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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2020**

**OR**

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

**OR**

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

Date of event requiring this shell company report

**For the transition period from**                      **to**

Commission file number: 001-36397

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**WEIBO CORPORATION**

(Exact name of Registrant as specified in its charter)

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**Cayman Islands**

(Jurisdiction of incorporation or organization)

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**8/F, QIHAO Plaza, No. 8 Xinyuan S. Road  
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
American depositary shares, each representing one Class A ordinary shares Class A ordinary Shares, par value \$0.00025 per share*	WB	The Nasdaq Stock Market LLC (Nasdaq Global Select Market) The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

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

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**Not Applicable**  
(Title of Class)

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

### **Not Applicable**

(Title of Class)

As of December 31, 2020, there were 227,687,583 ordinary shares outstanding, par value \$0.00025 per share, being the sum of 125,908,625 Class A ordinary shares and 101,778,958 Class B ordinary shares.

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

☒ Yes ☐ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

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

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

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

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

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

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

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☒ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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## INTRODUCTION

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

- “we,” “us,” “our company,” “the Company” or “our” refers to Weibo Corporation, a Cayman Islands company, its subsidiaries, and, in the context of describing its operations and consolidated financial information, its VIEs in China;
- “Weibo” refers to our social media platform and the products and services that we provide to users, customers and platform partners through that platform;
- “SINA” refers to Sina Corporation, our parent company and controlling shareholder;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan;
- “MAUs” refers to 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;
- “DAUs” refers to 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;
- “shares” or “ordinary shares” refers to our Class A and Class B ordinary shares, par value \$0.00025 per share;
- “ADSs” refers to our American depositary shares. Each ADS represents one Class A ordinary share;
- “GAAP” refers to generally accepted accounting principles in the United States;
- all references to “RMB” or “renminbi” are to the legal currency of China, and all references to “\$,” “dollars,” “US\$” and “U.S. dollars” are to the legal currency of the United States. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.5250 to US\$1.00, the exchange rate on December 31, 2020 as set forth in the H.10 statistical release published by the Federal Reserve Board; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

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

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- the growth of social media, internet and mobile users and internet and mobile advertising in China; and
- PRC governmental policies relating to media, the internet, internet content providers and online advertising.

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

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **PART I**

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

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

### **Item 3. Key Information**

#### ***A. Selected Financial Data***

The following table presents the selected consolidated financial information of our company. Our selected consolidated statements of operations data presented below for the years ended December 31, 2018, 2019 and 2020 and our selected consolidated balance sheets data as of December 31, 2019 and 2020 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated statements of operations data presented below for the years ended December 31, 2016 and 2017 and our selected consolidated balance sheets data as of December 31, 2016, 2017 and 2018 have been derived from our consolidated financial statements which are not included in this annual report. Our consolidated financial statements are prepared in accordance with U.S. GAAP.



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You should read the selected consolidated financial information in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results are not necessarily indicative of our results expected for future periods.

	For the Year Ended December 31,				
	2016	2017	2018(1)	2019(1)	2020(1)
	(in \$ thousands, except for per share and per ADS data)				
<b>Selected Consolidated Statements of Operations Data:</b>					
Revenues:					
Advertising and marketing revenues:					
Third parties	\$428,275	\$ 780,545	\$1,172,136	\$1,202,437	\$1,202,712
Alibaba(2)	57,908	84,688	117,696	97,772	188,597
SINA and other related parties	84,799	131,512	209,348	230,002	94,846
Subtotal	570,982	996,745	1,499,180	1,530,211	1,486,155
Value-added services revenues	84,818	153,309	219,338	236,703	203,776
Total revenues	655,800	1,150,054	1,718,518	1,766,914	1,689,931
Costs and expenses:					
Cost of revenues(3)	171,231	231,255	277,648	328,826	302,180
Sales and marketing(3)	148,283	275,537	527,424	465,339	455,619
Product development(3)	154,088	193,393	249,873	284,444	324,110
General and administrative(3)(4)	41,218	42,315	43,755	90,721	101,224
Goodwill and acquired intangibles impairment	—	—	10,554	—	—
Total costs and expenses	514,820	742,500	1,109,254	1,169,330	1,183,133
Income from operations	140,980	407,554	609,264	597,584	506,798
Income (loss) from equity method investments	(130)	1,030	57	(13,198)	10,434
Realized gain (loss) from investments	534	14	(287)	612	2,153
Fair value changes through earnings on investments, net(5)	—	—	40,074	207,438	35,115
Investment related impairment	(40,161)	(4,747)	(24,074)	(249,935)	(211,985)
Interest income	7,552	19,453	57,970	85,386	85,829
Interest expense	—	(4,196)	(15,390)	(29,896)	(57,428)
Other income, net	1,205	(1,997)	1,228	4,406	4,997
Income before income tax expenses	109,980	417,111	668,842	602,397	375,913
Less: Provision of income taxes	4,316	66,746	96,222	109,564	61,316
Net income	105,664	350,365	572,620	492,833	314,597
Less: Net income (loss) attributable to the non-controlling interests and redeemable non-controlling interests	(2,363)	(2,225)	797	(1,842)	1,233
Net income attributable to Weibo's shareholders	<u>\$108,027</u>	<u>\$ 352,590</u>	<u>\$ 571,823</u>	<u>\$ 494,675</u>	<u>\$ 313,364</u>
Net income	\$105,664	\$ 350,365	\$ 572,620	\$ 492,833	\$ 314,597
Other comprehensive income (loss)					
Currency translation adjustments	(18,898)	37,822	(60,273)	(19,029)	148,547
Available-for-sale-securities:					
Change in unrealized loss from available-for-sale securities	(2,557)	(995)	—	—	—
Reclassification adjustment for net loss included in net income	4,822	—	—	—	—
Net change	2,265	(995)	—	—	—

Total comprehensive income	<u>89,031</u>	<u>387,192</u>	<u>512,347</u>	<u>473,804</u>	<u>463,144</u>
Less: Comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests	<u>(2,637)</u>	<u>(1,926)</u>	<u>668</u>	<u>(1,927)</u>	<u>1,695</u>
Comprehensive income attributable to Weibo's shareholders	<u>\$ 91,668</u>	<u>\$ 389,118</u>	<u>\$ 511,679</u>	<u>\$ 475,731</u>	<u>\$ 461,449</u>
Shares used in computing net income per share attributable to Weibo's shareholders:					
Basic	214,745	220,555	223,751	225,452	226,921
Diluted	222,859	225,363	232,683	226,412	227,637
Income per ordinary share:					
Basic	\$ 0.50	\$ 1.60	\$ 2.56	\$ 2.19	\$ 1.38
Diluted	\$ 0.48	\$ 1.56	\$ 2.52	\$ 2.18	\$ 1.38
Income per ADS(6):					
Basic	\$ 0.50	\$ 1.60	\$ 2.56	\$ 2.19	\$ 1.38
Diluted	\$ 0.48	\$ 1.56	\$ 2.52	\$ 2.18	\$ 1.38

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- (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 value added tax ("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) During 2020, we recorded \$152.0 million in advertising and marketing revenues from Alibaba. Moreover, one of Alibaba's subsidiaries engaged in the business of advertising agency and contributed another \$36.6 million to our total revenues in 2020.
- (3) Stock-based compensation was allocated in costs and expenses as follows:

	For the Year Ended December 31,				
	2016	2017	2018	2019	2020
	(in \$ thousands)				
Cost of revenues	2,616	3,716	3,522	5,251	5,384
Sales and marketing	5,357	8,264	6,837	9,828	9,983
Product development	15,076	21,879	21,187	28,628	33,093
General and administrative	13,853	14,178	9,465	17,582	18,645
Total	<u>36,902</u>	<u>48,037</u>	<u>41,011</u>	<u>61,289</u>	<u>67,105</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) Each ADS represents one Class A ordinary share.

	As of December 31,				
	2016	2017	2018	2019	2020
	(in \$ thousands)				
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	364,766	1,000,953	1,234,596	1,452,985	1,814,844
Short-term investments	31,188	791,730	591,269	951,235	1,682,048
Amount due from SINA	18,565	16,356	105,319	384,828	548,900
Long-term investments	399,933	452,337	694,586	1,027,459	1,179,466
Total assets <sup>(1)</sup>	<u>1,036,944</u>	<u>2,561,819</u>	<u>3,274,682</u>	<u>4,804,186</u>	<u>6,335,117</u>
Convertible debt	—	879,983	884,123	888,266	892,399
Unsecured senior notes	—	—	—	793,985	1,536,112
Total liabilities <sup>(1)</sup>	<u>279,586</u>	<u>1,367,025</u>	<u>1,526,544</u>	<u>2,522,367</u>	<u>3,448,787</u>
Ordinary shares	55	56	57	57	57
Additional paid-in capital	979,805				

		1,030,048	1,071,836	1,133,913	1,201,622
Retained earnings (Accumulated deficit)	(199,641)	152,949	723,181	1,217,856	1,531,220
Non-controlling interests	4,133	2,207	2,679	(1,448)	16,191
Total shareholders' equity	<u>757,358</u>	<u>1,194,794</u>	<u>1,748,138</u>	<u>2,281,819</u>	<u>2,828,616</u>

- (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.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. 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.*

The growth of our active user base and the level of user engagement are critical to our business. We had 521 million MAUs and 225 million average DAUs in December 2020. 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;
- 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;



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- 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.

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 slows 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.

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.



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***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 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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### ***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 “Item 5. Operating and Financial Review and Prospects—A. Operating Results—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 approximately 88% of our revenues in 2020. 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.

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. 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. Failure to comply with these obligations may subject us to fines and other administrative penalties.

If advertisements shown on our platform are in violation of relevant PRC advertising laws and regulations, we may be subject to penalties. For example, In 2018, Beijing Haidian Market Supervision Administration 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. 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.

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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 online and mobile-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;
- 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 limited operating history makes it difficult to evaluate 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 MAU and DAU 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.

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We have a limited operating history. We launched Weibo in August 2009 and began to generate revenues in 2012, which makes it difficult to effectively assess our future prospects or forecast our future 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;
- develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage;
- convince customers of the benefits of our advertising and marketing services compared to alternative forms of advertising and marketing;
- refine our social interest graph, or SIG, 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 approximately 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.

***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 than 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 create and offer successful 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.

***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.



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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, or other factors;
- our ability to attract and retain advertising and marketing customers;
- 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, adding users to lists, sending unsolicited invitations, reposting 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.

***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.

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 and the PRC Cyber Security Law protect individual privacy and personal data security in general by requiring the internet service providers to obtain the consent from internet users prior to the collection, use or disclosure of internet users’ personal data. See “Item 4.B. Information on the Company—Business Overview—Regulation—Regulations on Internet Privacy.” In addition, the Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC’s “critical information infrastructure.” See “—Risks Relating to Doing Business in China—Substantial uncertainties exist with respect to the interpretation and implementation of Cyber Security Law as well as any impact it may have on our business operations.” 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 Hong Kong Personal Data 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. Since the GDPR only came into effect recently, the potential risks associated with non-compliance therewith are uniquely 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 mid-March, 2020, we experienced certain incident of data leakage caused by malicious queries through our application programming interface. On March 21, 2020, the MIIT summoned our representatives to a meeting on this incident 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.

On July 22, 2020, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the State Administration for Market Regulation jointly held a meeting to, among other things, launch the 2020 Special Rectification Program 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. In November 2020, 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. Weibo took actions in response to the identified issues and has completed the rectification as required.

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.

***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, or the experience of our users, platform partners and advertisers with our products and services, even if inaccurate, could threaten 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 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, 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.

***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.





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As of December 31, 2020, the total amount of our goodwill and intangible assets was \$208.7 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. 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 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.

***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 “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans” for a detailed discussion. For the years ended December 31, 2018, 2019 and 2020, we recorded \$41.0 million, \$61.3 million and \$67.1 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.

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### ***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. For example, in October 2018, we acquired a live streaming business of Yizhibo, a live streaming platform in China. 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.” 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.

### ***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 and 2020, we recognized impairment charge of \$23.6 million, \$230.9 million and \$126.8 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 December 31, 2020, our investments included \$890.2 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 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 gain of \$35.1 million in 2020 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.

### ***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 \$900 million principal amount of convertible senior notes due 2022, which we refer to as 2022 Notes in this annual report. 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 annual report. 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 \$750 million in aggregate principal amount of senior notes due 2030, which we refer to as 2030 Notes in this annual report. 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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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 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.

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***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.

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.

***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 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.



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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 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.

***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. For example, on April 3, 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 the Internet, 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. On November 2, 2020, the China Banking and Insurance Regulatory Commission and People's Bank of China jointly issued draft Interim Administrative Measures for the Online Micro-loan Business, which provides that without the approval from the banking regulator under the State Council, no micro-loan company is allowed to operate online micro-loan business in provincial-level administrative regions, and any online platform used by a micro-loan company that engages in the online micro-loan business must meet several conditions, including, among others, the online platform operator must hold not less than 5% of the micro-loan company's shares. It is unclear if the draft Interim Administrative Measures for the Online Micro-loan Business would be enacted. Compliance with new rules and regulations may require us to obtain new license and permits and may cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. 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, 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.

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. 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 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.

***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.





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***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 closure of factories and businesses. These emergency measures have been significantly relaxed by the Chinese government as of the date of this document. However, there has 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. 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 is prolonged or worsens further, it may still disrupt our business, which may in turn adversely affect our revenue and financial conditions. Our headquarter is 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 diseases 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. The extent to which 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 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.



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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.

### **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.***

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.

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. 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.

***Our financial information included in this annual report may not be representative of our financial condition and results of operations if we had been operating as a stand-alone company for all periods presented.***

Prior to the establishment of Weibo Corporation in 2010, the operations of our social media business were carried out by companies owned or controlled by SINA. For all periods presented, our consolidated financial statements include all assets, liabilities, revenues, expenses and cash flows that are directly attributable to our social media business whether held or incurred by SINA or by us. Only those assets and liabilities that are specifically identifiable to our business are included in our consolidated balance sheets. With respect to costs of operations of the social media business, an allocation of certain costs and expenses of SINA were also included. These allocations were made using a proportional cost allocation method by considering the proportion of revenues, infrastructure usage metrics, and labor usage metrics among other things attributable to us. We made numerous estimates, assumptions and allocations in our historical financial statements because SINA did not account for us, and we did not operate as a stand-alone company for any period prior to our initial public offering. See "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Our Relationship with SINA" for our arrangements with SINA and "Item 5. Operating and Financial Review and Prospects" and the notes to our consolidated financial statements included elsewhere in this annual report for our historical cost allocation. Although our management believes that the assumptions underlying our financial statements and the above allocations are reasonable, our financial statements may not necessarily reflect our results of operations, financial position and cash flows as if we had operated as a stand-alone public company during the periods presented. Therefore, you should not view our historical results as indicators of our future performance.

***We may not continue to receive the same level of support from SINA.***

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. 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 as we now operate as a stand-alone public company.



***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 44.7% of our total issued and outstanding ordinary shares, representing 70.8% of our total voting power as of February 28, 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.

SINA's voting control may cause transactions to occur that might not be beneficial to holders of 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 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 ADS holders and without providing for a purchase of the 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.

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***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.
- *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.

## **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 on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (the "Implementation Regulations") on December 12, 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, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. 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 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.

***If the PRC government finds that the agreements that establish 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 registered 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 the licenses, approvals and key assets that are essential for our business operations.

In the opinion of our PRC counsel, TransAsia Lawyers, our current ownership structure, the ownership structure of our PRC subsidiary and our VIEs, and the contractual arrangements among our PRC subsidiary, 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 counsel. If we are found in violation of any PRC laws or regulations, the relevant governmental authorities would have 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Consolidated VIEs and Their Respective Individual Shareholders” for more details about these contractual arrangements.

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Although we have been advised by our PRC counsel, 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 “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in 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 approximately 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 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.

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***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.

***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 subsidiary, 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 subsidiary, subjecting such VIE to late payment fees and other penalties for under-payment of taxes, and resulting in our PRC subsidiary's 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 subsidiary, 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 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. 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 becomes 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. Failure to do so may subject us to liabilities and penalties and may even result in the temporary blockage or complete shutdown of our online operations. In the past, CAC imposed several penalties on us for the 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. However, government standards and interpretations may change in a manner that could render our current monitoring 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 illicit 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 jointly promulgated by the Supreme People’s Court and Supreme People’s Procuratorate, which became effective on September 10, 2013, imposes up to a three-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 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 Cyber Security Law as well as any impact it may have on our business operations.***

On July 1, 2015, the Standing Committee of the National People’s Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity 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 the national security of China.





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On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meets the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The Cybersecurity 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 Cybersecurity 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 high requirements for the operational security of facilities deemed to be part of the PRC's "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 livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. However, no official guidelines as to the scope of "critical information infrastructure" have been formally issued, therefore there is no assurance that we may not be considered an operator of "critical information infrastructure" in the future as the definition is not precise, and there are substantial uncertainties as to the ultimate interpretation and implementation of the Cyber Security Law. If we are considered as an operator of "critical information infrastructure", the Cyber Security Law could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***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, 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 and the Administrative Measures on Internet User Public Account Information Service require verification of user's real identity, both of which were issued on September 7, 2017 and became effective on October 8, 2017. 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, 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 ADSs.

***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.

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In a period of enhanced scrutiny of internet content, we may 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 promulgated in 1999, foreign and domestic companies operating in China are required to seek approval from the Office of the State for Cipher Code Administration, the Chinese encryption regulatory authority, for the commercial encryption products they use. 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 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, 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 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 enterprise” and stipulates that a single enterprise may not operate both types of business.

Although we believe 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.



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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.

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.

***The slowdown of new smartphone shipment in China may lead to the slowdown of growth rate of our new users, which could materially and adversely affect our business.***

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.

***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 three 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.



***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, and we have completed such registration. 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. For more information on Notice 78, see “Item 4. Information on the Company—B. Business Overview—Regulation—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, pursuant to which its province-level branches are authorized to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators, 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 that specified circumstances where an activity of an internet platform will be identified as monopolistic act as well as merger controlling filing procedures 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. As of the date of this annual report, we have not received any investigation or penalty in relation to the violation of PRC anti-monopoly laws and regulations. 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. It will be costly for us to adjust our business practice in order to comply with these evolving laws, regulations, rules, guidelines and implementations. Any incompliance 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.

***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. Weimeng has been actively communicating with the relevant regulator for the application of an internet publishing permit. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Online Game Operations and Cultural Products.” In addition, 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 “Item 4. Information on the Company—B. Business Overview—Regulation—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 2017, 2018 and 2019, Beijing Integrated Law Enforcement on the Cultural Market issued five decisions on administrative penalty 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. 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. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Internet News Dissemination.” If we fail to obtain such licenses or any additional licenses required by new laws and regulations in a timely manner or at all, we could be subject to liabilities, penalties and operational disruption.

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 subsidiary, Weimeng and the game developers, under which our PRC subsidiary, together with Weimeng, provides certain technical services through our website. Under these agreements, our PRC subsidiary, a foreign-invested enterprise, 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.

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. 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.

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.





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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 and filings of their online games, our operations may be negatively impacted, and we may be subject to penalties for live streaming such games.

***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 subsidiary.***

We may transfer funds to our PRC subsidiary or finance our PRC subsidiary by means of shareholder loans or capital contributions. Any loans from us to our PRC subsidiary, which is a foreign-invested enterprise, cannot exceed statutory limits based on the difference between the registered capital and the investment amount of such subsidiary, 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 subsidiary shall be approved by the Ministry of Commerce or its local counterparts. 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 subsidiary 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, 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, 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 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 net proceeds from our equity offering 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, 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 subsidiary 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 proceeds we received from our equity offering 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.



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***We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiary and our PRC subsidiary's 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, 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, or SAFE Circular 75.

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 provides that an enterprise established outside China 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 effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations 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, 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 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 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 new "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 subsidiary 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 subsidiary 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 subsidiary to pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is 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 subsidiary may allocate a discretionary portion of its after-tax profits to staff welfare and bonus funds at its discretion. These reserves and funds are not distributable as cash dividends. Furthermore, if our PRC subsidiary incurs debt, the debt instruments may restrict its ability to pay dividends or make other payments to us. We cannot assure you that our PRC subsidiary 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 subsidiary 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. However, the Notice on How to Understand and Determine the Beneficial Owners in a Tax Agreement, also known as Circular 601, promulgated by the State Administration of Taxation in 2009, provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. For this purpose, a conduit company is a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. 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 regarded as a "conduit company."

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 subsidiary 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 subsidiary 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 subsidiary 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 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. 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 for the public comment by April 6, 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.***

Under SAFE regulations, 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.

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 “Item 4. Information on the Company—B. Business Overview—Regulation—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 adopted by six PRC regulatory agencies in 2006, or the M&A Rules, the Anti-Monopoly Law, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 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.

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, 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.

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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 these rules are relatively new and 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 subsidiary. 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 subsidiary’s 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 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 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. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. 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.



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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.

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 date of this annual report, 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.

### ***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 December 31, 2020, we had approximately \$3.0 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.



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On May 1, 2015, China's new Deposit Insurance Regulation 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.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, 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.

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.

The SEC may propose additional rules or guidance that could impact us if our auditor 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 to 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.





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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.

***Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in 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 our independent registered public accounting firm, 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, 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.

### **Risks Relating to Our ADSs**

***The trading price for our ADSs may fluctuate significantly.***

The trading prices of our ADSs have fluctuated since we first listed our ADSs. During 2020, the trading price of our ADSs has ranged from \$28.93 to \$52.33 per ADS. The prices for our ADSs may continue to fluctuate 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 the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. 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 the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

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In addition to market and industry factors, the price and trading volume for our 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.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

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

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

***The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our ADSs could adversely affect their market price.***

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

***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 date of this annual report are Class B ordinary shares. All other ordinary shares that are outstanding as of the date of this annual report 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 memorandum and 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 memorandum and 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.



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Due to the disparate voting powers attached to these two classes of ordinary shares, SINA owned approximately 44.7% of our total issued and outstanding ordinary shares and 70.8% of the voting power of our outstanding shares as of February 28, 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 market price of our 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 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 ADSs could be greatly reduced or rendered worthless.

### ***Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our ADSs for return on your investment.***

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, you should not rely on an investment in our ADSs as a source for any future dividend income.

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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 on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value in the future or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

***You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs.***

Under the Enterprise Income Tax Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence 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 ADSs, or the gain realized from the transfer of our 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 your investment in our ADSs may be materially and adversely affected. Furthermore, our ADS holders 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. Holders of our ADSs or Class A ordinary shares.***

Depending upon the value of our assets, which is determined based, in part, on the market value of our 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 ADSs, we do not believe that we were a PFIC for our taxable year ended December 31, 2020 and 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 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 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 subsequently declines, we may be or become 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. 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.

If we are or become classified as a PFIC, a U.S. Holder (as defined in “Item 10.E. Additional Information—Taxation—U.S. Federal Income Tax Considerations—General”) may be subject to reporting requirements and may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of, and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules. Further, if we were a PFIC for any year during which a U.S. Holder held our ADSs or Class A ordinary shares, we would generally continue to be treated as a PFIC for all succeeding years during which such holder held our ADSs or Class A ordinary shares. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations of acquiring, holding and disposing of the ADSs or Class A ordinary shares if we are or become classified as a PFIC. For more information see “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Considerations” and “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Considerations s.”

***Our memorandum and 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 memorandum and 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 ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands 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 statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.



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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.

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 current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***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.



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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.

***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct how the ordinary shares represented by your ADSs are voted.***

As a holder of our ADSs, you will not have any right to attend general meetings of our shareholders or to cast any votes directly at such meetings. You will only be able to exercise the voting rights which attach to the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary, as the holder of the underlying Class A ordinary shares which are represented by your ADSs. Upon receipt of your voting instructions, the depositary will endeavor to vote the underlying ordinary shares in accordance with your instructions. You will not be able to directly exercise any right to vote with respect to the underlying Class A ordinary shares at any general meeting of our shareholders unless you withdraw such shares and become the registered holder of such shares prior to the record date for the general meeting. Under our second amended and restated memorandum and 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, you may not receive sufficient advance notice to enable you to withdraw the Class A ordinary shares underlying your 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 amended and restated memorandum and 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 you from withdrawing the shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you 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 you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct the voting of the shares underlying your ADSs, and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

***The depositary for our ADSs will give us a discretionary proxy to vote the ordinary shares underlying your ADSs if you do not give instructions to the depositary as to how to vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.***

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



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The effect of this discretionary proxy is that if you do not timely and properly give voting instructions to the depositary as to how to vote the shares underlying your ADSs at any particular shareholders' meeting, you cannot prevent the ordinary shares underlying your 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.

***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.

***You may experience dilution of your holdings due to inability to participate in rights offerings.***

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

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

We issued \$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 ADSs issuable upon such conversion could adversely affect prevailing market prices of our ADSs. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the market price of our ADSs. The price of our ADSs could be affected by possible sales of our 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 ADSs.

***You may be subject to limitations on transfer of your ADSs.***

Your 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.





## **Item 4. Information on the Company**

### ***A. History and Development of the Company***

SINA, our parent, launched Weibo in August 2009, originally as a microblogging service provider. In 2010, SINA incorporated a subsidiary, T.CN Corporation, in the Cayman Islands to hold the assets associated with the Weibo business. In 2011, Weibo was upgraded with social networking features and improved open platform architecture to support internally developed and third-party developer applications on our platform. In 2012, T.CN Corporation was renamed Weibo Corporation. In April 2013, Alibaba Group invested \$585.8 million through its wholly owned subsidiary, Ali WB, in our ordinary and preferred shares representing approximately 18% of Weibo Corporation's then total outstanding shares on a fully diluted basis.

In April 2014, our company completed the initial public offering and has been listed on the Nasdaq Global Selected Market since then. Our company was incorporated under the laws of the Cayman Islands and is headquartered in Beijing, China. With offices throughout mainland China and Hong Kong, our principal place of operations is located at QIHAO Plaza, No. 8 Xinyuan S. Road, Chaoyang District, Beijing 100027, People's Republic of China. Our telephone number is +86 10 5898-3336.

Weibo Corporation holds 100% of the equity of Weibo Hong Kong Limited, or Weibo HK, which in turn holds 100% of the equity in Weibo Internet Technology (China) Co., Ltd., or Weibo Technology, our wholly owned subsidiary in China.

We are a holding company, and we conduct our business in China mainly through Weibo Technology and our consolidated VIEs, namely Weimeng and Weimeng Chuangke. See "Item 4. Information on the Company — C. Organizational Structure" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure." We rely principally on dividends and other distributions from Weibo Technology for our cash needs, including the funds necessary to pay dividends to our shareholders or service any debt we may incur. Our VIEs hold certain assets including an Internet Content Provision License held by Weimeng, and other permits that are necessary for operating our business in China. In 2010, we gained control and became the primary beneficiary of Weimeng through a series of contractual arrangements between Weibo Technology, Weimeng and Weimeng's shareholders. Weimeng Chuangke primarily engages in strategic investments in companies whose businesses are complementary to ours, which generally include high-tech companies operating in different internet-related businesses. In 2014, we gained control and became the primary beneficiary of Beijing Weimeng Chuangke Investment Management Co., Ltd., or Weimeng Chuangke, through a series of contractual arrangements between Weibo Technology, Weimeng Chuangke and Weimeng Chuangke's shareholders. We refer to Weimeng and Weimeng Chuangke, collectively, as our VIEs in this annual report.

In December 2013, Weimeng acquired from SINA the entire equity interest in Beijing Weibo Interactive Internet Technology Co., Ltd., or Weibo Interactive, a PRC company engaged in the online game business, for a consideration of \$10.1 million.

In June 2015, we acquired from SINA the majority equity interest in Weibo Funds, which engage in the investment of start-up high-tech companies, for a consideration of \$22.0 million.

In October 2017, we issued \$900 million principal amount of convertible senior notes due 2022 (the "2022 Notes"). 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. Holders of the 2022 Notes may convert their notes, at their option, in integral multiples of US\$1,000 principal amount, at any time prior to the close of business on November 11, 2022. The 2022 Notes will mature on November 15, 2022. The 2022 Notes will be convertible into our ADSs, at the option of the holders, based on an initial conversion rate of 7.5038 ADSs per \$1,000 principal amount of notes.

In July 2019, we issued \$800 million principal amount of senior notes due 2024 (the "2024 Notes"). 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 the maturity.

In July 2020, we issued \$750 million in aggregate principal amount of senior notes due 2030 (the "2030 Notes"). 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.

SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on [www.sec.gov](http://www.sec.gov). You can also find information on our website <http://ir.weibo.com>.

## ***B. Business Overview***

### **Overview**

Weibo is a leading social media platform for people to create, distribute 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.

Since our inception in 2009, Weibo has amassed a large user base. In December 2020, Weibo had 521 million MAUs and 225 million average DAUs, increasing from 516 million MAUs and 222 million average DAUs in December 2019, and 462 million MAUs and 200 million average DAUs in December 2018.

Weibo combines the means of public self-expression in real time with a powerful platform for social interaction, content aggregation and content distribution. Any user can create and post a feed and attach multimedia and long-form content. User relationships on Weibo may be asymmetric; any user can follow any other user and add comments to a feed while reposting. The 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 and other public figures, as well as media outlets, businesses, government agencies, charities and other organizations, making it a microcosm of Chinese society. 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.

In addition to users, Weibo's ecosystem includes customers and platform partners:

- **Customers.** We enable our advertising and marketing customers to promote their brands, products and services to our users. We offer a wide range of advertising and marketing solutions to customers ranging from large companies to SMEs, including social display advertisement and promoted marketing offerings. Our native promoted marketing offerings allow customers to reach a targeted audience based on the social interest graph, or SIG, of our users. In addition, our customers can benefit from the potential viral effect of their promoted feeds generated from the public and distributed nature of our platform, commonly known as “earned media.”
- **Platform Partners.** We have attracted a large number of platform partners, including organizations with media rights, MCNs, self-medias and app developers. Our platform partners contribute a vast amount of content to Weibo, broadly distribute Weibo content across their properties and integrate products and applications with our platform, enriching the experience of our users while increasing our monetization opportunities.

While we distinguish among users, customers and platform partners in classifying our products and analyzing our revenues, the same person or organization may simultaneously be included in two or more of the categories.

Designed with a “mobile first” philosophy, Weibo displays content in a simple information feed format and offers native advertisement that conform to the information feed on our platform. To support the mobile format, we have developed a SIG recommendation engine that makes it easier for our users to discover content and allows advertisers to promote more relevant advertisements to our users. With the high information-density of Chinese characters and users' ability to personalize content information feed, Weibo is particularly suited for mobile use, and we have seen significant mobile adoption. Approximately 94% of our MAUs in December 2020 accessed Weibo from mobile devices at least once during the month, and mobile advertising revenues accounted for approximately 90% of our advertising and marketing revenues in 2020.

We began monetization on our platform in 2012, and we have since experienced solid revenue growth, despite of the adverse impact from COVID-19 in 2020. Our revenues in 2018, 2019 and 2020 were \$1,718.5 million, \$1,766.9 million, and \$1,689.9 million, respectively. 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. In 2020, revenues generated from advertising and marketing services accounted for 88% of our total revenues.

### **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 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 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 themselves on our platform by following, liking, reposting, adding comments, sending private messages, participating in topic discussion and group chats. In addition, we officially launched new product named Oasis in the fourth quarter of 2019, an interest-based social community product for users to share lifestyle related contents in the form of photos and short videos.

Our users range from ordinary people to celebrities and other public figures, as well as organizations such as media outlets, businesses, government agencies and charities, etc. Weibo has collaborated with industry leading multi-channel networks (MCNs) to provide high-quality content that spans across 50 content verticals in 2020.

*Discovery Products.* 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, two most important and most frequently browsed 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 regularly updated 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 whom to 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 and 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. Hot information feed is an example of interest-based information feed that we present at users’ homepage to recommend feeds on recent popular topics, breaking news and feeds generated through user’s interest. We also organize other interest-based information feeds on various themes for users to further explore the topics in which they are interested. In addition to the above, we offer many other types of information feed as well. For example, video information feed, which appears after a user finishes watching a short video and a timeline of related videos are recommended; and profile information feed, which can be found on a user’s individual page and shows all of the feeds shared by that user.

- *Search.* Our search function allows users to search our large content pool for users, feeds, videos, articles, pictures, etc. based on keyword (hashtag), topic or recent popular trending. Through our powerful search function, users can efficiently acquire the most relevant information they seek in real time.
- *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 review, 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 interest in the discovery zone.
- *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 contents and movie trailers from the respective Channels and write reviews in the discussion zone. With Weibo 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.



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- *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 Weibo platform, presenting to users the most breaking, real-time and trendy contents. It is currently the go-to platform for hot trend discovery, consumption and discussion.
- *Video Community.* The video community is the interface aggregating and recommending video content from different verticals for users to conveniently access and consume. User could 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.

*Self-Expression Products.* 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 and votes.
- *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, perform marketing events, promotion activities, and advertisement campaigns on Weibo. We also enable business 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.
- *Story.* Users can continuously create, share and discover photos and full-screen vertical short videos. Stories allow users to more easily create, consume contents and interact with their relations on smartphone. It gains 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 user needs for content creation and presentation. Users can create beautifully presented content through Top Articles, and publish through Weibo which will display such content in the 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. Through creation and interaction of user-generated content, it strengthens user engagement on Weibo.
- *Weibo Live Streaming.* Weibo Live Streaming includes showcase live streaming and media live streaming that satisfy the broadcasting demand of both individual users and business or organization users.

*Social Products.* 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 follower. 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 view their history of interactions with other users by going to the @Mention Page, which allows users to access all the feeds in which they are mentioned by other users. In addition, users can see a list of comments from other users on their own feeds, as well as the Likes on their feeds.

### ***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.

*Social Display Advertisements.* Social display advertisements appear on the app opening page, the Discovery Zone banner and 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 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 massive user data, 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, increase 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.

### ***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, expand user scale and strengthens platform influence. Our platform partners include traditional and online media outlets, copyright content providers, 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 strengthen Weibo's brands influence, while at the same time enhances 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.

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*Products for 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 attracting 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 self-media to manage their content creator accounts in a scalable manner. Our back-end management services include, among others, management of account, data, resource 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 page.

*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 user's basic public information. This product helps mobile app developers to acquire users while helps Weibo to acquire shared content from other apps and platforms.

*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 community. This industry can be characterized as highly competitive and rapidly changing due to the fast growing market demand. Existing and potential competitors can launch new websites, platforms or services at a relatively low cost. Many companies offer various contents and services targeting this community that compete with our offerings. With the growth rate of the overall size of internet community slowing down, the industry is evolving rapidly while witnessing rising competition for traffic and user time.

We are a media platform in nature, and major Chinese internet companies who provide online media, including content aggregation and distribution services, compete directly with us for user traffic and user engagement, content, talent and marketing resources. We also compete with offline media companies for audiences and content.

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.

For value-added services, we offer membership services, living 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 browser 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 (O2O), 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.



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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 “Item 3. Key Information—D. 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 “Item 3. Key Information—D. 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 “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Our business and growth could suffer if we are unable to hire and retain key personnel.”

### **Technology**

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.

*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 (“SIG”) 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, social relationships, and demographic data such as age, gender and geography. 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.* We have in-house designed a proprietary “hybrid cloud” platform, which has hyperscale data distributed computing and analyzing capabilities to handle viral topics on Weibo platform in real-time. Our hybrid cloud platform can spot viral 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 billions of pieces 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 viral 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 viral 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.



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*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.

## **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 “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Our Relationship with SINA—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.

## **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 February 28, 2021, we have registered 176 patents and applied for an additional 235 patents with the PRC State Intellectual Property Office. As of February 28, 2021, we have registered 303 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.

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.



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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. See “Item 3. Key Information—D. 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 “—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.

### **Regulation**

The following description of PRC laws and regulations is based upon the opinion of TransAsia Lawyers, our PRC counsel. For a description of legal risks relating to our ownership structure and business, see “Item 3. Key Information—D. Risk Factors.”

#### ***Regulations on Microblogs***

The Rules on the Administration of Microblog Development, 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, 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, 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.



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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, 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.

### ***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, which came into effect on September 1, 2015 and was amended on October 26, 2018. 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 8, 2016, the State Administration for Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising, 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.

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, 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 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, 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 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, 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 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, 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.



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The National People's Congress approved the Foreign Investment Law on March 15, 2019 and the State Council approved the Regulation on Implementing the Foreign Investment Law (the "Implementation Regulations") on December 12, 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, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, 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) 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.

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. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish 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."

### ***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;



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- 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.

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, 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 August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Follow-up Comment Services, 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, 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.

On September 7, 2017, the CAC promulgated the Provisions on the Administration of Information Services Provided through Chat Groups on the Internet, 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.

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On September 7, 2017, the CAC promulgated the Administrative Provisions on the Information Services Provided through Official Accounts of Internet Users, 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, 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.

To comply with these PRC laws and regulations, we have 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. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in 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.”

### ***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, 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, 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.





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The Provisions on Technological Measures for Internet Security Protection, promulgated by the Ministry of Public Security in 2006, 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 and submit the above information as required by laws and regulations. Internet content provision operators must regularly update information security systems for their websites with local public security authorities, and must also report any instances of public dissemination of prohibited content. 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, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and 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 the national security of China.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. 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 high requirements for the operational security of facilities deemed to be part of the PRC's "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. A prior draft of the Cyber Security Law included reference to any networks with a large number of users, but this language was deleted in the final version of the law.

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, 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.

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.



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. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in 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.”

### ***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.

The Several Provisions on Regulating the Market Order of Internet Information Services, 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. 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.

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On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information. 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 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, 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, 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, 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, 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, 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. See "Item 3. Key Information—D. 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."



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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.

### ***Regulations on Online Game Operations and Cultural Products***

#### *Online Cultural Products*

The Provisional Regulations for the Administration of Online Culture, 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 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, 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, 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.





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The Administrative Provisions on Online Publishing Services, 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 issued by the Ministry of Culture in 2004, the content of any foreign online game products 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 Circular of the Ministry of Culture on Improving and Strengthening the Examination of Content of Online Games, issued by the Ministry of Culture in 2009, strictly prohibits offensive promotion and advertisement of online games, games propagating eroticism and gambling and violence, and requires game operators to obtain prior approval from the Ministry of Culture before operating any online games.

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,” 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.

### *Virtual Currency*

The Notice on the Reinforcement of the Administration of Internet Cafes and Online Games, 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, 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, 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, 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, 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, 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, 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, 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), which will take 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, 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 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, 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, 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, effective as of August 20, 2004 and amended in 2015. 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, setting out 100 types of contents that are restricted from short-video programs.



### ***Regulations on Online Live-streaming Services***

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live-streaming Services, 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, 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, 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, live streaming 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, pursuant to which an network platform will assume the responsibility and obligation as an e-commerce platform operator according to the E-Commerce Law, provided 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, 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. 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.



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According to the Law of the PRC on the Protection of Minors (2020 Revision), which will take 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.

### ***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, 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.

On August 18, 2009, the Ministry of Culture promulgated the Notice on Strengthening and Improving the Content Review of Online Music. 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, 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, 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, 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 2015, 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, and network-based broadcasts that provides 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.

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 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 and the amended Standard for Surveying Qualification Certificate issued by the former National Administration of Surveying, Mapping and Geo-information, or NASMG in August 2014 and July 2014, 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, 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 December 31, 2021.

### ***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 was adopted in 1984 and amended in 1992, 2000, 2008 and 2020. The amended version in 2020 will come 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 176 patents and applied for 235 patents with the State Intellectual Property Office as of February 28, 2021.

*Copyright.* The Copyright Law was adopted in 1990 and amended in 2001, 2010 and 2020. The amended version in 2020 will come 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 in 2005.

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The Protection of the Right of Communication through Information Networks 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 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 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, which took effect as of January 1, 2013. 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 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 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 303 software copyrights as of February 28, 2021.

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**Trademark.** The Trademark Law, 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.** In 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names, as amended in 2009 and 2012. According to these rules, any natural person or organization that can bear independently its own civil responsibilities has the right to apply for the domain registration under the top level domain names, such as “.cn” and “.中国”. On August 24, 2017, the MIIT promulgated the Measures for Administration of Domain Names to replace the Measures for Administration of Domain Names for the Chinese Internet. These measures regulate the registration of domain names, such as the first tier domain name “.cn”. On September 1, 2014, the CNNIC issued the Measures on Domain Name Dispute Resolution to replace the CNNIC Measures on Domain Names Dispute Resolution pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered domain names including weibo.com, weibo.cn, and weibo.com.cn.

**Anti-unfair Competition.** Under the Anti-Unfair Competition Law, 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;
- 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.

See “Item 3.D. Key Information—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.”

### ***Regulations on Foreign Exchange***

Under the 2008 Foreign Currency Administration Rules, 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.



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Under the 1996 Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, 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, 2010, or Circular No. 59, which tightens the examination on the authenticity of settlement of net proceeds from an offering and requires that the settlement of net proceeds shall be in accordance with the description in its prospectus. 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, 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 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 proceeds, we received from our offerings 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.

See “Item 3.D. Key Information—Risk Factors—Risks Relating to Doing Business in China—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 subsidiary.”

### ***Regulations on Employee Stock Options Plans***

In 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, 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. 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 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 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, 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 subsidiary.

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 subsidiary has 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.

See "Item 3.D. Key Information—Risk Factors—Risks Relating to Doing Business in China—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."

### ***Labor Laws and Social Insurance***

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly 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, 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.

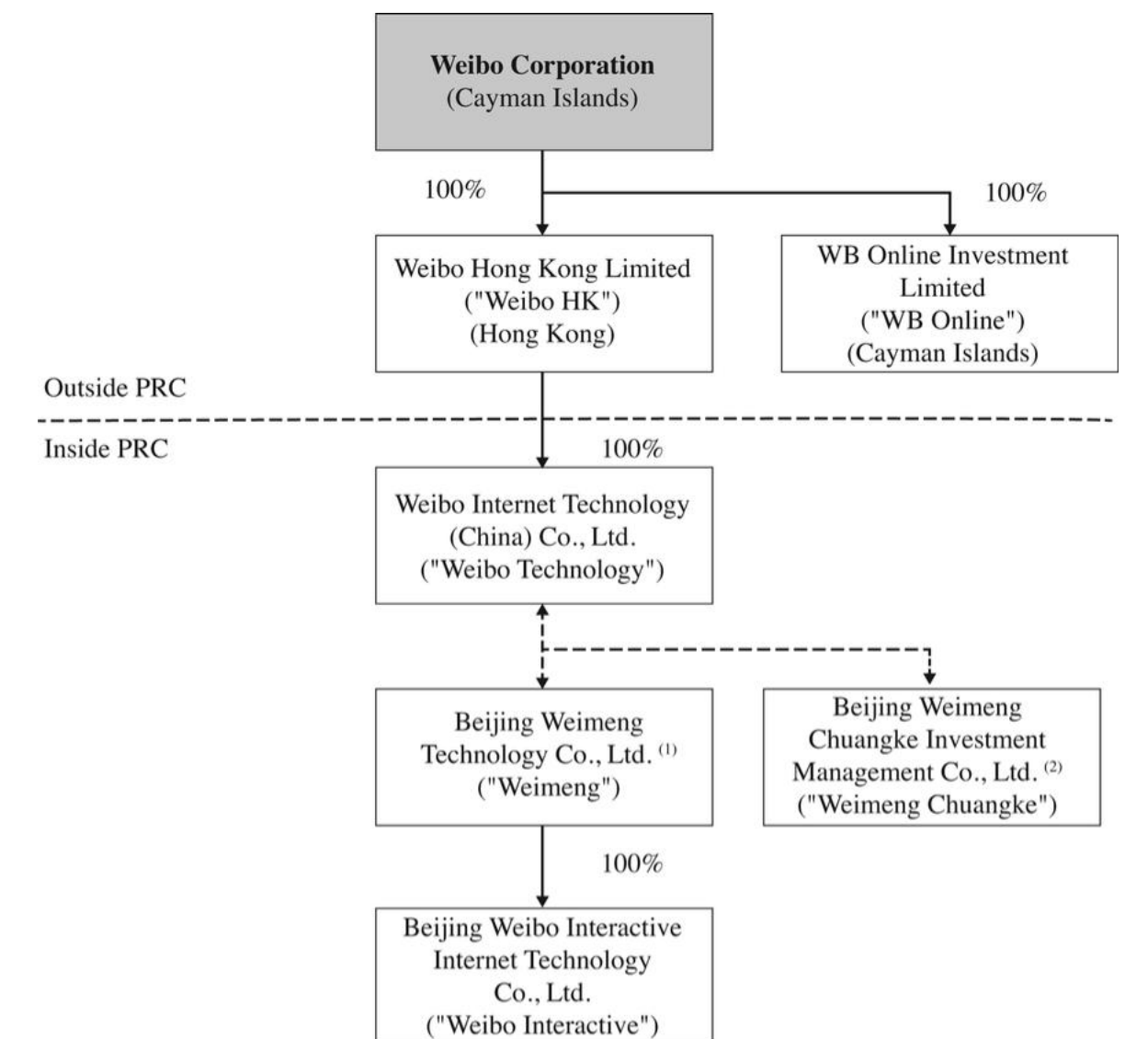
***Regulations on Concentration in Merger and Acquisition Transactions***

The M&A Rules 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 issued by the State Council on August 3, 2008 and amended on September 18, 2018 are triggered.

Complying with these requirements could affect our ability to expand our business or maintain our market share. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—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.”

### C. Organizational Structure

Weibo is the parent 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 significant subsidiaries, principal consolidated VIEs and the VIEs' subsidiary, as of the date of this annual report:



→ 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, Y. Liu, W. Wang, W. Zheng and Z. 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, Y. Liu, and W. Wang, holding 50% and 50% of Weimeng Chuangke's equity interests, respectively.



## **Contractual Arrangements with Our Consolidated VIEs and Their Respective Individual Shareholders.**

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, advertising and value-added services and other related businesses in China via our significant domestic VIEs.

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 the Weimeng and Weimeng Chuangke. As of December 31, 2020, the total amount of interest-free loans to the shareholders of the Weimeng was RMB555.0 million (\$85.0 million) and to the shareholders of Weimeng Chuangke was RMB30.0 million (\$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.

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 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. 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.



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*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 us with the power to direct the activities that most significantly affect the economic performance of our consolidated VIEs and enable us to receive substantially all of the economic benefits generated by them. For the years ended December 31, 2018, 2019 and 2020, 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 and \$766.8 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 our 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 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 transfer pricing 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.

***D. Property, Plant and Equipment***

Our headquarters and our principal product development facilities are located in Beijing. As of December 31, 2020, we have leased approximately 23,000 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 “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Our Relationship with SINA.”



#### **Item 4A. Unresolved Staff Comments**

None.

#### **Item 5. Operating and Financial Review and Prospects**

*This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words “expect,” “anticipate,” “intend,” “believe,” the negative of such terms or other comparable terminology. All forward-looking statements included in this document are based on information available to us on the date hereof, and we undertake no obligation to update any such forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We caution you that our business and repetitive financial performance are subject to substantial risks and uncertainties, including the factors identified in “Item 3.D. Key Information—Risk Factors,” that could cause actual results to differ materially from those in the forward-looking statements.*

##### **A. Operating Results**

###### **Overview**

As a leading social media platform for people to create, share and discover content in China and the global Chinese community, 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 December 2020, we had 521 million MAUs and 225 million average DAUs. Approximately 94% of our MAUs in December 2020 accessed Weibo through mobile devices at least once during the month.

Weibo offers 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 social interest graph, or SIG, 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 organization 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 of the adverse impact from COVID-19 in 2020. Our revenues in 2018, 2019 and 2020 were \$1,718.5 million, \$1,766.9 million, and \$1,689.9 million, respectively. We had a net income attributable to Weibo’s shareholders of \$571.8 million in 2018, \$494.7 million in 2019 and \$313.4 million in 2020.

## 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; 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 rapid 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 video, is becoming increasingly popular 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, especially in a cost-effective manner, will largely impact our user experience.

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

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

***Content Ecosystem.*** Our success depends on our ability to provide users with interesting and useful content, which in turn depends on the content contributed by our users. Content creators, especially influencers, contribute content to Weibo to grow their fan base and increase awareness of their brands. 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 has 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 monitor user engagement and adjust our pricing strategies to optimize the value of our platform for our users and our advertising and marketing customers. We plan to increase the monetization of our platform by growing our user base and user engagement, and managing advertisement inventory and advertising load more effectively without adversely affecting user experience. Meanwhile, in order to continue to increase the efficiency of monetization, we need to stay innovative to improve the targeting capabilities of our advertising and marketing offerings and develop new advertisement products, formats and capabilities. We also plan to further diversify our monetization through growing value-added services.

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

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

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

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

## **Impact of COVID-19 on Our Operations and Financial Performance**

Substantially all of our revenues and workforce are concentrated in China. Our results of operations and financial condition in 2020 have been affected by the spread of COVID-19. The extent to which COVID-19 impacts our financial position, results of operations and cash flows in 2021 will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the actions to contain the coronavirus or treat its impact, 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 factories and businesses. These emergency measures have been significantly relaxed by the Chinese government as of the date of this annual report. However, there has 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 headquarter is 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 diseases 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 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. We will pay close attention to the development of the COVID-19 pandemic, perform further assessment of its impact and take relevant measures to minimize the impact. See also "Item 3. Key Information—D. Risk Factors—Risks Related 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 December 31, 2020, our total cash, cash equivalents and short-term investments were \$3,496.9 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 their 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.

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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 "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 starting from 2017 to 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, therefore was entitled to enjoy a further reduced preferential tax rate of 10% for 2017, 2018 and 2019. The qualification as a "key software enterprise" is subject to annual evaluation and approval by the relevant authorities in China and we will only recognize the preferential tax treatment of "key software enterprise" status when approval from the relevant authorities is obtained, usually one year in arrears. Weibo Technology was also granted the "high and new technology enterprise" status for the fiscal years from 2017 to 2022, which entitled the qualified entity a preferential tax rate of 15% in 2020. 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.

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 was reduced to 1.5% since July 1, 2019, valid until December 31, 2024. The cultural business construction fees were exempted for the fiscal year of 2020 as part of the measures taken by the government to ease the negative impact from COVID-19 pandemic.

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 "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Any limitation on the ability of our PRC subsidiary 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 "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in 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 "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Any limitation on the ability of our PRC subsidiary 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."

## **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 inflation rate in China increases.





## **Significant Accounting Policies, Judgments 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 annual report on form 20-F. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates, judgments and assumptions on an ongoing basis.

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

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

### ***Basis of Presentation***

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

### ***Use of Estimates***

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

### ***Revenue Recognition***

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

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

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

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





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*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 combination of service 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 best estimate of the stand-alone selling price by taking into consideration of the pricing of advertising areas of our platform or website with similar popularities and advertisements with similar formats and quoted prices from competitors and other market conditions. We believe our estimation approach in stand-alone selling price and allocation of the transaction price on a relative stand-alone selling price to each performance obligation results in revenue recognition in a manner consistent with the underlying economics of the transaction and the allocation principle included in ASC 606. Revenues recognized with reference to best estimation of selling price were immaterial for all periods presented. Most of such contracts have all performance obligations completed within one year. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition. Contracts with customers of online advertising may require cooperation from third parties. We pay a predetermined portion of revenues we earned from advertising contracts to the third parties such as key opinion leaders who participate in advertising and promotion activities by monetizing their social assets. We have determined that we are the principal in these transactions, as we are primarily responsible for fulfilling all the obligations related to advertising contracts. We have discretion in establishing 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 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 cost of revenues. We do not have further obligations to the user after the virtual items are consumed.

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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 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. 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 that 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 in which we are not acting as the principal in fulfilling all obligations.

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

### ***Stock-based compensation***

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

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

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

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate 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 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 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 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, 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 impairment charge was 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 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, accounts

payable, amount due from/to SINA, accrued and other liabilities approximates fair value because of their short-term nature.

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***Long-Term Investments***

The following table sets forth a breakdown of our long-term investments by accounting treatment as of dates indicated:

	<b>For the Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in US\$thousands)</b>		
Equity Securities Without Readily Determinable Fair Values	570,619	558,602	579,084
Equity Method	122,491	199,379	311,161
Equity Securities With Readily Determinable Fair Values	<u>1,476</u>	<u>269,478</u>	<u>289,221</u>
Total long-term investment	<u>694,586</u>	<u>1,027,459</u>	<u>1,179,466</u>

Long-term investments are comprised of investments in publicly traded companies, privately held companies, and limited partnerships. We use the equity method to account for ordinary-share-equivalent equity investments over which we have significant influence but do not own a majority equity interest or otherwise control.

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 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.

The marketable equity securities were reclassified as investments with readily determinable fair values under the ASU 2016-01.

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. For equity investments without readily determinable fair value for which we have elected to use the measurement alternative, we make 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, we estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, we recognize an impairment loss in net income equal to the difference between the carrying value and fair value. Significant judgement is applied by us 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, 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.

Investments in entities 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 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. Under the equity method, we initially record our 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. We subsequently adjust the carrying amount of the investments to recognize our proportionate share of each equity investee's net income or loss into earnings after the date of investment. We evaluate 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.





## ***Leases***

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

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

*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 four 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 "2. Significant Accounting Policies" of our audited consolidated financial statements included elsewhere in this annual report.

## 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 and related notes included elsewhere in this annual report on Form 20-F.

	For the Year Ended December 31,		
	2018(1)	2019(1)	2020(1)
(In \$ 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
Alibaba(2)	117,696	97,772	188,597
SINA and other related parties	209,348	230,002	94,846
Subtotal	1,499,180	1,530,211	1,486,155
Value-added services revenues	219,338	236,703	203,776
Total revenues	1,718,518	1,766,914	1,689,931
Costs and expenses:			
Cost of revenues(3)	277,648	328,826	302,180
Sales and marketing(3)	527,424	465,339	455,619
Product development(3)	249,873	284,444	324,110
General and administrative(3)(4)	43,755	90,721	101,224
Goodwill and acquired intangibles impairment	10,554	—	—
Total costs and expenses	1,109,254	1,169,330	1,183,133
Income from operations	609,264	597,584	506,798
Income (loss) from equity method investments	57	(13,198)	10,434
Realized gain (loss) from investments	(287)	612	2,153
Fair value changes through earnings on investments, net(5)	40,074	207,438	35,115
Investment related impairment	(24,074)	(249,935)	(211,985)
Interest income	57,970	85,386	85,829
Interest expense	(15,390)	(29,896)	(57,428)
Other income, net	1,228	4,406	4,997
Income before income tax expenses	668,842	602,397	375,913
Less: Provision of income taxes	96,222	109,564	61,316
Net income	\$ 572,620	\$ 492,833	\$ 314,597
Less: Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	797	(1,842)	1,233
Net income attributable to Weibo's shareholders	\$ 571,823	\$ 494,675	\$ 313,364
Shares used in computing net income per share attributable to Weibo's shareholders:			
Basic	223,751	225,452	226,921
Diluted	232,683	226,412	227,637
Income per ordinary share:			
Basic	\$ 2.56	\$ 2.19	\$ 1.38
Diluted	\$ 2.52	\$ 2.18	\$ 1.38
Income per ADS(6):			
Basic	\$ 2.56	\$ 2.19	\$ 1.38
Diluted	\$ 2.52	\$ 2.18	\$ 1.38

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- (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) During 2020, we recorded \$152.0 million in advertising and marketing revenues from Alibaba. Moreover, one of Alibaba’s subsidiaries engaged in the business of advertising agency and contributed another \$36.6 million to our total revenues in 2020.
- (3) Stock-based compensation was allocated in costs and expenses as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in \$ thousands)</b>		
Cost of revenues	3,522	5,251	5,384
Sales and marketing	6,837	9,828	9,983
Product development	21,187	28,628	33,093
General and administrative	9,465	17,582	18,645
Total	<u>41,011</u>	<u>61,289</u>	<u>67,105</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) Each ADS represents one Class A ordinary share.

### **Revenues**

We generate the majority of our revenues from advertising and marketing services, such as social display advertisements, and promoted marketing. We also generate revenues from value-added services, mainly including VIP membership, live streaming, and game-related services.

#### *2020 Compared to 2019*

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

- *Advertising and marketing revenues.* Advertising and marketing revenues decreased by 3% from \$1,530.2 million in 2019 to \$1,486.2 million in 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 \$593 in 2019 to \$825 in 2020, both of which were primarily due to the churn of individual customers with relatively lower advertising budget.

Revenue from key accounts grew by 2% from \$729.3 million in 2019 to \$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 ad offerings and enhanced ad performance.

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



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Revenue generated from Alibaba as an advertiser increased by 55% from \$97.8 million in 2019 to \$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 as 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 \$236.7 million in 2019 to \$203.8 million in 2020. The decrease was mainly caused by the revenue decline from Yizhibo live streaming business, which fell from \$76.7 million in 2019 to \$39.3 million in 2020. The decrease was partially offset by (i) the revenue growth of our VIP membership, which increased by \$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 \$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 \$1,718.5 million in 2018 to \$1,766.9 million in 2019. We have faced miscellaneous 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 competitions and so on.

- *Advertising and marketing revenues.* Advertising and marketing revenues increased by 2% from \$1,499.2 million in 2018 to \$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 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.

Revenue from key accounts grew by 8% from \$674.0 million in 2018 to \$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 ad offerings and enhanced ad performance.

Revenue from SMEs decreased slightly by 1% from \$707.5 million in 2018 to \$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 competitions.

Revenue generated from Alibaba decreased by 17% from \$117.7 million in 2018 to \$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 as 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 \$219.3 million in 2018 to \$236.7 million in 2019. The increase was primarily attributable to (i) the revenue growth of our VIP membership, which increased by 10% from \$98.2 million in 2018 to \$108.1 million in 2019 mainly as a result of the increase of our user base, and (ii) the revenue growth of Yizhibo live streaming business acquired in the fourth quarter of 2018, which increased from \$28.0 million in 2018 to \$76.7 million in 2019. Revenues from game-related services decreased by 84% from \$27.3 million in 2018 to \$4.4 million in 2019, mainly because of some games having reached the end of their life cycles and tightened regulatory environment in this industry.

### *Costs and Expenses*

Our costs and expenses consist of cost of revenues, sales and marketing, product development, general and administrative expenses, including costs and expenses allocated from SINA during the presented periods, as well as goodwill and acquired intangibles impairment. Cost of revenues consists mainly of costs associated with the maintenance of our platform, such as bandwidth and other infrastructure costs, as well as personnel-related expenses, stock-based compensation, content licensing fees, revenue-share cost and turnover taxes levied on our revenues. Sales and marketing expenses consist primarily of marketing and promotional expenses, personnel-related expenses, including commissions, outside services fees and stock-based compensation. Product development expenses consist primarily of personnel-related expenses, stock-based compensation, depreciation

expense, outside services fees and infrastructure cost incurred for new product development, product enhancements and back-end systems. General and administrative expenses consist primarily of personnel-related expenses, stock-based compensation professional services fees and provision of allowance for credit losses.



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### *2020 Compared to 2019*

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

- *Cost of Revenues.* Cost of revenues decreased by 8% from \$328.8 million in 2019 to \$302.2 million in 2020. The decrease was largely due to the decline of \$34.1 million in turnover taxes mainly resulting from the exemption of cultural business construction fees for the fiscal year of 2020, and decrease of \$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 \$17.0 million in advertisement production cost, and an increase of \$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 \$465.3 million in 2019 to \$455.6 million in 2020. The decrease was mostly from a reduction of \$21.4 million in marketing spend and promotional activities during the COVID-19 pandemic, partially offset by an increase of \$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 \$284.4 million in 2019 to \$324.1 million in 2020. The increase was primarily attributable to a growth of \$22.7 million in personnel-related expenses arising from a larger product development team and higher salaries, and an increase of \$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 \$90.7 million in 2019 to \$101.2 million in 2020, largely resulting from an increase of \$14.6 million in provision of allowance for credit losses. We expect our general and administrative expenses to increase in absolute amount in the foreseeable future.

### *2019 Compared to 2018*

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

- *Cost of Revenues.* Cost of revenues increased by 18% from \$277.6 million in 2018 to \$328.8 million in 2019. The increase was largely due to an increase of \$36.1 million in live streaming revenue sharing cost, an increase of \$11.0 million in labor cost, an increase of \$8.6 million in bandwidth expenditure, and an increase of \$3.8 million in advertisement production cost, partially offset by a decrease of \$12.0 million in turnover taxes mainly due to cultural construction fees applicable to our advertising and marketing revenues reduced from a rate of 3% to 1.5% since July 1, 2019.
- *Sales and Marketing.* Our sales and marketing expenses decreased by 12% from \$527.4 million in 2018 to \$465.3 million in 2019. The decrease was mostly due to a decrease of \$76.5 million in channel marketing spend and promotional activities due to a more disciplined channel investment, partially offset by an increase of \$6.7 million in personnel-related expense, primarily due to higher commissions arising from higher revenue achievements and an increase of \$5.3 million in outside labor cost.
- *Product Development.* Our product development expenses increased by 14% from \$249.9 million in 2018 to \$284.4 million in 2019. The increase was mainly attributable to an increase of \$12.4 million in personnel-related expenses arising from higher salaries, an increase of \$7.4 million in stock-based compensation, an increase of \$6.7 million in outside labor cost and an increase of \$6.6 million in infrastructure cost.
- *General and Administrative.* Our general and administrative expenses increased by 107% from \$43.8 million in 2018 to \$90.7 million in 2019, mostly resulting from an increase of \$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 \$8.1 million in stock-based compensation and an increase of \$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 “Significant Accounting Policies, Judgments and Estimates.” We recorded \$24.1 million, \$249.9 million and \$212.0 million in investment related impairment charges in 2018, 2019 and 2020, respectively, as the investments were not performing to expectations or them becoming incapable of making repayments. The investment related impairment in 2020 mainly 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, due to their unsatisfied financial performance with no obvious upturn or potential financing solutions in the foreseeable future.

### ***Interest Income and Interest Expense***

	<b>For the Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in \$ thousands)</b>		
Interest income	57,970	85,386	85,829
Interest expense	(15,390)	(29,896)	(57,428)

#### ***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 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 2024 Notes issued in July 2019.

### ***Provision of Income Taxes***

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

	<b>For the Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in \$ thousands except percentage)</b>		
Deferred tax provision (benefits)	4,438	16,839	(15,727)
Current income tax expenses	91,784	92,725	77,043
Income tax expenses	96,222	109,564	61,316
Income tax expenses applicable to non-China operations	—	21,473	2,852
Income tax expenses applicable to China operations	96,222	88,091	58,464
Income from China operation	712,108	708,653	432,944
Effective tax rate for China operations	13.5 %	12.4 %	13.5 %

We recorded income taxes of \$96.2 million, \$109.6 million and \$61.3 million in 2018, 2019 and 2020, respectively, including a \$2.9 million of deferred tax charge from 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 tax reduction of \$77.2 million, \$83.2 million and \$55.1 million for 2018, 2019 and 2020, respectively, and further recognized \$10.8 million, \$13.0 million, and \$13.4 million preferential tax treatment of “key software enterprise” status during the periods presented.

## ***B. Liquidity and Capital Resources***

### **Cash Flows and Working Capital**

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

	<b>For the Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(in \$ thousands)</b>		
Net cash provided by operating activities	488,007	631,653	741,646
Net cash used in investing activities	(254,032)	(1,201,358)	(1,214,315)
Net cash provided by (used in) financing activities	(1,415)	791,869	741,963
Effect of exchange rate changes on cash and cash equivalents	1,083	(3,775)	92,565
Net increase in cash and cash equivalents	233,643	218,389	361,859
Cash and cash equivalents at the beginning of year	1,000,953	1,234,596	1,452,985
Cash and cash equivalents at the end of year	<u>1,234,596</u>	<u>1,452,985</u>	<u>1,814,844</u>

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

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 \$741.6 million cash provided by operating activities, net proceeds from issuance of 2030 Notes of \$740.3 million and proceeds from disposal of and refund from investments of \$289.6 million, partially offset by net cash paid to investments of \$392.5 million, net loans to SINA of \$292.1 million, and net cash paid for acquisitions of \$214.3 million. As of December 31, 2020, our consolidated entities within China held \$1,663.4 million of cash, cash equivalents and short-term investments, including \$445.2 million held by our VIEs and the subsidiaries of VIEs. The remaining cash balance 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 \$631.7 million cash provided by operating activities and net proceeds from issuance of 2024 Notes of \$793.3 million, partially offset by cash paid to investees of \$688.9 million and net loans to SINA of \$190.3 million. Of the \$2,404.2 million in cash, cash equivalents and short-term investments as of December 31, 2019, our consolidated entities within China held \$952.0 million, including \$99.5 million held by our VIEs and subsidiaries of VIEs. The remaining cash balance was held by our entities outside China.

We believe that our existing cash, cash equivalents and short-term investments balance as of December 31, 2020 is sufficient to fund our operating activities, capital expenditures and other obligations for at least the next twelve months. However, we may decide to enhance our liquidity position or increase our cash reserve for future expansions and acquisitions through additional capital and/or finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

In utilizing the cash that we hold offshore, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire/invest in offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and/or approvals. For example, loans by us to our PRC subsidiaries, which are foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local branches. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange.”



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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 subsidiary 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. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in 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 in 2020 was \$741.6 million. The difference between net cash provided by operating activities and our net income of \$314.6 million in 2020 was primarily due to a non-cash investment related impairment of \$212.0 million, and a decrease of \$148.9 million in amount due from SINA, a non-cash charge of \$67.1 million of stock-based compensation, an increase of \$62.4 million in accrued and other liabilities, an decrease of \$54.7 million in accounts receivable due from other related parties, and an increase of \$53.1 million in provision of allowance for credit losses, partially offset by an increase of \$75.7 million in accounts receivable due from third parties, an increase of \$68.3 million in accounts receivable due from Alibaba, a non-cash gain of \$35.1 million from fair value change of investments, and an increase of \$30.5 million in prepaid expenses and other current assets. The increase in accrued and other liabilities was mainly resulting 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 \$631.7 million. The difference between net cash provided by operating activities and our net income of \$492.8 million in 2019 was primarily due to a non-cash investment related impairment of \$249.9 million, an increase of \$117.6 million in accrued and other liabilities, a non-cash charge of \$61.3 million of stock-based compensation, and an increase of \$38.6 million in provision of bad debt expense, partially offset by a non-cash gain of \$207.4 million from fair value change of investments, an increase of \$115.1 million in accounts receivable due from third parties, and an increase of \$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 \$488.0 million. The difference between net cash provided by operating activities and our net income of \$572.6 million in 2018 was primarily due to an increase of \$64.3 million in accounts payable, an increase of \$55.6 million in accrued and other liabilities, a non-cash charge of \$41.0 million in stock-based compensation, and an increase of \$24.4 million in deferred revenues, partially offset by an increase of \$109.7 million in accounts receivable due from third parties, an increase of \$104.0 million in accounts receivable due from other related parties, an increase of \$49.4 million in prepaid expenses and other current assets, an increase of \$48.7 million in amount due from SINA, and a non-cash gain of \$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 in 2020 was \$1,214.3 million. This was mainly due to purchase of short-term investments of \$3,170.3 million, cash paid on long-term investments of \$392.5 million, net loans to SINA of \$292.1 million, and net cash paid for acquisitions of \$214.3 million, partially offset by the maturity of short-term investments of \$2,600.0 million and proceeds from disposal and refund of long-term investments of \$289.6 million.

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



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

### ***Financing Activities***

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

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

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

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

### **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, the amount restricted, including paid-in capital, as determined in accordance with PRC accounting standards and regulations, was approximately \$451.7 million. Although Weibo Technology has generated accumulated profits in 2020, 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.

### **Capital Expenditures**

Our capital expenditures primarily consist of purchases of servers, computers and other office equipment. Our capital expenditures were \$28.4 million in 2018, \$21.7 million in 2019 and \$34.8 million in 2020. 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.

### ***C. Research and Development, Patents and Licenses, etc.***

Our success has benefited from our continuous efforts in protecting our intellectual property, including patents, trademarks, copyrights and trade secrets. See "Item 4. Information on the Company—B. Business Overview—Intellectual Property" for a description on the protection of our intellectual property.

### ***D. Trend Information***

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2020 to December 31, 2020 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or



that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

### ***E. 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.

### ***F. Tabular Disclosure of Contractual Obligations***

The following table sets forth our contractual obligations as of December 31, 2020:

	Payment Due by Period				
	Total	Less than	1-3	3-5	More
		1 year	years	years	than 5
		(in \$ thousands)			
Operating Lease Obligations	9,726	6,406	2,522	642	156
Purchase Obligations	206,077	197,181	5,834	3,062	—
2022 Notes	922,492	11,250	911,242	—	—
2024 Notes	898,000	14,000	56,000	828,000	—
2030 Notes	990,469	12,656	50,625	50,625	876,563
Total	3,026,764	241,493	1,026,223	882,329	876,719

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 \$11.2 million, \$11.5 million and \$12.5 million for the years ended December 31, 2018, 2019 and 2020, 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 future maximum commitment 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 represents future maximum commitment relating to the principal amount and interests in connection with the issuance of \$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 \$750 million in aggregate principal amount of senior notes bearing an annual interest rate of 3.375%, which will mature on July 8, 2030.

### ***G. Safe Harbor***

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled "Item 3.D. Key Information—Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects." These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or other and similar expressions. Forward-looking

statements involve inherent risks and uncertainties. You should not place undue reliance on these forward-looking statements.

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The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report on Form 20-F completely and with the understanding that our actual future results may be materially different from what we expect.

### **Item 6. Directors, Senior Management and Employees**

#### ***A. Directors and Senior Management***

The following table provides information with respect to our directors and executive officers as of the date of this annual report. There are no family relationships among any of the directors or executive officers of our company.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Charles Chao	55	Chairman of the Board of Directors
Hong Du	49	Director
Daniel Yong Zhang	49	Director
P Christopher Lu	62	Independent Director
Pehong Chen	63	Independent Director
Gaofei Wang	42	Director and Chief Executive Officer
Fei Cao	46	Chief Financial Officer
Wei Wang	47	Chief Operating Officer
Zenghui Cao	43	Senior Vice President, Operation

*Charles 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. He also served as SINA's Executive Vice President from April 2002 to June 2003 and Vice President, Finance from September 1999 to January 2001. 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., an NYSE-listed company providing online-to-offline (O2O) real estate services in China, a director of NetDragon Websoft Inc., an HKSE-listed company providing technology for online gaming, and a director of TuSimple Holdings Inc., a Nasdaq-listed autonomous technology company. Mr. Chao holds a B.A. in Journalism from Fudan University in Shanghai, China, an M.A. in Journalism 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 management information systems from San Francisco State University.

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*Daniel Yong Zhang* has served as our director since May 2014. Mr. Zhang has been Chairman of Alibaba Group Holding Limited, a leading digital platform company listed on the NYSE and the HKEX, since September 2019, and has served as Alibaba's Chief Executive Officer since May 2015. After joining Alibaba group in August 2007, Mr. Zhang served multiple senior management roles within the group. He served as Director from September 2014 to August 2019, 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 April 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. He was the chairman of Sun Art Retail Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, from January 2018 to October 2020, and served as a director from October 2020 to December 2020. He is a member of the WEF International Business Council and the Vice 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.

*P 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 HKEX 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. 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 is also an independent non-executive director at Greenland Holdings Corp., Ltd., an SSE-listed company operating real estate business, and Honma Golf Limited, an HKEX-listed company 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* has served as our independent director since January 2016. Before that he served as a director of SINA between March 1999 and December 2015. From May 1993 to May 2020, Mr. Chen was the Founder, Chief Executive Officer, President and Chairman of the board of BroadVision Inc., an enterprise software company. Prior to founding BroadVision, Mr. Chen was Vice President of Multimedia Technology at Sybase, Inc., an enterprise software company, from 1992 to 1993. From 1989 to 1992, Mr. Chen founded and was President of Gain Technology, a multimedia software tools company, which was acquired by Sybase. He currently also serves at the board of director of Asian Art Museum. Mr. Chen received a B.S. in Computer Science from National Taiwan University, an M.S. in Computer Science 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 from November 2006 to November 2012. 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.

*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 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.



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*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.

### **Conflict of Interest**

Two directors of our company are also executive officers of SINA and another director of our company is an executive officer of Alibaba. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for SINA/Alibaba and us. If we have any conflicts of interest with SINA or Alibaba, we may not resolve such conflicts on favorable terms for us because of their significant ownership interest in us and the overlapping director and officer positions at both companies.

Mr. Daniel Yong Zhang was appointed as a director of our company pursuant to the Shareholders Agreement by Ali WB, SINA and us.

### ***B. Compensation***

For the year ended December 31, 2020, we paid an aggregate of approximately \$0.8 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.

### **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.

### **Share Incentive Plans**

#### ***2010 Share Incentive Plan***

We adopted our 2010 Share Incentive Plan, or the 2010 Plan, in August 2010 to link the personal interests of our employees, directors and consultants to the success of our business. 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.

## 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 (i) 1.0 million shares initially reserved under the 2014 Plan, (ii) 4.6 million shares reserved but unissued that were transferred from the 2010 Plan, and (iii) 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 December 31, 2020, 550,716 option was granted and 4,340,400 restricted share units have been granted and are 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 or consultants of our affiliates.

**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.

The following table summarizes, as of February 28, 2021, the outstanding options and restricted share units that we granted to our directors, executive officers and other grantees in the aggregate under the 2010 Plan and the 2014 Plan:

Name	Ordinary Shares		Exercise Price (\$/Share)	Grant Date	Expiration Date
	Underlying Outstanding Options and Restricted Share Units				
Charles Chao	* (1)	—	—	November 22, 2018	—
Hong Du	* (1)	—	—	November 22, 2018	—
Pehong Chen	* (1)	—	—	November 22, 2018	—
P Christopher Lu	* (1)	—	—	August 13, 2020	—
Gaofei Wang	* (1)	—	—	November 22, 2018	—
Fei Cao	* (1)	—	—	From April 20, 2017 to August	—
				14, 2020	
Wei Wang	* (1)	—	—	From April 20, 2017 to March	—
				27, 2019	
Zenghui Cao	* (1)	—	—	From April 20, 2017 to August	—
				14, 2020	
	*	\$32.68	—	August 14, 2020	August 14, 2027
Other grantees	*	From \$3.50 to	—	From October 8, 2013 to	From March 31, 2021 to



		\$32.68	August 14, 2020	August 14, 2027
	3,570,796 (1)	—	From November 16, 2016 to	
	4,664,555		October 1, 2020	—
<b>Total</b>				

\* Less than one percent of our total outstanding shares.

(1) Restricted share units.

### **C. Board Practices**

Our board of directors consists of six 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 Stock Market, 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.

### **Committees of the Board of Directors**

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 corporation, 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;
- 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.



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**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. You should refer to “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law” for additional information on our standard of corporate governance under Cayman Islands law.

### **Terms of Directors and Executive 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 initial public offering, 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 has obtained certain board representation rights. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Our Relationship with Alibaba.”

#### ***D. Employees***

We had 4,350, 4,126 and 5,073 employees, respectively as of December 31, 2018, 2019 and 2020. 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:

<b>Function:</b>	<b>Number of Employees</b>
Operations	879
Sales, customer service and marketing	1,376
Product development	2,709
General administration and human resources	109
Total	5,073

The employee numbers in this “Item 6.D. Directors, Senior Management and Employees—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 employment 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 for one year after the termination of his or her employment, provided that we pay compensation equal to 50% of the employee’s salary 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 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 is represented by labor unions.

#### ***E. Share Ownership***

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of February 28, 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.

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The calculations in the table below is based on 227,847,851 ordinary shares issued and outstanding as of February 28, 2021, comprising of 126,068,893 Class A ordinary shares and 101,778,958 Class B ordinary shares.

	Ordinary Shares Beneficially Owned		Voting Power
	Number	%(1)	%(2)
Directors and Executive Officers:**			
Charles Chao	*	*	*
Hong Du	*	*	*
Daniel Yong Zhang	—	—	—
P Christopher Lu	*	*	*
Pehong Chen	*	*	*
Gaofei Wang	*	*	*
Fei Cao	*	*	*
Wei Wang	*	*	*
Zenghui Cao	*	*	*
All directors and executive officers as a group	2,559,463	1.1 %	*
Principal Shareholders:			
SINA Corporation(3)	101,778,958	44.7 %	70.8 %
Ali WB Investment Holding Limited(4)	67,883,086	29.8 %	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 February 28, 2021, the sum of (1) 227,847,851 which is the total number of ordinary shares outstanding as of February 28, 2021, and (2) the number of ordinary shares that such person or group has the right to acquire within 60 days after February 28, 2021.
- (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 February 28, 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, 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.
- (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.



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To our knowledge, as of February 28, 2021, we had 67,171,218 ordinary shares outstanding on an as converted basis that were held by 27 record holders in the United States, including the depositary 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.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. 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.

### **Item 7. Major Shareholders and Related Party Transactions**

#### ***A. Major Shareholders***

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

#### ***B. Related Party Transactions***

SINA and 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.

#### ***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 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.





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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.

### ***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;
- operational management support;
- legal support;
- technology support; 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 the actual 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 supervision and other overhead costs of the department incurring the direct costs of providing the services.

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.



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The service period under the transitional services agreement commences on March 14, 2014 and ended on the expiration of five years thereafter. After the expiration of the transitional services agreement in March 2019, we continue to receive certain services from SINA in the ordinary course of business.

### ***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 when SINA ceases 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.

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.

### ***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 ceases to own in aggregate at least 20% of the voting power of our then outstanding securities.

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.

### ***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 “ 新浪微博” 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 terminated by SINA in case of our breach as provided in the agreement.

### ***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—Registration Rights Agreement.”



## **Our Relationship with Alibaba**

In April 2013, concurrently with forming a strategic alliance with several of our affiliated entities, Alibaba invested \$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.

### ***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., Ltd., Taobao (China) Software Co., Ltd., Zhejiang Tmall.com Technology Co., Ltd. and Alibaba (China) Internet 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.

### ***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. 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.

*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.

*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 "—Voting Agreement."

### ***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 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. In May 2014, Mr. Daniel Yong Zhang was appointed by Ali WB as a director of our company.



### ***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.

### **Contractual Arrangements**

See “Item 4.C. Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated VIEs and Their Respective Individual Shareholders” for a description of the contractual arrangements between Weibo Technology, our VIEs and the shareholders of VIEs.

### **Transactions with SINA**

During 2020, we recorded \$62.1 million in revenues billed through SINA to third parties/from SINA. We had costs and expenses allocated from SINA of \$43.0 million and \$48.3 million billed by SINA for other costs and expenses associated with Weibo business. In addition, we allocated \$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 \$1.0 million.

In 2020, 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 2020, SINA has withdrawn a total of \$473.8 million of loans from us and repaid \$181.7 million to us while we recognized \$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 \$547.9 million.

During 2019, we recorded \$137.2 million in revenues billed through SINA to third parties/from SINA. We had costs and expenses allocated from SINA of \$51.8 million and \$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 \$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 \$233.9 million of loans from us and repaid \$43.6 million to us and we recognized \$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 \$236.6 million.

During 2018, we recorded \$90.6 million in revenues billed through SINA to third parties/from SINA. We had costs and expenses allocated from SINA of \$47.3 million and \$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 \$61.7 million as of December 31, 2018.

SINA made a \$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 \$149.5 million of loans from us and repaid \$101.1 million to us and we recognized \$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 \$43.6 million.

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.





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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 “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Significant Accounting Policies, Judgments and Estimates—Basis of Presentation.”

### **Transactions with Alibaba**

During 2020, we recorded \$152.0 million in advertising and marketing revenues from Alibaba and \$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 and contributed another \$36.6 million to our total revenues in 2020. As of December 31, 2020, we had a total of \$135.3 million in accounts receivable due from Alibaba.

During 2019, we recorded \$97.8 million in advertising and marketing revenues from Alibaba and \$50.2 million of cost and expenses for the services provided by Alibaba. As of December 31, 2019, we had \$60.4 million in accounts receivable due from Alibaba.

During 2018, we recorded \$117.7 million in advertising and marketing revenues from Alibaba. As of December 31, 2018, we had \$48.2 million in accounts receivable due from Alibaba.

### **Transactions with Other Related Parties**

During 2020, other than revenues generated from SINA and Alibaba, we recorded \$49.9 million in revenues from other related parties and \$48.1 million in cost and expenses for services received from other related parties. As of December 31, 2020, we had outstanding balances related to other related parties of \$42.5 million in accounts receivable, \$30.8 million in accounts payable, and \$4.8 million in accrued and other liabilities. Moreover, we recorded loans to and interest receivables from other related parties of \$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 \$79.8 million, and an investee providing online brokerage services, accounting \$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 \$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.

During 2019, other than revenue generated from SINA and Alibaba, we recorded \$122.4 million in revenues from other related parties and \$31.2 million in cost and expenses for services received from other related parties. As of December 31, 2019, we had \$99.7 million in accounts receivable due from other related parties, \$10.7 million in accounts payable due to other related parties, and \$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 \$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 \$160.0 million, an equity investee providing social and new media marketing services, accounting \$60.6 million (interest free), and an investee providing online brokerage services, accounting \$41.0 million as of December 31, 2019.

During 2018, we recorded \$154.3 million in revenues from other related parties and \$19.0 million in cost and expenses for services received from other related parties. As of December 31, 2018, we had \$130.8 million in accounts receivable due from other related parties, \$31.2 million in accounts payable due to other related parties, and \$14.4 million in accrued and other liabilities due to other related parties.

### **Employment Agreements**

See “Item 6.B. Directors, Senior Management and Employees—Compensation—Employment Agreements.”

### **Share Incentives**

See “Item 6.B. Directors, Senior Management and Employees—Compensation—Share Incentive Plans.”

### ***C. Interests of Experts and Counsel***

Not applicable.



## **Item 8. Financial Information**

### ***A. Statements and Other Financial Information***

We have appended consolidated financial statements at the end of this annual report filed as part of this annual report on Form 20-F.

### **Legal Proceedings**

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.

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.

### **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 subsidiary for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Any limitation on the ability of our PRC subsidiary to make payments to us, or the tax implications of making payments to us, could have a material adverse effect on our ability to conduct our business or our financial condition.”

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, our company may pay dividends only out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, our depositary will distribute such dividends to our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

### ***B. Significant Changes***

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **Item 9. Offer and Listing**

### ***A. Offer and Listing Details***

Our ADSs, each representing one of our Class A ordinary shares, have been quoted on the Nasdaq Global Select Market system under the symbol “WB” since April 17, 2014.

### ***B. Plan of Distribution***

Not applicable.

### ***C. Markets***

Our ADSs, each representing one of our Class A ordinary shares, have been quoted on the Nasdaq Global Select Market system under the symbol “WB” since April 17, 2014.

### ***D. Selling Shareholders***

Not applicable.

### ***E. Dilution***

Not applicable.

### ***F. Expenses of the Issue***

Not applicable.

## **Item 10. Additional Information**

### ***A. Share Capital***

Not applicable.

### ***B. Memorandum and Articles of Association***

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association and the Companies Act (As Revised) of the Cayman Islands, referred to as the Companies Act below. The following are summaries of certain provisions of our memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our ordinary shares.

## **Registered Office and Objects**

Our registered office in the Cayman Islands is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The memorandum of association provides, inter alia, that the liability of the members of our company is limited to the amount from time to time unpaid on such member’s shares. The objects for which our company is established are unrestricted, and we shall have full power and authority to carry out any object not prohibited or limited by the Companies Act.

## **Board of Directors**

See “Item 6.C. Directors, Senior Management and Employees—Board Practices—Duties of Directors” and “Item 6.C. Directors, Senior Management and Employees—Board Practices—Terms of Directors and Executive Officers.”

## Ordinary Shares

### *General*

Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our company will issue only non-negotiable shares, and will not issue bearer or negotiable shares.

### *Register of Members*

Under Cayman Islands law, we must keep a register of members and there should be entered therein:

- the names and addresses of the members, together with a statement of the shares held by each member, and such statement shall confirm (i) of the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member, and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association of the company, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the completion of our initial public offering, our company's register of members was updated to record and give effect to the issue of shares by us to the Depositary (or its nominee) as the depositary, and the shareholders recorded in the register of members are deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

### *Dividends*

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or shareholders in general meeting (provided always no dividend may exceed the amount recommended by our directors, and provided further that dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not 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).

### *Classes of Ordinary Shares*

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Except for conversion rights and voting rights, the Class A ordinary shares and Class B ordinary shares shall carry equal rights and rank *pari passu* with one another, including but not limited to the rights to dividends and other capital distributions.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. In addition, (i) 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 our memorandum and 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, and (ii) upon any sale, transfer, assignment or disposition of Class B ordinary shares by a holder thereof to any person or entity which is not an Affiliate (as defined in our memorandum and articles of association) of such holder, such Class B ordinary shares shall be automatically and immediately converted (by way of being re-designated) into an equal number of Class A ordinary shares. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.



### ***Voting Rights***

Holders of ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by the members at any such general meeting. Each Class A ordinary share shall be entitled to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall be entitled to three votes on all matters subject to the vote at general meetings of our company. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Act and not inconsistent with common law. Maples and Calder (Hong Kong) LLP has confirmed that the inclusion in our memorandum and articles of association of provisions giving weighted voting rights to specific shareholders generally or on specific resolutions is not prohibited by the Companies Act. Further, weighted voting provisions have been held to be valid as a matter of English common law and therefore it is expected that such would be upheld by a Cayman Islands court.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attached to the ordinary shares cast by those shareholders who are present in person or by proxy at a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attached to the ordinary shares cast by those shareholders who are present in person or by proxy at a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

### ***Transfer of Ordinary Shares***

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our 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 our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within two months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.



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### ***Liquidation***

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. We are a “limited liability” company registered under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

### ***Calls on Ordinary Shares and Forfeiture of Ordinary Shares***

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

### ***Redemption, Repurchase and Surrender of Ordinary Shares***

We may issue shares on terms that such shares are subject to redemption, at our option 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 our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our 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 our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies 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, our company may accept the surrender of any fully paid share for no consideration.

### ***Variations of Rights of Shares***

If at any time, our share capital is divided into different classes of shares, all or any of the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of two-thirds in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or abrogated by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

### ***General Meetings of Shareholders and Shareholder Proposals***

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we shall in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors. Advance notice of at least fourteen calendar days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of the total voting power of their outstanding shares in our company.

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. Our 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 our company, to requisition an extraordinary general meeting of the shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.



### ***Election and Removal of Directors***

Unless otherwise determined by our company in general meeting, our articles provide that our board will consist of not less than two directors. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors have the power to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director so appointed shall hold office only until the next following annual general meeting of our company and shall then be eligible for re-election at that meeting. At each annual general meeting, one-third of the directors for the time being, 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 (unless they otherwise agree between themselves) be determined by lot. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat.

Our shareholders may also appoint any person to be a director by way of ordinary resolution.

A director may be removed with or without cause 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; or (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; or (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; or (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.

### ***Proceedings of Board of Directors***

Our memorandum and articles of association provide that our business is to be managed and conducted by our board of directors. The quorum necessary for board meetings may be fixed by the board and, unless so fixed at another number, will be a majority of the directors then in office.

Our memorandum and articles of association provide that the board may from time to time at its discretion exercise all powers of our 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 its undertaking, property and assets (present and future) and uncalled capital of our company and issue debentures, bonds and other securities of our company, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party.

### ***Inspection of Books and Records***

Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual audited financial statements.

### ***Changes in Capital***

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or

- 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 our share capital by the amount of the shares so cancelled.

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Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

### ***Exempted Company***

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

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

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder's shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil). We are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. Except as otherwise disclosed in this annual report, we currently intend to comply with the Nasdaq rules in lieu of following home country practice.

### **Differences in Corporate Law**

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

### ***Mergers and Similar Arrangements***

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) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies 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.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors (representing 75% by value) with whom the arrangement is to be made and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

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

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

### ***Shareholders’ Suits***

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to apply and follow the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company to challenge the following:

- an acts which is illegal or ultra vires;

- an act which, although not ultra vires, could only be effected duly if authorized by a special or qualified majority vote that has not been obtained; and

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- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

### ***Indemnification of Directors and Executive Officers and Limitation of Liability***

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, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that our directors and officers shall be indemnified out of the assets and profits of our company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

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

### ***Anti-Takeover Provisions in the Memorandum and Articles of Association***

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

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

### ***Directors' Fiduciary Duties***

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

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore he owes the following duties to the company — a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.





### ***Shareholder Proposals***

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

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. Our memorandum and articles of association provides that, on the requisition of 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 our company, the board shall convene an extraordinary general meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings, but our memorandum and articles of association obliges our company in each year to hold a general meeting as its annual general meeting in addition to any other meeting in that year. The annual general meeting may be held at such time and place as our board of directors shall appoint.

### ***Cumulative Voting***

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

### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may be removed by ordinary resolution of our shareholders.

### ***Transactions with Interested Shareholders***

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

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



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### ***Dissolution; Winding Up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the written consent of the holders of two-thirds in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of shares of that class.

### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Companies Act and our memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

### ***Rights of Non-Resident or Foreign Shareholders***

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

### ***Directors' Power to Issue Shares***

Under our memorandum and articles of association, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

### ***C. Material Contracts***

We have not entered into any material contracts for the two years immediately preceding the date of this annual report other than in the ordinary course of business and other than those described elsewhere in this annual report on Form 20-F.

### ***D. Exchange Controls***

See "Item 4.B. Information on the Company—Business Overview—Regulation—Regulations on Foreign Exchange." and "Item 3.D. Key Information—Risk Factors—Risks Relating to Doing Business in China—We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiary and our PRC subsidiary's ability to distribute profits to us, if our PRC resident shareholders beneficial owners fail to comply with relevant PRC foreign exchange rules."

### ***E. Taxation***

The following summary of material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible

tax consequences relating to an investment in our ADSs or Class A ordinary shares, such as the tax consequences under state, local and other tax laws.

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### **Cayman Islands Taxation**

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 brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **People's Republic of China Taxation**

Although we are incorporated in the Cayman Islands, we may be treated as a PRC resident enterprise for PRC tax purposes under the Enterprise Income Tax Law. The Enterprise Income Tax Law 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 is treated as a PRC resident enterprise for PRC tax purposes and consequently subject to the PRC income tax at the rate of 25% on its global income. The implementing rules of the Enterprise Income Tax Law merely define the location of the “de facto management body” as the place where the “organizational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise” is located. Based on a review of surrounding facts and circumstances, we do not believe that Weibo Corporation or Weibo HK should be considered a PRC resident enterprise for PRC tax purposes. However, there is limited guidance and implementation history of the Enterprise Income Tax Law, and if Weibo Corporation is treated as a PRC resident enterprise for PRC tax purposes, it will be subject to PRC tax on its global income at a uniform tax rate of 25%.

In addition, if Weibo Corporation is a PRC resident enterprise, PRC income tax at the rate of 10% will generally be applicable to interest and dividends payable by us to investors that are “non-resident enterprises” of the PRC, if such investors do not have an establishment or place of business in the PRC, or if they have such establishment or place of business in the PRC but the relevant income is not effectively connected with such establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Such 10% tax rate could be reduced by applicable tax treaties or similar arrangements between China and the jurisdiction of the investor. For example, for investors in Hong Kong, the tax rate is reduced to 7% for interest payments and 5% for dividends.

Furthermore, any gain realized on the transfer of our ADSs or Class A ordinary shares by such investors would also be subject to PRC income tax at 10% if such gain is regarded as income derived from sources within the PRC.

As most of our operations are located within the PRC, interest and dividends payable by us to you, as well as any gain you may realize from the sale of our ADSs or Class A ordinary shares, may be deemed to be derived from sources within China. As a result, if we are treated as a “resident enterprise” for PRC tax purposes, such interest, dividends and gain may be subject to PRC tax. Any such tax may materially and adversely affect the value of your investment in our ADSs and Class A ordinary shares.

### **U.S. Federal Income Tax Considerations**

The following discussion is a summary of U.S. federal income tax considerations relating to the ownership and disposition of our ADSs or Class A ordinary shares by U.S. Holders (as defined below) that will hold our ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon applicable provisions of the Code, Treasury regulations promulgated thereunder (“Regulations”), pertinent judicial decisions and interpretive rulings of the Internal Revenue Service (the “IRS”), all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions, insurance companies, broker-dealers, pension plans, regulated investment companies, real estate investment trusts, cooperatives, tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our equity (by vote or value), investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, investors that are traders in securities that have elected the mark-to-market method of accounting, investors that have a functional currency other than the U.S. dollar or certain former citizens or long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those discussed below.

In addition, this discussion does not address any non-U.S., state, local or any U.S. federal estate, gift, alternative minimum tax or Medicare contribution tax considerations. You are urged to consult your tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax considerations of owning and disposing of our ADSs or Class A ordinary shares.

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### ***General***

For the purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created in, or organized under the law of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust that (A) is subject to the primary supervision of a court within the United States and all substantial decisions of which one or more U.S. persons have the authority to control or (B) has a valid election in effect under applicable Regulations to be treated as a U.S. person.

If a partner in a partnership or other entity treated as a partnership for U.S. federal income tax purposes that holds our ADSs or Class A ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. A partner in a partnership holding our ADSs or Class A ordinary shares should consult its tax advisor regarding the tax consideration of holding and disposing of our ADSs or Class A ordinary shares.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with the terms. If a U.S. Holder holds ADSs, such holder should be treated as the holder of the underlying Class A ordinary shares represented by those ADSs for U.S. federal income tax purposes.

### ***Passive Foreign Investment Company Considerations***

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income (the “asset test”). Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activity are taken into account as non-passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

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 we are the owner of our VIEs for U.S. federal income tax purposes, based on our income and assets, and the value of our ADSs, we do not believe that we were a PFIC for our taxable year ended December 31, 2020 and do not expect to be a PFIC for our current taxable year.

While we do not anticipate being a PFIC in the current taxable year or the foreseeable future, there can be no assurance in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the composition of our income and assets. Fluctuations in the market price of our 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 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 subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. In addition, the composition of our income and our assets will be affected by how, and how quickly, we spend our liquid assets. 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 IRS 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. If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares.

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If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the PFIC tax rules discussed below under “—Passive Foreign Investment Company Rules” generally will apply to such U.S. Holder for such taxable year and, unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC. The discussion below under “—Dividends” and “—Sale or Other Disposition of ADSs or Class A Ordinary Shares” assumes that we will not be classified as a PFIC for U.S. federal income tax purposes.

### ***Dividends***

Any cash distributions (including the amount of any PRC tax withheld if we are deemed to be a PRC resident enterprise under PRC tax law) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in a U.S. Holder’s gross income as dividend income on the day actually or constructively received by such holder. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be treated as dividend income for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

Individuals and other non-corporate recipients will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (i) our ADSs are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefit of the U.S.-PRC income tax treaty (the “Treaty”), (ii) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year and (iii) certain holding period requirements are met. Our ADSs, but not our Class A ordinary shares, are listed on the Nasdaq Global Select Market so we anticipate that our ADSs should qualify as readily tradable on an established securities market in the United States, although there can be no assurances in this regard.

In the event that we are deemed to be a PRC resident enterprise under PRC tax law, you may be subject to PRC withholding taxes on dividends paid on our ADSs or Class A ordinary shares. If we are deemed to be a PRC resident enterprise, we may, however, be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by our ADSs, would be eligible for the reduced rates of taxation applicable to qualified dividend income, as discussed above.

For U.S. foreign tax credit purposes, dividends will generally be treated as income from foreign sources and will generally constitute passive category income. Depending on a U.S. Holder’s particular circumstances, such holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. If a U.S. Holder does not elect to claim a foreign tax credit for foreign tax withheld, such holder is permitted instead to claim a deduction, for U.S. federal income tax purposes, for the foreign tax withheld, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Sale or Other Disposition of ADSs or Class A Ordinary Shares***

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ADSs or Class A ordinary shares in an amount equal to the difference, if any, between the amount realized upon the disposition and such holder’s adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder held the ADSs or Class A ordinary shares for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. In the event that we are deemed to be a PRC resident enterprise under PRC tax law, and gain from the disposition of the ADSs or Class A ordinary shares were subject to tax in the PRC, such gain may be treated as PRC-source gain for U.S. foreign tax credit purposes under the Treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders should consult their tax advisors regarding the tax considerations if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.



### ***Passive Foreign Investment Company Rules***

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, such holder will be subject to special tax rules with respect to any “excess distribution” that such holder receives and any gain such holder realizes from a sale or other disposition (including a pledge) of our ADSs or Class A ordinary shares, unless such holder makes a “mark-to-market” election as discussed below. Distributions a U.S. Holder receives in a taxable year that are greater than 125% of the average annual distributions such holder received during the shorter of the three preceding taxable years or such holder’s holding period for the ADSs or Class A ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over such holder’s holding period for the ADSs or Class A ordinary shares;
- amounts allocated to the current taxable year and any taxable years in such holder’s holding period prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”) will be taxable as ordinary income; and
- amounts allocated to each prior taxable year, other than the current taxable year or a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to such holder for that year, and such amounts will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to such years (an “interest charge”).

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our non-U.S. subsidiaries are also PFICs, such holder will be treated as owning a proportionate amount (by value) of the shares of each such non-U.S. subsidiary classified as a PFIC for purposes of the application of these rules.

Alternatively, a U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If a U.S. Holder makes a valid mark-to-market election for the ADSs, such holder will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of such holder’s taxable year over such holder’s adjusted basis in such ADSs. The U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs included in the U.S. Holder’s income for prior taxable years. Amounts included in the U.S. Holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ADSs, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included in income for such ADSs. A U.S. Holder’s basis in the ADSs will be adjusted to reflect any such gain or loss amounts. If a U.S. Holder makes a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply). If a U.S. Holder makes a valid mark-to-market election, and we subsequently cease to be classified as a PFIC, such holder will not be required to take into account the mark-to-market income or loss described above during any period that we are not classified as a PFIC.

The mark-to-market election is available only for “marketable stock” which is stock that is traded other than in de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable Regulations. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange for these purposes, and, consequently, assuming that the ADSs are regularly traded, it is expected that the mark-to-market election would be available to U.S. Holders of ADSs if we are or become a PFIC. However, a mark-to-market election may not be made with respect to our Class A ordinary shares as they are not marketable stock. Accordingly, if we are a PFIC during any year in which a U.S. Holder holds Class A ordinary shares, such holder will generally be subject to the special tax rules discussed above.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

If we agreed to provide the necessary information, a U.S. Holder could avoid the interest charge imposed by the PFIC rules by making a qualified electing fund election, in which case such holder would generally be required to include in income on a current basis such holder’s pro rata share of our ordinary earnings as ordinary income and such holder’s pro rata share of our net capital gains as capital gain. However, we do not intend to

provide information necessary for U.S. Holders to make qualified electing fund elections, and we make no undertaking to provide such information in the event that we are or become a PFIC.

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If we are classified as a PFIC, a U.S. Holder must file an annual report with the IRS. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax considerations of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC, including the unavailability of a qualified electing fund election, the possibility of making a mark-to-market election and the annual PFIC filing requirements, if any.

### ***F. Dividends and Paying Agents***

Not applicable.

### ***G. Statement by Experts***

Not applicable.

### ***H. Documents on Display***

Our corporate internet address is <http://ir.weibo.com>. We make available free of charge on or through our website our annual reports, quarterly reports, current reports, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our website, as allowed by the SEC rules. Information contained on Weibo's website is not part of this report or any other report filed with the SEC. The SEC maintains an internet site <http://www.sec.gov> that contains reports, proxy and information statements, and other information that we filed electronically.

### ***I. Subsidiary Information***

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

### **Market Risks**

#### ***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.

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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 occurs proportionately over the period:

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

### ***Interest Rate Risk***

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, our future interest income may fall short of expectations due to changes in market interest rates.

### ***Investment Risk***

As of December 31, 2020, our equity investments totaled \$1,179.5 million. 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 alternative measurement). Changes in the basis of these investments are reported in current earnings. We recognized gain of \$35.1 million in upward adjustment for fair value changes on investments for the year ended December 31, 2020.

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 alternative measurement methods 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 public offerings, 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, the carrying value of our investments using alternative measurement method was \$579.1 million.

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.





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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. In 2020, we recorded \$212.0 million of investment related impairment charges. We are unable to control these factors and an impairment charge recognized by us will unfavorably impact our operating results and financial position.

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

### **Item 12. Description of Securities Other than Equity Securities**

#### **A. *Debt Securities***

In July 2019, we issued \$800 million principal amount of senior notes due 2024. 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 the maturity. In July 2020, we issued \$750 million in aggregate principal amount of senior notes due 2030. 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.

Please refer to Exhibits 2.5, 2.6, 2.7 and 2.8 to this annual report for the information relating to the 2024 Notes and 2030 Notes required by Item 12.A of Form 20-F.

#### **B. *Warrants and Rights***

Not applicable.

#### **C. *Other Securities***

Not applicable.

#### **D. *American Depositary Shares***

### **Fees and Charges Our ADS Holders May Have to Pay**

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

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The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$1.50 per ADR for transfers of certificated or direct registration ADRs;
- a fee of up to US\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- the fees, expenses and other charges charged by JPMorgan Chase Bank, N.A. and/or its agent (which may be a division, branch or affiliate) in connection with the conversion of foreign currency into U.S. dollars; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

JPMorgan Chase Bank, N.A. and/or its agent may act as principal for such conversion of foreign currency. We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

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The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

The fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of any increase in any such fees and charges.

### **Fees and Other Payments Made by the Depositary to Us**

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. In 2020, we received reimbursement of \$1.2 million from the depositary for our expenses incurred in connection with the establishment and maintenance of the ADS program.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

#### **Material Modifications to the Rights of Security Holders**

See “Item 10.B. Additional Information—Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

#### **Use of Proceeds**

The following “Use of Proceeds” information relates to (i) the registration statement on Form F-3 (File Number: 333-232213) that became effective immediately upon filing on June 20, 2019, together with the prospectus supplement to register additional securities, for our offering of \$750 million aggregate principal amount of 3.375% notes due 2030, or the 2030 Notes Offering. The sole bookrunner of the offering is Goldman Sachs (Asia) L.L.C. The co-manager of the offering is China International Capital Corporation Hong Kong Securities Limited.

We raised an aggregate of approximately \$740.3 million in net proceeds from our 2030 Notes Offering, after deducting the underwriting discounts and commissions and offering expenses.

As of the December 31, 2020, we have used approximately \$180.6 million of the net proceeds from our 2030 Notes Offering for general corporate purposes.

## **Item 15. Controls and Procedures**

### **Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this annual report on Form 20-F. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our company's disclosure controls and procedures are effective.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Our management has excluded Shanghai Jiamian Information Technology Co., Ltd. ("JM Tech") from our assessment of internal control over financial reporting as of December 31, 2020 because it was acquired by us in a business combination in the fourth quarter of 2020. JM Tech is a subsidiary of a consolidated variable interest entity and JM Tech's total assets and total revenues excluded from management's assessment represented 3.1% and 0.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

### **Attestation Report of the Independent Registered Public Accounting Firm**

PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of our internal control over financial reporting as of December 31, 2020 as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Mr. P Christopher Lu, an independent director (under the standards set forth in Nasdaq Listing Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

## **Item 16B. 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 code on our corporate website at [ir.weibo.com](http://ir.weibo.com).

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### **Item 16C. Principal Accountant Fees and Services**

The following table sets forth the aggregate fees billed by PricewaterhouseCoopers Zhong Tian LLP and its affiliates, our independent auditor and principal accountant for the years ended December 31, 2019 and 2020:

	<u>2019</u>	<u>2020</u>
Audit Fees(1)	\$ 1,592,579	\$ 1,602,212
Audit Related Fees(2)	399,739	398,020
All Other Fees	—	—

- (1) “Audit fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. In 2019 and 2020, the audit refers to financial audit.
- (2) “Audit-related fees” primarily consists of fees related to the issuance of comfort letters in our offering of 2024 Notes in 2019, 2030 Notes in 2020, and other audit-related services.

The policy of the Audit Committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit. After receiving submissions from the management, the audit committee review and, in its sole discretion, pre-approve all audit and non-audit services. Pre-approval will be made by the audit committee or by one or more members of the audit committee as shall be designated by the audit committee or the chairperson of the audit committee. The person(s) granting such pre-approval shall report it to the audit committee at the next scheduled meeting.

### **Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

### **Item 16F. Change in Registrant’s Certifying Accountant**

None.

### **Item 16G. Corporate Governance**

Because SINA owns more than 50% of the total voting power of our ordinary shares, we are a “controlled company” under the Nasdaq Stock Market Marketplace Rules, or the Nasdaq Rules. We rely on certain exemptions that are available to controlled companies from Nasdaq corporate governance requirements, including the requirements:

- that our director nominees must be selected or recommended solely by independent directors; and
- that we 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.

In addition, as a foreign private issuer whose securities are listed on the Nasdaq Global Select Market, we are permitted to follow certain home country corporate governance practices in lieu of the requirements of the Nasdaq Rules pursuant to Nasdaq Rule 5615(a)(3), which provides for such exemption to compliance with the Nasdaq Rule 5600 Series. We rely on the exemption available to foreign private issuers for the requirements:

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

We are not required to and will not voluntarily meet these requirements. As a result of our use of the “controlled company” and “foreign private issuer” exemptions, our investors will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq’s corporate governance requirements.



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**Item 16H. Mine Safety Disclosure**

Not applicable.

## PART III

### Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

### Item 18. Financial Statements

The consolidated financial statements of Weibo Corporation and its subsidiaries are included at the end of this annual report.

### Item 19. Exhibits

Exhibit Number	Description
<a href="#">1.1</a>	<a href="#">Second Amended and Restated Memorandum and Articles of Association of the Company (Filed as Exhibit 3.2 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</a>
<a href="#">2.1</a>	<a href="#">The Company's Specimen American Depositary Receipt (included in Exhibit 2.3 hereto, which was filed as Exhibit 4.3 to the Company's Report on Form S-8, Registration No. 333-199022, filed on September 30, 2014, and incorporated herein by reference).</a>
<a href="#">2.2</a>	<a href="#">The Company's Specimen Certificate for ordinary shares (Filed as Exhibit 4.2 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</a>
<a href="#">2.3*</a>	<a href="#">Amended and Restated Deposit Agreement, dated as of August 10, 2020, among the Company, the depositary and holder of the American Depositary Receipts.</a>
<a href="#">2.4</a>	<a href="#">Indenture, dated as of October 30, 2017, between Weibo Corporation and Deutsche Bank Trust Company Americas, as trustee (Filed as Exhibit 2.4 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018, and incorporated herein by reference).</a>
<a href="#">2.5</a>	<a href="#">Indenture, dated as of July 5, 2019, between Weibo Corporation and Deutsche Bank Trust Company Americas, as trustee (Filed as Exhibit 4.1 to the Company's Form 6-K (File No. 001-36397), filed on July 5, 2019, and incorporated herein by reference).</a>
<a href="#">2.6</a>	<a href="#">First supplemental indenture, dated as of July 5, 2019 between Weibo Corporation and Deutsche Bank Trust Company Americas, as trustee (Filed as Exhibit 4.2 to the Company's Form 6-K (File No. 001-36397), filed on July 5, 2019, and incorporated herein by reference).</a>
<a href="#">2.7</a>	<a href="#">Second Supplemental Indenture, dated as of July 8, 2020, between Weibo Corporation and Deutsche Bank Trust Company Americas, as trustee (Filed as Exhibit 4.1 to the Company's Form 6-K (File No. 001-36397), filed on July 8, 2020, and incorporated herein by reference).</a>
<a href="#">2.8*</a>	<a href="#">Description of the registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934</a>
<a href="#">4.1</a>	<a href="#">2010 Share Incentive Plan (Filed as Exhibit 10.1 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</a>
<a href="#">4.2</a>	<a href="#">2014 Share Incentive Plan (Filed as Exhibit 10.2 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</a>





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<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>4.3</u></a>	<a href="#"><u>Form of Indemnification Agreement with the Company's directors (Filed as Exhibit 10.3 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.4</u></a>	<a href="#"><u>Form of Employment Agreement between the Company and an executive officer of the Company (Filed as Exhibit 10.4 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.5</u></a>	<a href="#"><u>Master Transaction Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 10.5 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.7</u></a>	<a href="#"><u>Non-Competition Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 10.7 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.8</u></a>	<a href="#"><u>Sales and Marketing Services Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 10.8 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.9</u></a>	<a href="#"><u>Intellectual Property License Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 10.9 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.11</u></a>	<a href="#"><u>Amended and Restated Shareholders' Agreement between Sina Corporation, Ali WB Investment Holding Limited and Weibo Corporation (Filed as Exhibit 10.11 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.12</u></a>	<a href="#"><u>Voting Agreement between Sina Corporation and Ali WB Investment Holding Limited dated April 24, 2014 (incorporated herein by reference to Exhibit 4.12 to the Company's annual report on Form 20-F (File No. 001-36397), filed with the Securities and Exchange Commission on April 28, 2015).</u></a>
<a href="#"><u>4.13</u></a>	<a href="#"><u>Registration Rights Agreement between Sina Corporation, Ali WB Investment Holding Limited and Weibo Corporation (Filed as Exhibit 10.13 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.14</u></a>	<a href="#"><u>English Translation of the Loan Agreement between our wholly owned subsidiary and individual shareholders of Weimeng. (Filed as Exhibit 4.14 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018 and incorporated herein by reference).</u></a>
<a href="#"><u>4.15</u></a>	<a href="#"><u>English Translation of the Loan Repayment Agreement between our wholly owned subsidiary and individual shareholders of Weimeng. (Filed as Exhibit 4.15 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018 and incorporated herein by reference).</u></a>
<a href="#"><u>4.16</u></a>	<a href="#"><u>English Translation of the Share Transfer Agreement between our wholly owned subsidiary and individual shareholders of Weimeng. (Filed as Exhibit 4.16 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018 and incorporated herein by reference).</u></a>
<a href="#"><u>4.17</u></a>	<a href="#"><u>English Translation of the Agreement on Authorization to Exercise Shareholder's Voting Power between our wholly owned subsidiary and individual shareholders of Weimeng. (Filed as Exhibit 4.17 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018 and incorporated herein by reference).</u></a>



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<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>4.18</u></a>	<a href="#"><u>English Translation of the Share Pledge Agreement between our wholly owned subsidiary and individual shareholders of Weimeng. (Filed as Exhibit 4.18 to the Company's annual report on Form 20-F, Registration No. 001-36397, filed on April 26, 2018 and incorporated herein by reference).</u></a>
<a href="#"><u>4.19</u></a>	<a href="#"><u>English Translation of the Exclusive Technical Services Agreement between our wholly owned subsidiary and Weimeng (Filed as Exhibit 10.19 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.20</u></a>	<a href="#"><u>English Translation of the Exclusive Sales Agency Agreement between our wholly owned subsidiary and Weimeng (Filed as Exhibit 10.20 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.21</u></a>	<a href="#"><u>English Translation of the Trademark License Agreement between our wholly owned subsidiary and Weimeng (Filed as Exhibit 10.21 to the Company's Registration Statement on Form F-1, Registration No. 333-194589, filed on March 14, 2014, as amended, and incorporated herein by reference).</u></a>
<a href="#"><u>4.22*</u></a>	<a href="#"><u>English Translation of the Loan Agreement between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.23*</u></a>	<a href="#"><u>English Translation of the Loan Agreement between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.24*</u></a>	<a href="#"><u>English Translation of the Loan Repayment Agreement between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.25*</u></a>	<a href="#"><u>English Translation of the Equity Transfer Agreement between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.26*</u></a>	<a href="#"><u>English Translation of the Agreement on Authorization to Exercise Shareholder's Voting Power between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.27*</u></a>	<a href="#"><u>English Translation of the Equity Pledge Agreement between our wholly owned subsidiary and individual shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>4.28*</u></a>	<a href="#"><u>English Translation of the Exclusive Technical Services Agreement between our wholly owned subsidiary and Weimeng Chuangke.</u></a>
<a href="#"><u>4.29*</u></a>	<a href="#"><u>English Translation of the Exclusive Sales Agency Agreement between our wholly owned subsidiary and Weimeng Chuangke.</u></a>
<a href="#"><u>4.30*</u></a>	<a href="#"><u>English Translation of the Trademark License Agreement between our wholly owned subsidiary and Weimeng Chuangke.</u></a>
<a href="#"><u>4.31*</u></a>	<a href="#"><u>English Translation of Spousal Consent Letter signed by each spouse of the shareholders of Weimeng Chuangke.</u></a>
<a href="#"><u>8.1*</u></a>	<a href="#"><u>List of Subsidiaries.</u></a>
<a href="#"><u>11.1</u></a>	<a href="#"><u>Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form F-1, File No. 333-194589, filed on March 14, 2014, as amended and incorporated herein by reference).</u></a>
<a href="#"><u>12.1*</u></a>	<a href="#"><u>Certificate of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>



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<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>12.2*</u></a>	<a href="#"><u>Certificate of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>13.1**</u></a>	<a href="#"><u>Certificate of chief executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>13.2**</u></a>	<a href="#"><u>Certificate of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>15.1*</u></a>	<a href="#"><u>Consent of Maples and Calder (Hong Kong) LLP.</u></a>
<a href="#"><u>15.2*</u></a>	<a href="#"><u>Consent of TransAsia Lawyers.</u></a>
<a href="#"><u>15.3*</u></a>	<a href="#"><u>Consent of PricewaterhouseCoopers Zhong Tian LLP.</u></a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document — the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)
* Filed herewith.	
** Furnished herewith.	

## **SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Weibo Corporation

By: /s/ Gaofei Wang

Name: Gaofei Wang

Title: Chief Executive Officer

Date: April 22, 2021

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Weibo Corporation

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Weibo Corporation and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Changes in Accounting Principles***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for allowance for credit losses in 2020 and the manner in which it accounts for leases in 2019.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management’s Annual Report on Internal Control over Financial Reporting, management has excluded Shanghai Jiamian Information Technology Co., Ltd. (“JM Tech”) from its assessment of internal control over financial reporting as of December 31, 2020 because it was acquired by the Company in a business combination in the fourth quarter of 2020. We have also excluded JM Tech from our audit of internal control over financial reporting. JM Tech is a subsidiary of a consolidated variable interest entity and JM Tech’s total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 3.1% and 0.7%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.



### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

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

#### ***Impairment assessment of investments in equity securities without readily determinable fair value***

As described in Note 2 and 4 to the consolidated financial statements, the Company's consolidated investments in equity securities without readily determinable fair value was \$579 million as of December 31, 2020. For equity investments without readily determinable fair value for which the Company has elected to use the measurement alternative, management makes a qualitative assessment of whether the investment is impaired at each reporting date, applying significant judgment 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, management 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 Company recognizes an impairment loss in net income equal to the difference between the carrying value and fair value. Significant judgment is applied by management 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 and estimates 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.

The principal considerations for our determination that performing procedures relating to the impairment assessment of investments in equity securities without readily determinable fair value is a critical audit matter are there was significant judgment by management in (i) making the qualitative assessment of whether investments in equity securities were impaired and (ii) determining the fair value of these equity securities. This in turn led to significant auditor judgment, subjectivity and effort in performing procedures to (i) evaluate the reasonableness of significant judgments management applied in determining whether the investments in equity securities were impaired and to (ii) evaluate the reasonableness of significant assumptions and estimates management used in determining the fair value, including revenue growth rate, terminal growth rate, discount rate, selection of comparable companies and multiples, estimated volatility rate and discount for lack of marketability. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.



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Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment of investments in equity securities without readily determinable fair value, including controls over the qualitative assessment of whether investments in equity securities were impaired and the determination of the fair value of these equity securities. These procedures also included, among others, (i) testing management's process for making the qualitative assessment of whether investments in equity securities were impaired by assessing the investees' performance data as well as other relevant market information considered by management; (ii) evaluating the appropriateness of the valuation methodology used in management's fair value estimate; (iii) testing the completeness, accuracy and relevance of underlying data used in the models; (iv) evaluating the reasonableness of significant assumptions used by management, by considering (a) the investee's current and past performances, (b) the consistency with industry and third party data, and (c) whether these assumptions and related estimates were consistent with evidence obtained in other areas of the audit; and (v) using professionals with specialized skill and knowledge to assist in assessing the valuation models, certain assumptions and testing of the mathematical accuracy of the valuation models.

### *Valuation of Allowance for Credit Losses –Loans to and interest receivable from other related parties*

As described in Notes 2 and 10 to the consolidated financial statements, the Company's loans to and interest receivable from other related parties was \$159 million as of December 31, 2020 and a credit loss of \$82 million was recorded for the year ended December 31, 2020. The allowance for credit losses represents the estimate of the expected credit losses associated with loans and interest receivable as of December 31, 2020. 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.

The principal considerations for our determination that performing procedures relating to the allowance for credit losses is a critical audit matter are there was significant judgement and estimation by management in determining the allowance for credit losses, to adjust the loans and interest receivable to the amount that will be collected. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence obtained related to the aforementioned estimate of allowance for credit losses. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to allowance for credit losses estimation process. These procedures also included, among others (i) evaluating the appropriateness of the valuation models and methodology used in management's credit loss estimates; (ii) testing the completeness, accuracy and relevance of underlying data used in the models, including the borrowers' current financial condition, historical performance data and future forecasts used in the estimates; (iii) evaluating the reasonableness of the estimated collection schedule and other key assumptions including discount rate; and (iv) using professionals with specialized skill and knowledge to assist in assessing the valuation models, certain assumptions and testing of the mathematical accuracy of the valuation models.

/s/PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 22, 2021

We have served as the Company's auditor since 2013 .

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**WEIBO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands of U.S. dollars, except for par value)

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,452,985	\$ 1,814,844
Short-term investments	951,235	1,682,048
Accounts receivable due from third parties, net of allowances of \$36,594 and \$29,061 as of December 31, 2019 and 2020, respectively	262,158	314,159
Accounts receivable due from Alibaba, net of allowances of nil and nil as of December 31, 2019 and 2020, respectively (Note 10)	60,392	135,321
Accounts receivable due from other related parties, net of allowances of nil and \$6,095 as of December 31, 2019 and 2020, respectively (Note 10)	99,675	42,530
Prepaid expenses and other current assets (including loans to and interest receivable from other related parties of \$301,526 and \$158,622 as of December 31, 2019 and 2020, respectively)	424,905	296,757
Amount due from SINA (Note 10)	384,828	548,900
Total current assets	3,636,178	4,834,559
Property and equipment, net	46,729	60,632
Operating lease assets	9,730	7,176
Intangible assets, net	17,524	146,976
Goodwill	28,989	61,712
Long-term investments	1,027,459	1,179,466
Other non-current assets	37,577	44,596
<b>Total assets</b>	<b>\$ 4,804,186</b>	<b>\$ 6,335,117</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 \$436,705 and \$538,269 as of December 31, 2019 and 2020, respectively.)		
Accounts payable	\$ 126,247	\$ 149,509
Accrued and other liabilities	460,872	556,753
Operating lease liability, short-term	4,708	5,580
Income taxes payable	100,245	102,844
Deferred revenues	108,783	143,684
Total current liabilities	800,855	958,370
Long-term liabilities		
Convertible debt	888,266	892,399
Unsecured senior notes	793,985	1,536,112
Deferred tax liability	33,972	58,299
Operating lease liability, long-term	5,289	1,505
Other non-current liabilities	—	2,102
Total long-term liabilities	1,721,512	2,490,417
<b>Total liabilities</b>	<b>\$ 2,522,367</b>	<b>\$ 3,448,787</b>
<b>Commitments and contingencies (Note 17)</b>		
<b>Redeemable non-controlling interests (Note 18)</b>	<b>\$ —</b>	<b>\$ 57,714</b>
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; 226,310 shares (including 124,531 Class A ordinary shares and 101,779 Class B ordinary shares) and 227,688 shares (including 125,909 Class A ordinary shares and 101,779 Class B ordinary shares) issued and outstanding as of December 31, 2019 and 2020, respectively.	\$ 57	\$ 57
Additional paid-in capital	1,133,913	1,201,622
Accumulated other comprehensive income (loss)	(68,559)	79,526
Retained earnings	1,217,856	1,531,220
Total Weibo shareholders' equity	2,283,267	2,812,425
Non-controlling interests	(1,448)	16,191
<b>Total shareholders' equity</b>	<b>\$ 2,281,819</b>	<b>\$ 2,828,616</b>

	2,281,819	2,828,616
<b>Total liabilities, redeemable non-controlling interests and shareholders' equity</b>	<u><u>\$ 4,804,186</u></u>	<u><u>\$ 6,335,117</u></u>

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

**WEIBO CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands of U.S. dollars, except per share data)

	Year Ended December 31,		
	2018	2019	2020
Revenues			
Advertising and marketing revenues			
Third parties	\$ 1,172,136	\$ 1,202,437	\$ 1,202,712
Alibaba (Note 10)	117,696	97,772	188,597
SINA and other related parties (Note 10)	209,348	230,002	94,846
	1,499,180	1,530,211	1,486,155
Value-added services revenues	219,338	236,703	203,776
Total revenues	1,718,518	1,766,914	1,689,931
Costs and Expenses			
Cost of revenues	277,648	328,826	302,180
Sales and marketing	527,424	465,339	455,619
Product development	249,873	284,444	324,110
General and administrative	43,755	90,721	101,224
Goodwill and acquired intangibles impairment	10,554	—	—
Total costs and expenses	1,109,254	1,169,330	1,183,133
Income from operations	609,264	597,584	506,798
Income (loss) from equity method investments	57	(13,198)	10,434
Realized gain (loss) from investments	(287)	612	2,153
Fair value changes through earnings on investments, net	40,074	207,438	35,115
Investment related impairment	(24,074)	(249,935)	(211,985)
Interest income	57,970	85,386	85,829
Interest expense	(15,390)	(29,896)	(57,428)
Other income, net	1,228	4,406	4,997
Income before income tax expenses	668,842	602,397	375,913
Less: Provision of income taxes	96,222	109,564	61,316
Net income	572,620	492,833	314,597
Less: Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	797	(1,842)	1,233
Net income attributable to Weibo's shareholders	\$ 571,823	\$ 494,675	\$ 313,364
Net income	\$ 572,620	\$ 492,833	\$ 314,597
Other comprehensive income (loss)			
Currency translation adjustments (for which there were no taxes)	(60,273)	(19,029)	148,547
Total comprehensive income	\$ 512,347	\$ 473,804	\$ 463,144
Less: Comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests	668	(1,927)	1,695
Comprehensive income attributable to Weibo's shareholders	\$ 511,679	\$ 475,731	\$ 461,449
Shares used in computing net income per share attributable to Weibo's shareholders:			
Basic	223,751	225,452	226,921
Diluted	232,683	226,412	227,637
Income per share:			
Basic	\$ 2.56	\$ 2.19	\$ 1.38
Diluted	\$ 2.52	\$ 2.18	\$ 1.38

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



**WEIBO CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands of U.S. dollars)

	<u>Ordinary Shares</u>		<u>Additional</u>	<u>Accumulated</u>		<u>Non-</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Other</u>	<u>Retained</u>	<u>controlling</u>	<u>Shareholders'</u>
			<u>Capital</u>	<u>Income (Loss)</u>	<u>Earnings</u>	<u>Interests</u>	<u>Equity</u>
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

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

**WEIBO CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands of U.S. dollars)

	Year Ended December 31,		
	2018	2019	2020
Cash flows from operating activities:			
Net income	\$ 572,620	\$ 492,833	\$ 314,597
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,847	25,772	32,107
Stock-based compensation	41,011	61,289	67,105
Amortization of operating lease assets	—	3,793	3,974
Provision of allowance for credit losses	6,226	38,561	53,124
Deferred income taxes	4,438	16,839	(15,727)
(Income) Loss from equity method investments	(57)	13,198	(10,434)
Dividend received from equity method investments	657	932	320
(Gain) Loss on sale of investments	287	(612)	(2,153)
Fair value changes through earnings on investments, net	(40,074)	(207,438)	(35,115)
Investment related impairment	24,074	249,935	211,985
Goodwill and acquired intangibles impairment	10,554	—	—
Gain on disposal of property and equipment	(120)	(120)	(74)
Amortization of convertible debt and unsecured senior notes issuance cost	4,140	4,803	5,944
Changes in assets and liabilities, net of acquisition:			
Accounts receivable due from third parties	(109,654)	(115,086)	(75,685)
Accounts receivable due from Alibaba	(8,028)	(13,032)	(68,286)
Accounts receivable due from other related parties	(103,982)	28,362	54,699
Prepaid expenses and other current assets	(49,381)	(20,128)	(30,461)
Other non-current assets	(1,044)	(101)	(191)
Accounts payable	64,277	5,161	15,167
Accrued and other liabilities	55,560	117,606	62,404
Amount due from SINA	(48,687)	(90,129)	148,943
Deferred revenues	24,375	11,254	19,928
Operating lease liabilities	—	(3,502)	(4,315)
Income taxes payable	20,968	11,463	(6,210)
Net cash provided by operating activities	488,007	631,653	741,646
Cash flows from investing activities:			
Purchases of short-term investments	(1,792,481)	(1,230,596)	(3,170,291)
Maturities of short-term investments	1,989,055	869,792	2,600,010
Cash paid (including prepayment) on long-term investments	(419,126)	(688,920)	(392,547)
Proceeds from disposal of/refund of prepayment on long-term investments	85,134	60,307	289,631
Proceeds from disposal of property and equipment	136	122	92
Purchases of property and equipment	(28,350)	(21,746)	(34,828)
Loan to SINA	(149,460)	(233,884)	(473,777)
Repayment of loan by SINA	101,060	43,567	181,697
Cash paid for acquisitions, net of cash acquired	(40,000)	—	(214,302)
Net cash used in investing activities	(254,032)	(1,201,358)	(1,214,315)
Cash flows from financing activities:			
Proceeds from employee options exercised	781	275	122
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
Net cash provided by (used in) financing activities	(1,415)	791,869	741,963
Effect of exchange rate changes on cash and cash equivalents	1,083	(3,775)	92,565
Net increase in cash and cash equivalents	233,643	218,389	361,859
Cash and cash equivalents at the beginning of the year	1,000,953	1,234,596	1,452,985
Cash and cash equivalents at the end of the year	\$ 1,234,596	\$ 1,452,985	\$ 1,814,844
Supplemental disclosure of cash flow information			

Cash paid for interest expenses on convertible debt/unsecured senior notes	\$ (11,719)	\$ (11,250)	\$ (65,906)
Cash paid for income taxes	\$ (70,060)	\$ (80,666)	\$ (82,667)
Supplemental schedule of non-cash investing and financing activities			
Property and equipment in accounts payable	\$ 5,258	\$ 4,693	\$ 3,985
Unpaid consideration for acquisition	\$ 10,000	\$ —	\$ 10,280
Consideration settled for acquisition (Note 10)	\$ —	\$ (10,000)	\$ —

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

**WEIBO CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 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”) 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.”

The following sets forth the Company’s major subsidiaries, major VIEs and major VIEs’ subsidiary:

<b>Company</b>	<b>Date of Incorporation</b>	<b>Place of Incorporation</b>	<b>Percentage of Direct/ Indirect Economic Interest</b>
<b><i>Major Subsidiaries</i></b>			
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 %
<b><i>Major VIEs and major VIEs’ subsidiary</i></b>			
Beijing Weimeng Technology Co., Ltd (“Weimeng”)	August 9, 2010	PRC	99 %
Beijing Weibo Interactive Internet Technology Co., Ltd. (“Weibo Interactive”)	Acquired in May 2013	PRC	100 %
Beijing Weimeng Chuangke Investment Management Co., Ltd. (“Weimeng Chuangke”)	April 9, 2014	PRC	100 %



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### ***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.

Total cost and expenses allocated from SINA were as follows:

	Year Ended December 31,		
	2018	2019	2020
	(In thousands)		
Cost of revenues	\$ 16,824	\$ 22,246	\$ 19,462
Sales and marketing	11,558	9,770	5,966
Product development	11,688	13,141	10,505
General and administrative	7,264	6,691	7,078
	<u>\$ 47,334</u>	<u>\$ 51,848</u>	<u>\$ 43,011</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 been a separate and independent entity, 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 been a separate and stand-alone entity.

### ***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.





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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, 2019 and 2020, the total amounts of interest-free loans to the VIEs' shareholders were \$81.1 million and \$89.5 million, respectively. The VIEs and VIEs' subsidiaries had an aggregate accumulated income of \$33.1 million and loss of \$96.1 million as of December 31, 2019 and 2020, 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,	
	2019	2020
	(In thousands)	
Cash, cash equivalents and short-term investments	\$ 99,465	\$ 445,210
Accounts receivable	420,686	431,022
Prepaid expenses and other current assets	101,363	55,653
Amount due from SINA	116,535	31,142
Property and equipment, net	243	692
Operating lease assets	686	1,783
Intangible assets	17,524	146,976
Goodwill	28,989	61,712
Long-term investments	380,420	394,745
Deferred tax assets	10,608	15,392
Others	8,625	223
Total assets	<u>\$ 1,185,144</u>	<u>\$ 1,584,550</u>
Accounts payable	\$ 86,417	\$ 83,336
Accrued and other liabilities	254,564	341,552
Deferred revenues	66,533	85,846
Income taxes payable	28,970	26,417
Amount due to the subsidiaries of the Group	632,900	968,138
Operating lease liability	586	1,704
Deferred tax liability	11,453	32,418
Other non-current liabilities	—	2,102
Total liabilities	<u>\$ 1,081,423</u>	<u>\$ 1,541,513</u>
	Year Ended December 31,	
	2018	2019
	(In thousands)	
Net revenues	\$ 1,416,367	\$ 1,472,867
Net income (loss) after intercompany service fee charge	<u>\$ 56,466</u>	<u>\$ (129,126)</u>

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	Year Ended December 31,		
	2018	2019	2020
	(In thousands)		
Net cash provided by (used in) operating activities	\$ 46,738	\$ (100,987)	\$ 328,469
Net cash used in investing activities	\$(331,243)	\$(280,404)	\$(272,958)
Net cash provided by financing activities	\$ 292,151	\$ 441,952	\$ 290,234
Net increase in cash and cash equivalents	<u>\$ 7,646</u>	<u>\$ 60,561</u>	<u>\$ 345,745</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 \$152.0 million and \$196.6 million as of December 31, 2019 and 2020, 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 and \$8.7 million for the years ended December 31, 2018, 2019 and 2020, 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.

*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 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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*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 years ended December 31, 2018, 2019 and 2020, 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 and \$766.8 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 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

### *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.

### *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.

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.

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 consists of the following:

	Year Ended December 31,		
	2018	2019	2020
		(In thousands)	
Advertising and marketing revenues	\$1,499,180	\$1,530,211	\$1,486,155
Value-added services revenues	219,338	236,703	203,776
Total revenues	<u>\$1,718,518</u>	<u>\$1,766,914</u>	<u>\$1,689,931</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 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. The amount of revenue recognized that was included in the deferred revenue balance at the beginning of the periods was \$67.2million, \$88.3 million and \$91.5 million for the years ended December 31, 2018, 2019 and 2020, respectively.



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### *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 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. 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.

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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.

*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, labor cost and turnover taxes levied on the revenues, part of which were allocated from SINA. The Group is subject to 6.7% Value-Added Tax ("VAT") and surcharges for its revenues and an additional 3% cultural business construction fees for its advertising and marketing 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. The total amount of taxes on its advertising and marketing revenues for the years ended December 31, 2018, 2019 and 2020 were \$52.9 million, \$40.7 million and \$6.4 million, respectively, with VAT not included in the cost of revenues.

### ***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, the advertising and promotional expenses were \$428.8 million, \$352.3 million and \$330.9 million, respectively.

### ***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.



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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.

### ***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 consolidated statements of comprehensive income as interest income.

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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 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 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. 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 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.



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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.

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 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.

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, 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.

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 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.

### ***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.





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### ***Leases***

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

On January 1, 2019, 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 asset and \$14.9 million of leasing liability as of January 1, 2019, respectively, and no impact to the beginning retained earnings of the year.

### ***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 and \$26.5 million for the years ended December 31, 2018, 2019 and 2020, 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 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.

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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 four 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.

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 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 consolidated statements of comprehensive income. Non-controlling interests are 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.



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Foreign currency translation adjustments included in the Group's consolidated statements of comprehensive income for the years ended December 31, 2018, 2019, and 2020 were a loss of \$60.3 million, a loss of \$19.0 million and a gain of \$148.5 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.

### ***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, 2019 and 2020, the Group had \$2.2 billion and \$3.0 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.

Alibaba as an advertiser accounted for 7%, 6% and 9% of the Group's total revenues for the years ended December 31, 2018, 2019 and 2020, 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. Additionally, the Group's top 10 advertising agencies contributed 26%, 28%, and 32% to its total revenues for the years ended December 31, 2018, 2019, and 2020, respectively.

As of December 31, 2019 and 2020, 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 14% and 28%, of the Group's net accounts receivables as of December 31, 2019 and 2020, respectively.



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*Concentration of foreign currency risks.* The majority of the Group's operations were in RMB. As of December 31, 2019 and 2020, the Group's cash, cash equivalents and short-term investments balance denominated in RMB was \$936.9 million and \$1,651.3 million, accounting for 39% and 47% of the Group's total cash, cash equivalents and short-term investments balance at the respective dates. As of December 31, 2019 and 2020, the Group's aggregate net accounts receivable balance (including accounts receivable due from third parties, Alibaba and other related parties) denominated in RMB was \$422.2 million and \$492.0 million, respectively, representing almost all of its net accounts receivable balance. As of December 31, 2019 and 2020, the Group's current liabilities balance denominated in RMB was \$744.2 million and \$947.6 million, accounting for 93% and 99% 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 December 2019, the FASB issued ASU 2019-12, "*Simplifying the Accounting for Income Taxes*", which removes specific exceptions to the general principles in Topic 740 and to simplify accounting for income taxes. The guidance is effective for all entities for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. The Group does not expect the adoption to have a material impact on its consolidated financial statements.

In January 2020, the FASB issued ASU 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*", which clarifies the interaction of the accounting for equity investments 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. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Group is currently evaluating the impact of this accounting standard and does not expect the adoption to have a material impact on its consolidated financial statements.

### **3. Cash, Cash Equivalents and Short-term Investments**

Cash, cash equivalents and short-term investments consist of the following:

	<b>As of December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(In thousands)</b>	
Cash and cash equivalents:		
Cash	\$ 1,452,985	\$ 1,814,844
Short-term investments:		
Bank time deposits	951,235	1,515,880
Wealth management products	—	166,168
Subtotal	<u>951,235</u>	<u>1,682,048</u>
Total cash, cash equivalents and short-term investments	<u>\$ 2,404,220</u>	<u>\$ 3,496,892</u>

The carrying amounts of cash, cash equivalents and short-term investments approximate fair value. Interest income was \$58.0 million, \$85.4 million and \$85.8 million for the years ended December 31, 2018, 2019 and 2020, respectively. The maturity dates for the bank time deposits and wealth management products were within one year.

#### 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 (In thousands)	Total
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 from equity method investment	—	57	—	57
Dividend received from equity method investment	—	(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
Loss from equity method investment	—	(13,198)	—	(13,198)
Dividend received from equity method investment	—	(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 from equity method investment	—	10,434	—	10,434
Dividend received from equity method investment	—	(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	16,906	8,743	—	25,649

adjustment								
Balance at December 31, 2020	\$	<u>579,084</u>	\$	<u>311,161</u>	\$	<u>289,221</u>	\$	<u>1,179,466</u>

For the years ended December 31, 2019 and 2020, the Group invested in private high-tech companies totaling \$268.7 million and \$134.9 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 included a follow-on investment of \$100 million in Yixia Tech Co., Ltd. ("Yixia Tech") in 2019, a developer of mobile video apps, as well as \$46.8 million in a financing guarantee company and \$30.6 million in a commercial search business in 2020. The follow-on investment in Yixia Tech resulted in an aggregate investment in the company of \$290 million prior to the \$214.7 million impairment recognized in 2019 as described below. The Group also invested \$91.9 million and \$92.9 million in companies, which were accounted for under equity method, in 2019 and 2020, respectively. These investments mainly included a \$57.4 million investment in a company providing consumer finance services in 2019 and several investment funds in 2020.



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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 measurement alternative as of December 31, 2019 and 2020, 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	\$ 738,035
Upward adjustments	81,458
Downward adjustments (impairment only)	(254,416)
Foreign currency translation	(6,475)
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
Total carrying value at December 31, 2020	<u>\$ 579,084</u>

The Group assessed or engaged independent valuation firms to help the management assess the fair value of certain investments as of December 31, 2019 and 2020, using Level 3 of fair value measurements and concluded that impairment was warranted for those investments at the year end. Thus, the Group recognized \$230.9 million and \$126.8 million impairment charges to investments without readily determinable fair value for the years ended December 31, 2019 and 2020, respectively. The impairment charges mainly included a partial impairment of \$214.7 million on Yixia Tech in 2019, and 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, 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 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 an unrealized accumulated gain of \$176.2 million and \$204.7 million from fair value change of Showworld for the years ended December 31, 2019 and 2020, respectively. The Group has several other investments in marketable equity securities with fair value of \$11.9 million and \$3.2 million as of December 31, 2019 and 2020, respectively.

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The following table shows the carrying amount and fair value of the marketable securities:

	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
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>

The Group recorded investment-related impairment of \$24.1 million, \$249.9 million and \$212.0 million for the years ended December 31, 2018, 2019 and 2020, respectively, as a result of the investees not performing to expectation or them becoming incapable of making repayments. The impairment charges 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 charges 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.

## 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 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 spaces occupied by the Group and are expensed as incurred and not included in the operating lease assets and liabilities.

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The components of lease costs for the years ended December 31, 2019 and 2020 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(In thousands)</b>	
Operating lease cost	\$ 4,693	\$ 4,902
Short term lease cost	2,663	3,167
Variable lease cost	4,172	4,479
Total lease cost	<u>\$ 11,528</u>	<u>\$ 12,548</u>

Other information related to leases was as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(In thousands)</b>	
<b>Supplemental Cash Flows Information:</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for operating leases	\$ (4,683)	\$ (5,522)
Operating lease assets obtained in exchange for operating lease liabilities	\$ 944	\$ 1,675

Maturities of lease liabilities under operating leases as of December 31, 2020 were as follows:

<b>Year Ended December 31,</b>	<b>(In thousands)</b>
2021	\$ 6,406
2022	2,207
2023	315
2024	319
2025 and thereafter	479
Total future payments for recognized leasing assets	<u>\$ 9,726</u>
Less: leases not commenced yet	2,396
Less: imputed interest	245
Total lease liabilities	<u>\$ 7,085</u>

As of December 31, 2019 and 2020, operating leases recognized in lease liabilities have average remaining lease terms of 2.2 years and weighted-average discount rate of 5% at both dates. As of December 31, 2020, the Group had lease contracts valued at \$2.4 million that have 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.

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The consideration of acquisition of Yizhibo was allocated based on their fair value of the assets acquired and the liabilities assumed as follows:

	<b>As of October 1, 2018</b>
	<b>(In thousands)</b>
Consideration	\$ 50,000
Property and equipment, net	\$ 466
Identifiable intangible assets acquired	21,942
Other tangible assets	2,874
Liabilities assumed	(2,434)
Goodwill	27,152
Total	\$ 50,000

The acquisition mentioned above resulted in an increase of \$28.0 million to revenues and an immaterial impact to net income for 2018. It did not have a material impact on the Group's consolidated financial statements; therefore, pro forma disclosures have not been presented.

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>
	<b>(In thousands)</b>
Consideration	\$ 218,590
Redeemable non-controlling interest (Note 18)	55,192
Non-controlling interest	16,133
Total	\$ 289,915
Short-term investments acquired	\$ 155,205
Other assets acquired	26,087
Identifiable intangible assets acquired	124,196
Goodwill	30,075
Liabilities assumed	(45,648)
Total	\$ 289,915

JM Tech contributed \$11.5 million of revenues and \$7.2 million of net income to the Group in 2020. It did not have a material impact on the Group's consolidated financial statements; therefore, pro forma disclosures have not been presented.



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The following sets forth the changes in the Group's goodwill by segment:

	Advertising & Marketing	Value-added services	Total
	(In thousands)		
<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

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. Based on the analysis, the Group recognized an impairment charge of \$10.6 million for the goodwill arising from certain acquisitions under value-added services segment due to their unsatisfied financial performance and decline in forecasted revenues in 2018. No impairment provision was recorded for the years ended December 31, 2019 and 2020.

The following table summarizes the Group's intangible assets arising from acquisitions:

	As of December 31, 2019			As of December 31, 2020		
	Cost	Accumulated Amortization (In thousand)	Net	Cost	Accumulated Amortization (In thousand)	Net
Games	\$ —	\$ —	\$ —	\$ 127,238	\$ (2,199)	\$ 125,039
Technology	8,869	(3,351)	5,518	9,544	(4,417)	5,127
Trademark and Domain name	5,555	(724)	4,831	12,788	(1,542)	11,246
Supplier-relationship	9,619	(2,444)	7,175	10,253	(4,689)	5,564
Others	2,298	(2,298)	—	2,449	(2,449)	—
<b>Total</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>

The amortization expenses for intangible assets were \$1.3 million, \$3.4 million and \$5.7 million for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, estimated amortization expenses for future periods are expected as follows:

Year Ended December 31,	(In thousands)
2021	\$ 17,633
2022	17,630
2023	16,942
2024	15,413
2025 and thereafter	79,358
<b>Total expected amortization expenses</b>	<b>\$ 146,976</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).

The following table sets forth the stock-based compensation included in each of the relevant accounts:

	Year Ended December 31,		
	2018	2019	2020
	(In thousands)		
Cost of revenues	\$ 3,522	\$ 5,251	\$ 5,384
Sales and marketing	6,837	9,828	9,983
Product development	21,187	28,628	33,093
General and administrative	9,465	17,582	18,645
Total	<u>\$ 41,011</u>	<u>\$ 61,289</u>	<u>\$ 67,105</u>

The following table sets forth a summary of the number of shares available for issuance:

	Shares Available (In thousands)
<b>December 31, 2017</b>	18,540
Addition	—
Granted*	(1,597)
Cancelled/expired/forfeited	<u>350</u>
<b>December 31, 2018</b>	17,293
Addition	—
Granted*	(2,411)
Cancelled/expired/forfeited	<u>222</u>
<b>December 31, 2019</b>	15,104
Addition	—
Granted*	(3,040)
Cancelled/expired/forfeited	<u>431</u>
<b>December 31, 2020</b>	<u>12,495</u>

- \* For the years ended December 31, 2018, 2019 and 2020, 1.6 million, 2.4 million and 2.5 million restricted share units were granted under the 2014 Plan, respectively. Options of 0.5 million were granted during the year ended December 31, 2020.

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### Stock Options

The following table sets forth a summary of option activities under the Company's stock option program:

	Options Outstanding (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
<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
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

The total intrinsic value of options exercised for the years ended December 31, 2018, 2019 and 2020 was \$25.6 million, \$4.2 million and \$0.5 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 was \$58.43, \$46.35 and \$40.99, respectively. Cash received from the exercise of stock options during the years ended December 31, 2018, 2019 and 2020 was \$0.8 million, \$0.3 million and \$0.1 million, respectively.

As of December 31, 2019 and 2020, unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options granted to the Group's employees and directors was nil and \$5.4 million, respectively. As of December 31, 2020, total unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.6 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 (In thousands)	Weighted Average Exercise Price	Options Exercisable (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)
<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 - \$32.68	479	\$ 32.68	—	\$ —	—
	551	\$ 28.85	72	\$ 3.50	0.2





***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</b>
	<b>(In thousands)</b>	<b>Grant Date</b>
		<b>Fair Value</b>
<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

As of December 31, 2019 and 2020, the unrecognized compensation cost (adjusted for estimated forfeitures) was \$0.4 million and \$0.1 million, respectively, which was related to performance-based restricted share units granted to the Company's employees.

*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>
	<b>(In thousands)</b>	
<b>December 31, 2017</b>	3,267	\$ 25.45
Awarded	1,406	\$ 68.18
Vested	(1,757)	\$ 21.59
Cancelled	<u>(160)</u>	\$ 44.00
<b>December 31, 2018</b>	2,756	\$ 48.62
Awarded	2,313	\$ 45.49
Vested	(1,374)	\$ 37.60
Cancelled	<u>(183)</u>	\$ 48.48
<b>December 31, 2019</b>	3,512	\$ 50.89
Awarded	2,512	\$ 33.50
Vested	(1,307)	\$ 49.12
Cancelled	<u>(393)</u>	\$ 44.96
<b>December 31, 2020</b>	<u><u>4,324</u></u>	\$ 41.86

As of December 31, 2019 and 2020, unrecognized compensation cost (adjusted for estimated forfeitures) was \$150.7 million and \$139.6 million, respectively, which was related to non-vested service-based restricted share units granted to the Company's employees and directors. The cost was expected to be recognized over a weighted-average period of 3.2 years and 2.9 years at the respective year-ends. The total fair value based on the vesting date of the restricted share units vested was \$37.9 million, \$51.7 million and \$64.2 million for the years ended December 31, 2018, 2019 and 2020, respectively.

## 8. Other Balance Sheet Components

	As of December 31,		
	2018	2019	2020
	(In thousands)		
<b>Accounts receivable, net:</b>			
Due from third parties		\$ 298,752	\$ 343,220
Due from Alibaba		60,392	135,321
Due from other related parties		99,675	48,625
Total gross amount		\$ 458,819	\$ 527,166
Allowance for credit losses			
Balance at the beginning of the year	(8,114)	(12,429)	(36,594)
Additional provision charged to expenses, net	(6,226)	(38,561)	(53,124)
Write-off	1,911	14,396	54,562
Balance at the end of the year	(12,429)	(36,594)	(35,156)
		<u>\$ 422,225</u>	<u>\$ 492,010</u>
<b>Prepaid expenses and other current assets:</b>			
Rental and other deposits		\$ 371	\$ 1,186
Deductible value-added taxes		652	598
Investment prepayments(1)		47,069	15,308
Loans to and interest receivable from other related parties (Note 10)		301,526	158,622
Loans to and interest receivable from third parties		14,421	41,784
Advertising prepayment		3,406	18,888
Prepayment to outsourced service providers		3,483	3,719
Amounts deposited by users(2)		34,912	45,745
Content fees		14,013	3,080
Others		5,052	7,827
		<u>\$ 424,905</u>	<u>\$ 296,757</u>
<b>Property and equipment, net:</b>			
Computers and equipment		\$ 132,477	\$ 165,880
Leasehold improvements		5,732	6,429
Furniture and fixtures		1,725	2,159
Others		3,696	5,077
Property and equipment, gross		143,630	179,545
Less: Accumulated depreciation		(96,901)	(118,913)
		<u>\$ 46,729</u>	<u>\$ 60,632</u>
<b>Accrued and other liabilities(3):</b>			
Payroll and welfare		\$ 84,394	\$ 126,023
Marketing expenses		77,046	59,410
Sales rebates		140,629	222,064
Professional fees		13,437	3,880
VAT and other tax payable		50,662	49,971
Payable to other service providers		578	398
Amounts due to users(2)		34,912	45,745
Unpaid consideration for acquisition		—	10,280
Unpaid consideration for investment		30,000	19,257
Interest payable for convertible debt and unsecured senior notes		15,344	923
Others		13,870	18,802
		<u>\$ 460,872</u>	<u>\$ 556,753</u>

- (1) For the years ended December 31, 2018, 2019 and 2020, the Group recognized \$0.5 million, \$19.1 million, and \$1.5 million of impairment charges on investment prepayments (all fully impaired), respectively, due to the deterioration of the investees' operation resulting in their inability to refund the prepayments.



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- (2) 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.
- (3) 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:

	Year Ended December 31,		
	2018	2019	2020
	(In thousands, except percentage)		
Income before income tax expenses	\$ 668,842	\$ 602,397	\$ 375,913
Add: loss from non-China operations	43,266	106,256	57,031
Income from China operations	<u>\$ 712,108</u>	<u>\$ 708,653</u>	<u>\$ 432,944</u>
Income tax expense applicable to China operations	\$ 96,222	\$ 88,091	\$ 58,464
Income tax expense applicable to non-China operations	—	21,473	2,852
Total income tax expenses	<u>\$ 96,222</u>	<u>\$ 109,564</u>	<u>\$ 61,316</u>
Effective tax rate for China operations	13.5 %	12.4 %	13.5 %

The Company generated the majority of its operating income from PRC operations and has recorded income tax provisions for the periods presented. Stock-based compensation was recorded in the Company’s loss from non-China operations. In 2019 and 2020, the Group’s non-China operations have recognized \$21.5 million and \$2.9 million deferred tax charges from fair value change of investments, respectively.

#### ***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, 2020, the Company’s Hong Kong subsidiary had a net operating loss of \$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, 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. 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.

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, 2020, the Group did not record any withholding tax for its PRC subsidiaries.

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*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,		
	2018	2019	2020
	(In thousands)		
Deferred tax provisions (benefits)	\$ 4,438	\$ 16,839	\$ (15,727)
Current income tax expenses	91,784	92,725	77,043
Income tax expenses	<u>\$ 96,222</u>	<u>\$ 109,564</u>	<u>\$ 61,316</u>

*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 and non-taxable income, net	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 the preferential tax treatment of KSE status of \$10.8 million for 2017 in 2018, \$13.0 million for 2018 in 2019, and \$13.4 million for 2019 in 2020. 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.



### ***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 December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(In thousands)</b>	
Deferred tax assets:		
Net operating loss carry forwards	\$ 5,515	\$ 8,872
Valuation allowance	(5,515)	(8,872)
Depreciation, investment-related impairment, accounts receivable, accrued and other liabilities	42,932	107,892
Valuation allowance	(26,472)	(80,872)
Net deferred tax assets (included in other non-current assets)	<u>\$ 16,460</u>	<u>\$ 27,020</u>
Deferred tax liabilities:		
Acquired intangible assets	\$ 1,793	\$ 30,999
Depreciation	1,044	1,435
Investment gain	31,135	25,496
Others	—	369
Total deferred tax liabilities	<u>\$ 33,972</u>	<u>\$ 58,299</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, 2019 and 2020 was \$32.0 million and \$89.7 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, 2019 and 2020, the Group had net operating loss carry forwards for China operations totaling \$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.

### **10. Related Party Transactions**

The following sets forth significant related parties and their relationships with the Company:

<b>Company Name</b>	<b>Relationship with the Company</b>
SINA	Parent and affiliates under common control.
Alibaba	Strategic partner and significant shareholder of the Company.

During 2019 and 2020, 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 \$233.9 million and \$473.8 million from the Group and repaid \$43.6 million and \$181.7 million to the Group during 2019 and 2020, respectively. As of December 31, 2019 and 2020, the loans to and interest receivable from SINA were \$236.6 million and \$547.9 million, respectively.

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The following sets forth significant related party transactions with the Group:

	Year Ended December 31,		
	2018	2019	2020
	(In thousands)		
<i>Transactions with SINA</i>			
Revenues billed through/for services provided to SINA(1)	\$ 90,645	\$ 137,223	\$ 62,102
Costs and expenses allocated from SINA(2)	\$ 47,334	\$ 51,848	\$ 43,011
Interest income on loans to SINA	\$ 2,425	\$ 9,295	\$ 13,458
<i>Transactions with Alibaba</i>			
Advertising and marketing revenues from Alibaba – as an advertiser	\$ 117,696	\$ 97,772	\$ 152,000
Advertising and marketing revenues from Alibaba – as an agent	\$ —	\$ —	\$ 36,597
Services provided by Alibaba	\$ 47,642	\$ 50,205	\$ 52,338

- (1) For the years ended December 31, 2018, 2019 and 2020, the Group charged \$90.6 million, \$137.2 million and \$62.1 million for services to third parties billed through SINA and/or provided to SINA, respectively.
- (2) 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, and \$48.3 million for other costs and expenses incurred by Weibo but paid by SINA in 2018, 2019 and 2020, respectively. During 2020, Weibo allocated \$9.7 million to SINA for costs and expenses related to certain of SINA's activities for which Weibo made the payments.

The following sets forth related party outstanding balances:

	As of December 31,	
	2019	2020
	(In thousands)	
Amount due from SINA(1)	\$ 384,828	\$ 548,900
Accounts receivable due from Alibaba	\$ 60,392	\$ 135,321
Loan to and interest receivable from other related parties (2) (3)		
- Company A (an investee in e-commerce business)	\$ 160,010	\$ 79,762
- Company B (an investee providing social and new media marketing services)	\$ 60,602	\$ 21,771
- Company C (an investee providing online brokerage services)	\$ 40,982	\$ 41,205
- others	\$ 39,932	\$ 15,884
Total	\$ 301,526	\$ 158,622

- (1) 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, 2019 and 2020, the amount due from SINA also included loans to and interest receivable from SINA of \$236.6 million at an annual interest rate of 4.5% and \$547.9 million at annual interest rates ranging from 1.6% to 4.5% of maturity within one year, respectively.
- (2) The annual interest rates of the loans were ranging from 4% to 10% (interest free for Company B) and the maturities of all loans were within one year at December 31, 2019 and 2020, respectively.
- (3) 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.

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, advertising and marketing revenues generated from other related parties were \$130.2 million, \$117.0 million and \$46.5 million, while cost and expenses were \$19.0 million, \$31.2 million and \$48.1 million, respectively. As of December 31, 2019 and 2020, other related parties accounted for outstanding balances of net accounts receivable of \$99.7 million and \$42.5 million, accounts payable of \$10.7 million and \$30.8 million, and accrued and other liabilities of \$34.4 million and \$4.8 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.

## **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 and 2020, the Group's total contribution was \$53.7 million, \$53.3 million and \$51.1 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 years ended December 31, 2018, 2019 and 2020, options to purchase ordinary shares and RSUs of 2.2 million, 1.0 million and 0.7 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 and 2020, options and RSUs which were anti-dilutive and excluded from the calculation of diluted net income per share were 0.06 million, 0.44 million and 3.26 million, respectively. During each of the years ended December 31, 2019 and 2020, shares of 6.8 million convertible from the convertible debt were anti-dilutive and excluded from the calculation of diluted net income per share.

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The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(In thousands, except per share data)</b>		
Basic net income per share calculation:			
Numerator:			
Net income attributable to Weibo	\$ 571,823	\$ 494,675	\$ 313,364
Denominator:			
Weighted average ordinary shares outstanding	223,751	225,452	226,921
Basic net income per share attributable to Weibo	<u>\$ 2.56</u>	<u>\$ 2.19</u>	<u>\$ 1.38</u>
Diluted net income per share calculation:			
Numerator:			
Net income attributable to Weibo	\$ 571,823	\$ 494,675	\$ 313,364
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	<u>587,213</u>	<u>494,675</u>	<u>313,364</u>
Denominator:			
Weighted average ordinary shares outstanding	223,751	225,452	226,921
Effects of dilutive securities			
Stock options	283	153	71
Unvested restricted share units	1,896	807	645
Convertible debt	<u>6,753</u>	<u>—</u>	<u>—</u>
Shares used in computing diluted net income per share attributable to Weibo	<u>232,683</u>	<u>226,412</u>	<u>227,637</u>
Diluted net income per share attributable to Weibo	<u>\$ 2.52</u>	<u>\$ 2.18</u>	<u>\$ 1.38</u>

### 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:

<b>Revenues</b>	<b>Advertising &amp; Marketing</b>	<b>Value-added services</b>	<b>Total</b>
		<b>(In thousand)</b>	
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

## 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, 2019 and 2020, the Group accrued approximately \$105.8 million and \$127.2 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 \$451.7 million, or 15.6% of the Group's total consolidated net assets as of December 31, 2020.

## 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, 2019 and 2020:

	Fair Value Measurements			
	(in thousands)			
	Total	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<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	—	—
Total	<u>\$1,220,713</u>	<u>\$ 269,478</u>	<u>\$ 951,235</u>	<u>\$ —</u>
<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	—	—
Total	<u>\$1,971,269</u>	<u>\$ 289,221</u>	<u>\$ 1,682,048</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 fair value when observable price changes are identified or impairment charge were 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 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 and \$126.8 million on these equity investments without readily determinable fair values for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2019 and 2020, the carrying value of these impaired investments measured at Level 3 inputs were \$77.5 million and \$89.5 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 and nil for the years ended December 31, 2018, 2019 and 2020, 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 \$15.4 million for each of the three years in the period ended December 31, 2020.

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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 and \$29.3 million for the years ended December 31, 2019 and 2020, 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.

### 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 and 2020, lease expense was \$11.2 million, \$11.5 million and \$12.5 million, respectively. Based on the current rental lease agreements, commitments of future minimum lease payments as of December 31, 2020 were as follows:

<u>Operating lease commitments</u>	<u>Total</u>	<u>Less than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>	<u>More than Five Years</u>
			(In thousands)		
As of December 31, 2020:	\$ 9,726	\$ 6,406	\$ 2,522	\$ 642	\$ 156

Purchase commitments mainly include minimum commitments for marketing activities and internet connection. Purchase commitments as of December 31, 2020 were as follows:

<u>Purchase commitments</u>	<u>Total</u>	<u>Less than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>	<u>More than Five Years</u>
			(In thousands)		
As of December 31, 2020:	\$ 206,077	\$ 197,181	\$ 5,834	\$ 3,062	\$ —

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.

<u>Other commitments</u>	<u>Total</u>	<u>Less than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>	<u>More than Five Years</u>
			(In thousands)		
2022 Notes	\$ 922,492	\$ 11,250	\$ 911,242	\$ —	\$ —
2024 Notes	898,000	14,000	56,000	828,000	—
2030 Notes	990,469	12,656	50,625	50,625	876,563
Total	<u>\$ 2,810,961</u>	<u>\$ 37,906</u>	<u>\$ 1,017,867</u>	<u>\$ 878,625</u>	<u>\$ 876,563</u>

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 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.