arrangements that are material to our Group:

- (a) a trademark license agreement dated October 11, 2010 between Weibo Technology and Weimeng, pursuant to which Weibo Technology has granted Weimeng trademark licenses to use the trademarks held by or licensed to Weibo Technology in consideration of the license fees paid by Weimeng;
- (b) an exclusive technical services agreement dated October 11, 2010 between Weibo Technology and Weimeng, pursuant to which Weimeng has granted Weibo Technology the exclusive right to provide technical services required for any of Weimeng’s businesses, in consideration of fees paid by Weimeng;
- (c) an exclusive sales agency agreement dated October 11, 2010 between Weibo Technology and Weimeng, pursuant to which Weimeng has granted Weibo Technology the exclusive right to distribute, sell and provide agency services for all the products and services provided by Weimeng;
- (d) a loan agreement dated January 19, 2018 between Weibo Technology and Wei Zheng (鄭偉), a shareholder of Weimeng, pursuant to which Weibo Technology has granted an interest-free loan of RMB0.1 billion to Wei Zheng (鄭偉), with the sole purpose of providing funds necessary for Wei Zheng (鄭偉) to make capital injections into Weimeng;
- (e) an equity pledge agreement dated January 19, 2018 between Weibo Technology and Wei Zheng (鄭偉), pursuant to which Wei Zheng (鄭偉) agreed to pledge to Weibo Technology all the rights of Wei Zheng (鄭偉)’s 20% equity interests of Weimeng to secure the performance of Wei Zheng (鄭偉)’s loan repayment obligations under the loan agreement;
- (f) a power of attorney dated January 19, 2018 executed by Wei Zheng (鄭偉), a shareholder of Weimeng, in favour of and accepted by Weibo Technology, pursuant to which Wei Zheng (鄭偉) agreed to authorize Weibo Technology or its designated person(s), as Wei Zheng (鄭偉)’s attorney-in-fact, to exercise all the voting rights in respect of Wei Zheng (鄭偉)’s equity interests in Weimeng at its shareholders’ meetings;
- (g) an equity transfer agreement dated January 19, 2018 between Weibo Technology and Wei Zheng (鄭偉), a shareholder of Weimeng, pursuant to which Wei Zheng (鄭偉) granted Weibo Technology an option to purchase Wei Zheng (鄭偉)’s 20% equity interests of Weimeng at a purchase price specified under the agreement;
- (h) shareholders resolutions dated December 12, 2015 passed by Zenghui Cao (曹增輝), Wei Wang (王巍), Yunli Liu (劉運利) and Wei Zheng (鄭偉), the shareholders of Weimeng holding 100% equity interests of Weimeng at the time, resolving that, shareholders of Weimeng agreed to (i) continue the performance of Weimeng’s obligations under the trademark license agreement, the exclusive technical services agreement and the exclusive sales agency agreement respectively between Weibo Technology and Weimeng on October 11, 2010; (ii) allow the shareholders of Weimeng to transfer their respective equity interests in Weimeng to Weibo Technology at any time determined by Weibo Technology and waive their respective rights of first refusal regarding the equity interests to be transferred; (iii) transfer any of their equity interests in Weimeng to any party other than Weibo Technology or an entity designated by Weibo Technology only with the

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## STATUTORY AND GENERAL INFORMATION

approval of all the shareholders of Weimeng; (iv) pledge all of their equity interests in Weimeng to Weibo Technology; (v) appoint Weibo Technology as their attorney-in-fact to exercise all the voting rights in respect of their equity interests in Weimeng at its shareholders’ meetings; and (vi) enter into the equity transfer agreement, the equity pledge agreement and the power of attorney between Weibo Technology and the respective shareholders of Weimeng; and

- (i) an undertaking letter dated January 19, 2018 issued to Weibo Technology by Zenghui Cao (曹增輝), Wei Wang (王巍), Yunli Liu (劉運利) and Wei Zheng (鄭偉), the shareholders of Weimeng, pursuant to which, among others, the shareholders undertake to strictly perform their obligations under their agreements with Weibo Technology, including but not limited to the loan agreements, the powers of attorney, the equity transfer agreements, the loan repayment agreements and the equity pledge agreements.

For further details of the above, please see copies of the contractual arrangements, which [are published] on our website (<http://ir.weibo.com>) pursuant to the Hong Kong Stock Exchange’s Guidance Letter HKEX-GL94-18 and Listing Decision HKEX-LD43-3.

### **Our intellectual property rights**

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of June 30, 2021, we held 193 issued patents and 302 software copyrights inside of China and 365 trademarks inside and outside of China, a number of which we consider material to our business and future development, including our registered trademarks for 微博 and “ 微博” and domain names for weibo.com, weibo.cn and weibo.com.cn. In addition, as of June 30, 2021, we had submitted 218 patent applications and 244 trademark applications for registration.

## **FURTHER INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS**

### **Disclosure of interests**

See “Major Shareholders” for disclosure of interests of directors and executive officers.

### **Director service contracts and remuneration**

We have entered into employment agreements with each of our executive officers. See “Directors and Senior Management — Compensation — Employment agreements”.

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution or the unanimous written resolution of all shareholders.

We grant share-based awards to our independent directors under the Share Incentive Plans. See “Directors and Senior Management — Compensation — Share Incentive Plans”.

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### Disclosures relating to our directors and experts

Save as disclosed in the sections headed “History and Corporate Structure — Corporate Structure — Contractual Arrangements” and “Related Party Transactions”, and to the best knowledge of our Company:

- (a) none of our directors nor any of the persons listed in “— Other Information — Qualification of experts” below is materially interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities, or are proposed to be acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities.
- (b) none of our directors nor any of the persons listed in “— Other Information — Qualification of experts” below is materially interested in any contract or arrangement with us subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to our business as a whole.
- (c) none of the persons listed in “— Other Information — Qualification of experts” below has any shareholding in us or any of our Major Subsidiaries or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us or any of our Major Subsidiaries.

### OTHER INFORMATION

#### Estate duty

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

#### Litigation

See “Business — Legal Proceedings and Compliance” for further information.

#### Joint Sponsors

The Joint Sponsors have applied on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Class A ordinary shares in issue, the Class A ordinary shares to be issued pursuant to the [REDACTED] (including the additional Class A ordinary shares that may be issued pursuant to the exercise of the [REDACTED]), and the Class A ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options, the vesting of or vested but outstanding RSUs, or other awards that have been or may be granted from time to time and the Class A ordinary shares to be issued after the conversion of our Class B ordinary shares into Class A ordinary shares. All necessary arrangements have been made to enable the Class A ordinary shares to be admitted into [REDACTED].

Goldman Sachs (Asia) L.L.C., Credit Suisse (Hong Kong) Limited, CLSA Capital Markets Limited and China International Capital Corporation Hong Kong Securities Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The sponsor fee payable to each of the Joint Sponsors is US\$500,000 and is payable by our Company.

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### No material adverse change

Our directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2021 (being the date to which our latest audited consolidated financial statements were prepared).

### Qualification of experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

<b>Name</b>	<b>Qualification</b>
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO.
Credit Suisse (Hong Kong) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO.
CLSA Capital Markets Limited	A licensed corporation under the SFO for type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO.
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO.
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
TransAsia Lawyers	Legal adviser to Company as to PRC law
Maples and Calder (Hong Kong) LLP	Legal adviser to Company as to Cayman Islands law
China Insights Consultancy Limited	Industry consultant

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### Consents of experts

Each of the experts above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

### Preliminary Expenses

Our Company did not incur any material preliminary expenses.

### Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

### Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

### Bilingual document

[REDACTED]

### Miscellaneous

Save as disclosed in the “— Changes in our share capital” and “— Changes in the share capital of our Major Subsidiaries” above, the “Financial Information” section and the Accountant’s Report in Appendix IA to this document, or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in this document (see “Waivers and Exemptions”), within the two years immediately preceding the date of this document:

- (a) to the best of our knowledge, neither we nor any of our Major Subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share capital or debentures of our Company or any of our Major Subsidiaries;

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- (d) no founder, management or deferred Class A ordinary shares of our Company or any of our Major Subsidiaries has been issued or agreed to be issued; and
- (e) there is no arrangement under which future dividends are waived or agreed to be waived.

Our branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the directors otherwise agree, all transfers and other documents of title of Class A ordinary shares must be lodged for registration with and registered by our share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Class A ordinary shares to be admitted to [REDACTED].

Our directors confirm that:

- (a) there has not been any interruption in our business that may have or has had a material adverse effect on our financial position in the 12 months immediately preceding the date of this document; and
- (b) save for the 2022 Notes, 2024 Notes and 2030 Notes, we and our Major Subsidiaries have no outstanding debentures or convertible debt securities.

The English version of this document shall prevail over the Chinese version.

