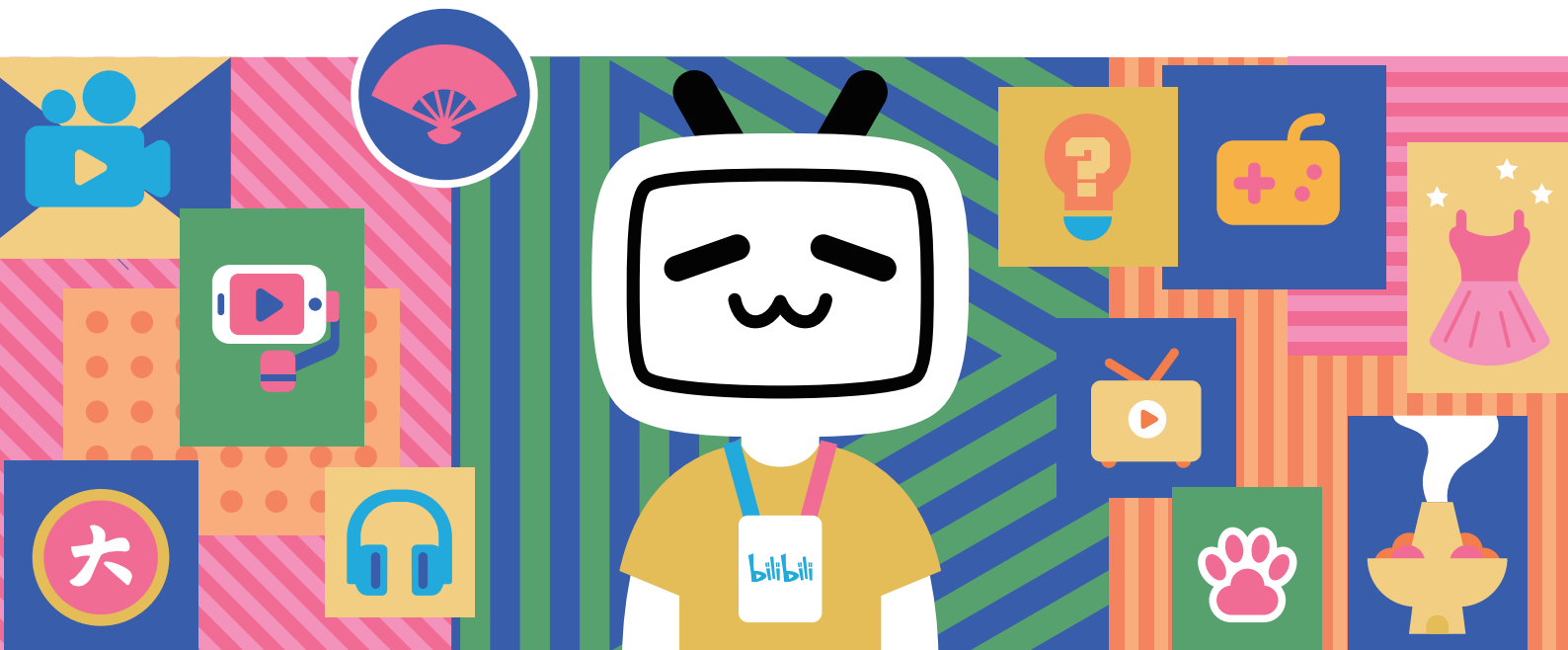


GLOBAL OFFERING

Stock Code: 9626



bilibili

Bilibili Inc.

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

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers

Morgan Stanley

Goldman Sachs

J.P.Morgan

UBS

Joint Bookrunners and Joint Lead Managers

CICC 中金公司 BofA SECURITIES CREDIT SUISSE CITIC SECURITIES 海通國際 HAITONG 招銀國際 CMB INTERNATIONAL 建銀國際 CCB International 國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Joint Lead Managers

富途證券

威靈頓金融

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.



Bilibili Inc.

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 25,000,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 750,000 Offer Shares (subject to adjustment)
Number of International Offer Shares	: 24,250,000 Offer Shares (subject to adjustment and the Over-allotment Option)
Maximum Public Offer Price	: HK\$988.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Par Value	: US\$0.0001 per Share
Stock Code	: 9626

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers

Morgan Stanley

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J.P.Morgan

UBS

Joint Bookrunners and Joint Lead Managers



BofA SECURITIES



CREDIT SUISSE



CITIC SECURITIES



海通國際
HAITONG



招銀國際
CMB INTERNATIONAL



建銀國際
CCB International



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Lead Managers

富途證券

威靈頓金融

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A copy of this document, having attached thereto the documents specified in “Documents Available for Inspection—Documents Delivered to the Registrar of Companies” in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any of the other documents referred to above.

We expect to determine the pricing of the Offer Shares by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters) on or about Tuesday, March 23, 2021 and, in any event, not later than Friday, March 26, 2021. The Public Offer Price will be not more than HK\$988.00 per Offer Share, unless otherwise announced. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Friday, March 26, 2021, the Global Offering will not proceed and will lapse.

We may set the International Offer Price at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the Nasdaq on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this document and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process. If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will we set the Public Offer Price above the maximum Public Offer Price as stated in this document or the International Offer Price.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors” in this document. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. See “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” in this document. It is important that you refer to that section for further details.

Our ADSs, each of which represents one Class Z ordinary share, are listed for trading on the Nasdaq under the symbol “BILI”. The last reported sale price of the ADSs on the Nasdaq on the Latest Practicable Date was US\$107.40 per ADS. In connection with the Global Offering, we have filed a registration statement on Form F-3 and a preliminary prospectus supplement and plan to file a final prospectus supplement with the SEC to register the sale of Shares under the U.S. Securities Act.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR beneficiaries, whose interests may not necessarily be aligned with those of our shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR structure, please refer to the section headed “Risk Factors—Risks Related to Our Corporate Structure.” Prospective investors should make the decision to invest in the Company only after due and careful consideration.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <https://ir.bilibili.com/>. If you require a printed copy of this document, you may download and print from the website addresses above.

March 18, 2021

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <https://ir.bilibili.com/>. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8690 on the following dates:

Thursday, March 18, 2021 — 9:00 a.m. to 9:00 p.m.
Friday, March 19, 2021 — 9:00 a.m. to 9:00 p.m.
Saturday, March 20, 2021 — 9:00 a.m. to 6:00 p.m.
Sunday, March 21, 2021 — 9:00 a.m. to 6:00 p.m.
Monday, March 22, 2021 — 9:00 a.m. to 9:00 p.m.
Tuesday, March 23, 2021 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

IMPORTANT

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this document for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 20 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HKS		HKS		HKS		HKS
20	19,959.12	400	399,182.43	3,500	3,492,846.27	100,000	99,795,607.60
40	39,918.25	500	498,978.04	4,000	3,991,824.30	125,000	124,744,509.50
60	59,877.36	600	598,773.65	4,500	4,490,802.34	150,000	149,693,411.40
80	79,836.48	700	698,569.25	5,000	4,989,780.38	200,000	199,591,215.20
100	99,795.61	800	798,364.86	6,000	5,987,736.46	250,000	249,489,019.00
120	119,754.73	900	898,160.47	7,000	6,985,692.53	375,000 ⁽¹⁾	374,233,528.50
140	139,713.85	1,000	997,956.08	8,000	7,983,648.61		
160	159,672.97	1,200	1,197,547.29	9,000	8,981,604.68		
180	179,632.09	1,400	1,397,138.51	10,000	9,979,560.76		
200	199,591.22	1,600	1,596,729.72	20,000	19,959,121.52		
240	239,509.46	1,800	1,796,320.94	30,000	29,938,682.28		
280	279,427.70	2,000	1,995,912.15	40,000	39,918,243.04		
320	319,345.95	2,500	2,494,890.19	50,000	49,897,803.80		
360	359,264.18	3,000	2,993,868.23	75,000	74,846,705.70		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at <https://ir.bilibili.com/>.

Hong Kong Public Offering commences	9 a.m. on Thursday, March 18, 2021
Latest time for completing electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Tuesday, March 23, 2021
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, March 23, 2021
Latest time for (a) completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, March 23, 2021
<p>If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.</p>	
Application lists close ⁽³⁾	12:00 noon on Tuesday, March 23, 2021
Expected Price Determination Date ⁽⁵⁾	Tuesday, March 23, 2021
Announcement of the Public Offer Price and the International Offer Price on our website at https://ir.bilibili.com/ ⁽⁶⁾ and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on or around	Tuesday, March 23, 2021
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on our website at https://ir.bilibili.com/ and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on or before	Friday, March 26, 2021
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:	
<ul style="list-style-type: none"> • in the announcement to be posted on our website at https://ir.bilibili.com/⁽⁶⁾ and the website of the Stock Exchange at www.hkexnews.hk, respectively 	Friday, March 26, 2021
<ul style="list-style-type: none"> • from the designated results of allocations website at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a "search by ID" function from 	from 8:00 a.m. on Friday, March 26, 2021 to 12:00 midnight on Thursday, April 1, 2021
<ul style="list-style-type: none"> • from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. 	on Friday, March 26, 2021 and from Monday, March 29, 2021 to Wednesday, March 31, 2021
Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before ⁽⁷⁾	Friday, March 26, 2021

EXPECTED TIMETABLE⁽¹⁾

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before ⁽⁸⁾ ⁽⁹⁾	Friday, March 26, 2021
Dealings in Class Z Ordinary shares on the Hong Kong Stock Exchange expected to commence on	9:00 a.m. Monday, March 29, 2021

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 23, 2021, the application lists will not open and will close on that day. For further details, please see the section headed “How to Apply for the Hong Kong Offer Shares—C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Offer Shares—A. Applications for the Hong Kong Offer Shares—6. Applying through CCASS EIPO service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, March 23, 2021, and in any event, not later than Friday, March 26, 2021. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or before Friday, March 26, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Offering and in respect of wholly or partially successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on White Form eIPO for 100,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, March 26, 2021 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed “How to Apply for the Hong Kong Offer Shares—G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks—Personal Collection—If you apply through **CCASS EIPO** service” in this document for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

EXPECTED TIMETABLE⁽¹⁾

Share certificates and/or refund checks for applicants who have applied for less than 100,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for the Hong Kong Offer Shares—F. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares—G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks".

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, Joint Global Coordinators, Joint Bookrunners, and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

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

OUR MISSION

Our mission is to enrich the everyday life of young generations in China.

OVERVIEW

We are an iconic brand and a leading video community for young generations in China. Over 86% of the Company’s MAU were aged 35 and below in 2020, which is the highest among the major video-centric platforms in China, according to the iResearch report. Video is an intuitive, vivid and informative way to connect people with the world and has become a dominant medium for communication, entertainment and information. We refer to the trend of video integrating into the scenarios of everyday life as “videolization”, which is creating a massive video-based industry in China with approximately 1,180.2 million video users and over RMB1.8 trillion in revenue by 2025, according to the iResearch Report. As a go-to video community for young generations in China, we believe we are well positioned to capture the attractive opportunities created by videolization.

We are a full-spectrum video community that offers a wide array of content serving young generations’ diverse interests. We provide users with “*All the Videos You Like*” as our brand proposition. We have built our community around aspiring users, high-quality content, talented content creators and the strong emotional bond among them. In our community, users and content creators discover and interact with diverse content encompassing different interests, from lifestyle, game, entertainment, anime, technology and knowledge to many more. We also enable broad video-based content consumption scenarios centered around professional user generated videos, or PUGV, supplemented with live broadcasting, occupationally generated videos, or OGV, and more. We have become the welcoming home of diverse cultures and interests and the destination to discover cultural trends and phenomena of young generations in China.

We adopt a user-centric commercialization model. We are a full-spectrum video community, and our ever-growing content ecosystem continues to satisfy our engaged and loyal users’ evolving needs, providing us with multiple lever for user-centric commercialization. We generate revenues primarily from mobile games, VAS, advertising, e-commerce and others. Our cost of revenues consists of revenue-sharing costs, content costs, server and bandwidth costs and e-commerce and other costs. For a detailed description, please see “Financial Information—Key Components of Results of Operations.”

SUMMARY

The following table sets forth the components of our net revenues by amounts and percentages of our total net revenues for the periods presented:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Net revenues:							
Mobile games	2,936,331	71.1%	3,597,809	53.1%	4,803,382	736,151	40.0%
Value-added services	585,643	14.2%	1,641,043	24.2%	3,845,663	589,374	32.0%
Advertising	463,490	11.2%	817,016	12.1%	1,842,772	282,417	15.4%
E-commerce and others	143,467	3.5%	722,054	10.6%	1,507,159	230,982	12.6%
Total net revenues	4,128,931	100.0%	6,777,922	100.0%	11,998,976	1,838,924	100.0%

We have a large and fast-growing user base. In the fourth quarter of 2020, we had an average of 202.0 million MAU, an increase of 55% over the same period in 2019. The mobile MAU of our Bilibili mobile app grew by 49% from 2019 to 2020, which makes us No.1 in terms of mobile MAU growth in 2020 among top 10 video-centric mobile apps in China, higher than the 11.9% growth on average of the rest 9 players during the same period, according to the iResearch Report. Our users are young and culturally aspiring. They are looking for and are willing to pay for high-quality content and engaging experiences. With our vibrant community and high-quality content, the individuals in China born from 1985 to 2009, i.e. Generation Z+, or Gen Z+, constitute the core of our user base. According to the iResearch Report, over 86% of our MAU were aged 35 and below in 2020. According to the iResearch Report, we ranked No. 1 in terms of the proportion of users aged 35 and below among top 10 video-centric mobile apps in China in 2020. With the total population exceeding 452.5 million in 2020, Gen Z+ are the driving force and trend-setter of all kinds of consumptions in China. They are leading the way in videolization and contributed to 64.8% of the video-based market in terms of revenue in 2019, according to the iResearch Report. See “Industry Overview—Generation Z+ in China’s Video-Based Industry—Golden Cohort In a Golden Industry.”

Cultivating an engaging community where every user feels a sense of belonging has always been our top priority. Our community is comprised of a great number of interest-based sub-communities with passionate users bonding with each other over shared interests. We have thoughtfully designed various interactive features and pioneered a signature commenting function called “bullet chatting” to foster engagement. The average daily time spent per active user on our mobile app remained above 80 minutes in 2020, among the highest in mobile apps in China, and is higher than industry average of 29.8 minutes in 2020, according to iResearch. During the same period, our users generated 5.1 billion average monthly interactions on our platform, as compared to 2.1 billion in 2019. We also designed a unique official membership examination system to ensure strong interests and affinity to enhance user loyalty. As of December 31, 2020, we had approximately 102.6 million official members, representing a 51.1% increase year-over-year. For official members who visited our platform in each month since 2018, our 12th-month retention rate remained above 80%. We believe that our community, together with over a decade of experience in building it, forms one of our strongest competitive advantages.

We have built an ever-growing content ecosystem fueling creative video-based content centered around PUGV, which contributed to 91% of the total video views on our platform in the fourth quarter of 2020. Our PUGV are known as high quality and fulfilling. The quality and usefulness of our PUGV creates strong content mindshare among our users. We have developed a robust mechanism that attracts content creators through an encouraging community culture, effective traffic

SUMMARY

allocation and comprehensive creator support. We cultivate an encouraging community culture that rewards talented content creators and high-quality content. Our algorithms promote and enable high-quality content to quickly gain attention and enable content creators to effectively build their fan base and increase their influence. We have also taken a number of initiatives to encourage and facilitate production of creative PUGV by content creators, including various incentive mechanisms such as customized premium services, cash incentive program, online and offline tutorials to realize their commercialization potential. This healthy mechanism respects, motivates and rewards talented content creators and high-quality content and drives the virtuous cycle of our ecosystem. The more talented content creators gather on our platform, the more inspiring content is created, leading to more users, more engagement, and more followers and feedback for our content creators, which in turn encourages more content creators to join. In the fourth quarter of 2020, we had 1.9 million average monthly active content creators and received 5.9 million average monthly video submissions, compared to 1.0 million and 2.8 million, respectively, in the fourth quarter of 2019.

The following tables set forth our key operating metrics for the periods presented:

	For the Year Ended December 31,		
	2018	2019	2020
	<i>(in millions, except as otherwise indicated)</i>		
Average MAU	87.0	117.5	185.8
Average monthly paying user	3.4	7.2	14.8
Paying ratio % (Average monthly paying user / MAU)	3.9%	6.1%	8.0%
Average monthly paying user for mobile games	0.9	1.2	1.8
Average monthly paying user for VAS ⁽¹⁾	2.5	6.0	13.0
Daily time spending per active user (minutes)	over 75 minutes	over 80 minutes	over 80 minutes

Note:

(1) Average monthly paying user for VAS excludes the duplicative average monthly paying user for mobile games.

	For the Year Ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Average monthly revenue per MAU ⁽¹⁾	4.0	4.8	5.4
Average monthly revenue per paying user ⁽²⁾	87.6	60.7	48.7
Average monthly revenue per paying user for mobile games	284.5	254.6	223.6
Average monthly revenue per paying user for VAS	19.6	22.7	24.6

Notes:

(1) Numerator is the total net revenues. See “Glossary of Technical Terms.”

(2) Numerator includes only revenues from mobile games and VAS. See “Glossary of Technical Terms.”

BUSINESS SUSTAINABILITY

We have incurred significant losses throughout the Track Record Period as we have been in a high-growth stage and strategically focused on growing our user base via investing in our brand and high quality content to pave the way for long term profitability. Our future profitability is uncertain and subject to various factors, including our ability to manage our costs and expenses, and our ability to increase our monthly active users and monthly paying users. See “Risk factors—We have incurred significant losses and we may continue to experience losses in the future.”

Our business model attracts users with diversified content centered around PUGV, retains users with vibrant community, and curates the right content to satisfy their consumption needs. We have built a highly engaged and loyal user base, and our ever-growing content ecosystem continues to

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satisfy our users' evolving needs, providing us with multiple levers and avenues for user-centric commercialization.

We witnessed strong robust growth in our business operation and financial conditions during the Track Record Period. Our average MAU increased significantly from 87.0 million in 2018, to 117.5 million in 2019 and further to 185.8 million in 2020, attributable to the strong growth in our mobile MAU, due to the continued growing supply of content in various forms and themes, as well as the vibrant community and immersive experience accessible on our mobile apps. Our net revenues increased by 64.2% from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019, and increased by 77.0% from RMB6,777.9 million in 2019 to RMB11,999.0 million (US\$1,838.9 million) in 2020. Our average monthly revenue per MAU increased from RMB4.0 in 2018 to RMB4.8 in 2019, and further to RMB5.4 in 2020, due to the successful execution of our monetization strategies to diversify our revenue sources by expanding our VAS and advertising business. Further, we recorded positive operating cash flow during the Track Record Period.

We are focused on building scale and offering the right services to the users, which incurs higher expenses in the short term, but we believe this is crucial to lay a solid foundation for long term success. We intend to achieve profitability through rapid revenue growth and ongoing margin improvement driven by (i) growing our user base and revenue by further diversifying our product and content offerings; (ii) increasing our operating leverage; and (iii) continuously improving our gross margin.

Leveraging our deep understanding of users' interests and preferences from their engagement on our platform, we are well positioned to create more consumption scenarios around users' evolving demands. We believe it would naturally lead to higher paying conversion from active users, an expanding paying user base, and increased per user spending. In addition, we expect revenues from our advertising business to increase with the expansion of our user base. We therefore expect our revenue to grow without having to keep investing aggressively in marketing efforts on new user acquisition in the future.

In addition, we expect to improve our profitability with enlarged user base and expanded economy of scale. We intend to efficiently manage our costs and expenses as a percentage of our total revenues and see margins improve from scale effect and operating leverage continue to build up. The rapid revenue growth attributable to the increasingly diverse consumption scenarios and expanding user base would collectively share the content costs, overhead expenses, and eventually the costs and expenses collectively as a percentage of our revenues shall decrease, leading to profitability.

The net losses incurred during the Track Record Period was mainly due to the increase in sales and marketing expenses incurred as we strategically invested in our brand awareness, content ecosystem and user community to capture the opportunities in the industry, and attract a broader user base that can result in greater profitability in the future. Our sales and marketing expenses as a percentage of our total net revenues continuously increased throughout the Track Record Period, from 14.2% in 2018, to 17.7% in 2019 and further to 29.1% in 2020. The significant increase was partly due to a series of specific branding campaigns launched in 2020 to spread the Bilibili brand name among our existing users and potential Generation Z+ users (the demographic cohort of individuals in China born from 1985 to 2009).

In summary, we had net losses in the Track Record Period as we have been in a high-growth stage and strategically focused on growing our user base via investing in our brand and high quality

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content to pave the way for long term profitability. Capitalizing our engaged user base, expanding content ecosystem, and vibrant community, we are well positioned to understand users' demand as we evolve and capture lifetime value of our users by satisfying such demand to further drive revenue growth. Furthermore, we expect to see margin improve from economies of scale and operating leverage. The rapid revenue growth attributable to the increasingly diverse consumption scenarios and expanding user base would dilute the fixed costs and eventually offset more of the operating expenses, leading to long-term sustainable profitability. See "Business—Business Sustainability" for more details.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success:

- Iconic brand and leading video community for young generations in China
- Aspiring and fast growing user base
- Highly engaged, interactive and sticky community with a strong sense of belonging
- Ever-growing ecosystem of creative content
- User-centric commercialization with massive opportunities
- Visionary, experienced and passionate management team

OUR STRATEGIES

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

- Pursue healthy and high-quality user growth
- Putting our community first
- Reinforce our ever-growing content ecosystem
- Strengthen our user-centric commercialization capabilities

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Rule 13.46(2) of the Hong Kong Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As this document already includes the financial results of the Company for the year ended December 31, 2020, the Company will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2020, which will not be in breach of its constitutional documents, laws and regulations of the Cayman Islands or other regulatory requirements. In addition, the Company will issue an announcement by April 30, 2021 that it will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2020. Furthermore, pursuant to Rule 19C.11 of the Hong Kong Listing Rules, the requirements under Appendix 14 and Appendix 16 to the Hong Kong Listing Rules do not apply to the Company, except, in the case of Appendix 14 to the Hong Kong Listing Rules, to the extent required by Chapter 8A of the Hong Kong Listing Rules.

Selected Consolidated Statements of Operations and Comprehensive Loss Data

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amount and as a percentage of our revenues for the periods

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presented. This information should be read together with our consolidated financial statements included in the Accountant's Report in Appendix I to this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Net revenues	4,128,931	100.0%	6,777,922	100.0%	11,998,976	1,838,924	100.0%
Cost of revenues ⁽¹⁾	(3,273,493)	(79.3)%	(5,587,673)	(82.4)%	(9,158,800)	(1,403,648)	(76.3)%
Gross profit	855,438	20.7%	1,190,249	17.6%	2,840,176	435,276	23.7%
Operating expenses:							
Sales and marketing expenses ⁽¹⁾	(585,758)	(14.2)%	(1,198,516)	(17.7)%	(3,492,091)	(535,186)	(29.1)%
General and administrative expenses ⁽¹⁾	(461,165)	(11.2)%	(592,497)	(8.7)%	(976,082)	(149,592)	(8.1)%
Research and development expenses ⁽¹⁾	(537,488)	(13.0)%	(894,411)	(13.2)%	(1,512,966)	(231,872)	(12.6)%
Total operating expenses	(1,584,411)	(38.4)%	(2,685,424)	(39.6)%	(5,981,139)	(916,650)	(49.8)%
Loss from operations	(728,973)	(17.7)%	(1,495,175)	(22.0)%	(3,140,963)	(481,374)	(26.1)%
Other income/(expenses):							
Investment income, net (including impairments)	96,440	2.3%	96,610	1.4%	28,203	4,322	0.2%
Interest income	68,706	1.7%	162,782	2.4%	83,301	12,766	0.7%
Interest expense	—	—	(46,543)	(0.7)%	(108,547)	(16,636)	(0.9)%
Exchange (losses)/gains	(1,661)	0.0%	(11,789)	(0.2)%	41,717	6,393	0.3%
Others, net	26,455	0.6%	26,412	0.4%	95,641	14,660	0.8%
Loss before tax	(539,033)	(13.1)%	(1,267,703)	(18.7)%	(3,000,648)	(459,869)	(25.0)%
Income tax	(25,988)	(0.6)%	(35,867)	(0.5)%	(53,369)	(8,180)	(0.4)%
Net loss	(565,021)	(13.7)%	(1,303,570)	(19.2)%	(3,054,017)	(468,049)	(25.4)%

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenues	28,173	23,281	37,087	5,684
Sales and marketing expenses	11,499	14,269	40,808	6,254
General and administrative expenses	102,544	68,497	181,753	27,855
Research and development expenses	38,977	66,503	126,250	19,349
Total	181,193	172,550	385,898	59,142

We are focused on fulfilling the diverse and expanding interests of our users. We attract users with engaging content, retain them with our vibrant community, and curate the right content to satisfy their consumption needs. We have achieved diversified commercialization, primarily generating revenue from mobile games, value-added services, advertising, e-commerce and others.

- **Mobile games:** We publish mobile games on our platform primarily for third-party game developers. The mobile games are generally free to download and play with Bilibili

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accounts and users can purchase in-game virtual items that enhance their playing experience, which is the primary source of our mobile games revenues. Cost of revenues from mobile games includes revenue-sharing costs, content costs, server and bandwidth costs and other costs. Revenue-sharing costs for mobile games mainly consist of fees paid to game developers and distribution channels (app stores). Content costs for mobile games mainly consist of amortized costs of purchased licensed content from copyright owners or content distributors.

- **Value-added services (“VAS”):** We generate VAS revenue from (i) subscription fee of premium membership program which grants paying members exclusive rights to view original or licensed content, (ii) sales of in-channel virtual items for use in our live broadcasting program, and (iii) sales of paid content and virtual items on our video, audio and comic platforms. Cost of revenues from VAS includes revenue-sharing costs, content costs, server and bandwidth costs and other costs. Revenue-sharing costs for VAS mainly consist of fees we share with hosts, content creators, content owners or content distributors and distribution channels (app stores). Content costs for VAS mainly consist of amortized costs of purchased licensed content from copyright owners or content distributors and our production costs.
- **Advertising:** We generate revenue from advertising services in various formats, including brand advertising that primarily appear on the opening page or top banner of the mobile apps and website home page, and performance-based feed advertisements which primarily appear as inline video feeds alongside organic feeds. Cost of revenues from advertising includes revenue-sharing costs, content costs, server and bandwidth costs and other costs. Revenue-sharing costs for advertising mainly consist of fees we share with content creators and copyright owners for revenues from advertising. Content costs for advertising mainly consist of amortized costs of purchased licensed content from copyright owners or content distributors and our production costs.
- **E-commerce and others:** We generate revenue from online sales of ACG-related merchandise and offline performance events and activities. Cost of revenue from e-commerce and others includes cost of goods sold associated with our e-commerce business and other costs.

Capitalizing on the videolization trend and our in-depth understanding of highly engaged users, we believe we will capture more of the growing consumption needs of young generations in China. Our net revenues grew from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019, and further to RMB11,999.0 million (US\$1,838.9 million) in 2020, increasing year over year by 67.3%, 64.2% and 77.0%, respectively. The strong growth in our net revenues was due to the popularity of our premium membership program driven by high-quality content offerings, the expansion of our mobile games operations, diversification of other value-added service offerings and increased advertising revenues. Along with our strong revenue growth, our gross profit margin increased from 20.7% in 2018 to 23.7% in 2020, mainly due to the improved efficiency and lower shared platform costs as a percentage of our revenues including server and bandwidth costs. Our gross profit margin decreased from 2018 to 2019 primarily because we strategically deepened our e-commerce business, and we offered a series of discounts and sales promotions events for goods sold on our e-commerce platform to promote this new business at its early development stage, resulting in higher e-commerce and others cost as a percentage of revenue in 2019. Our sales and marketing expenses increased as we strategically invested in our brand awareness, content ecosystem and user community to capture the opportunities in the industry,

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and attract a larger user base that can result in greater profitability in the future. We also incurred greater research and development expenses as we invested in our research and development capabilities and other areas to offer new and innovative products and services that create more exciting user experience, which also enhanced our technology-enabled commercialization capabilities.

Our loss from operations was RMB729.0 million, RMB1,495.2 million and RMB3,141.0 million (US\$481.4 million) in 2018, 2019 and 2020, respectively. Our net loss was RMB565.0 million, RMB1,303.6 million and RMB3,054.0 million (US\$468.0 million) in 2018, 2019 and 2020, respectively. The increase in our loss from operations and net loss from 2019 to 2020 was primarily due to the significant increase in sales and marketing expenses as well as research and development expenses as a result of our management strategy to invest in the expansion of our user base and the growth of our business. See the section headed “Financial Information” for more details.

For a discussion and analysis of the reasons for the changes in our key financial statement line items across periods, please refer to “Financial Information—Key Components of Results of Operations.”

Selected Consolidated Balance Sheets Data

The table below sets forth our selected consolidated balance sheet data as of the dates indicated:

	December 31,			
	2018 RMB	2019 RMB (in thousands)	2020 RMB	US\$
Current assets				
Cash and cash equivalents	3,540,031	4,962,660	4,678,109	716,952
Time deposits	749,385	1,844,558	4,720,089	723,385
Accounts receivable, net	324,392	744,845	1,053,641	161,478
Amount due from related parties	—	195,290	164,732	25,246
Prepayments and other current assets	990,851	1,315,901	1,765,787	270,619
Short-term investments	945,338	1,260,810	3,357,189	514,511
Total current assets	6,549,997	10,324,064	15,739,547	2,412,191
Non-current assets				
Intangible assets, net	1,419,435	1,657,333	2,356,959	361,220
Goodwill	941,488	1,012,026	1,295,786	198,588
Long-term investments, net	979,987	1,251,129	2,232,938	342,213
Total non-current assets	3,940,039	5,192,503	8,126,061	1,245,375
Total assets	10,490,036	15,516,567	23,865,608	3,657,566
Current liabilities				
Accounts payable	1,307,598	1,904,042	3,074,298	471,157
Salary and welfare payable	246,815	355,936	734,376	112,548
Taxes payable	38,505	67,856	127,192	19,493
Short-term loans	—	—	100,000	15,326
Deferred revenue	985,143	1,369,000	2,118,006	324,599
Accrued liabilities and other payables	670,442	575,763	1,237,676	189,682
Amount due to related parties	50,331	—	—	—
Total current liabilities	3,298,834	4,272,597	7,391,548	1,132,805
Long-term debt	—	3,414,628	8,340,922	1,278,302
Total liabilities	3,298,834	7,880,107	16,083,404	2,464,891

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	December 31,			
	2018	2019	2020	
	RMB	RMB (in thousands)	RMB	US\$
Net current assets	3,251,163	6,051,467	8,347,999	1,279,386
Net assets	7,191,202	7,636,460	7,782,204	1,192,675
Noncontrolling interests	240,406	583,976	182,004	27,893
Total liabilities and shareholders' equity	<u>10,490,036</u>	<u>15,516,567</u>	<u>23,865,608</u>	<u>3,657,566</u>

We recorded net current assets of RMB3,251.2 million, RMB6,051.5 million and RMB8,348.0 million (US\$1,279.4 million), respectively, as of December 31, 2018, 2019 and 2020. We recorded net current assets of RMB8,348.0 million (US\$1,279.4 million) as of December 31, 2020, consisting of RMB15,739.5 million (US\$2,412.2 million) current assets and RMB7,391.5 million (US\$1,132.8 million) current liabilities. Our current assets increased primarily due to increases in our time deposits that are primarily attributable to our operating activities and financing activities. Our current liabilities increased primarily attributable to increases in our accounts payable and deferred revenue. For a detailed discussion of our cash position as well as material changes in the various working capital items, see “Financial Information—Liquidity and Capital Resources.”

Our total assets increased from RMB10,490.0 million in 2018 to RMB15,516.6 million in 2019, and further to 23,865.6 million (US\$3,657.6 million) in 2020. The significant increase in our total assets as of December 31, 2020 was primarily due to (i) increase in our current assets resulted from increases in our time deposits that were primarily attributable to our operating activities and financing activities, and (ii) increase in our non-current assets attributable to increases in our long term investments, intangible assets and other long term assets.

Our total liabilities increased from RMB3,298.8 million in 2018 to RMB7,880.1 million in 2019, and further to RMB16,083.4 million (US\$2,464.9 million) in 2020. The significant increase in our total liabilities as of December 31, 2020 was primarily due to (i) increase in our current liabilities attributable to increases in our accounts payable and deferred revenue, and (ii) increase in our non-current liabilities attributable to increases in our long-term debt which primarily consisted of our convertible notes.

Selected Consolidated Cash Flows Data

The following table sets forth a summary of our cash flows for the periods presented:

	For the Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Selected Consolidated Cash Flows Data:				
Net cash provided by operating activities	737,286	194,551	753,103	115,418
Net cash used in investing activities	(3,196,394)	(3,958,277)	(8,906,821)	(1,365,029)
Net cash provided by financing activities	4,974,810	5,078,842	8,335,419	1,277,458
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	261,447	107,513	(466,252)	(71,456)
Net increase/(decrease) in cash and cash equivalents ...	2,777,149	1,422,629	(284,551)	(43,609)
Cash and cash equivalents at beginning of the year	762,882	3,540,031	4,962,660	760,561
Cash and cash equivalents at end of the year	<u>3,540,031</u>	<u>4,962,660</u>	<u>4,678,109</u>	<u>716,952</u>

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OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our Major Shareholders and Relationship with Controlling Shareholders

As of January 31, 2021, Mr. Rui Chen, our chairman and chief executive officer, was interested in and controlled through (a) Vanship Limited, 49,299,006 Class Y ordinary shares (representing approximately 58.89% of the issued and outstanding Class Y ordinary shares and voting power of the Class Y ordinary shares) and 495,800 Class Z ordinary shares (representing approximately 0.18% of the issued and outstanding Class Z ordinary shares and the voting power of the Class Z ordinary shares) and (b) Windforce Limited, 133,945 Class Z ordinary shares (representing approximately 0.05% of the issued and outstanding Class Z ordinary shares and voting power of the Class Z ordinary shares). In total, as of January 31, 2021, Vanship Limited was interested in approximately 14.13% of our issued and outstanding share capital and approximately 44.63% of voting power in our Company, and Windforce Limited was interested in 0.04% of our issued and outstanding share capital and 0.01% of voting power in our Company.

Upon completion of the Global Offering, (a) Vanship Limited will be interested in 58.89% of the issued and outstanding Class Y ordinary shares and voting power of the Class Y ordinary shares and 0.17% of the issued and outstanding Class Z ordinary shares and voting power of the Class Z ordinary shares, and 13.20% of our total issued and outstanding share capital and 43.64% of total voting power in our Company; and (b) Windforce Limited will be interested in 0.05% of the issued and outstanding Class Z ordinary shares and voting power of the Class Z ordinary shares, and 0.04% of our total issued and outstanding share capital and 0.01% of total voting power in our Company.

Vanship Limited is controlled by The Le Petit Prince Trust, a trust of which Mr. Rui Chen is the settlor, and Mr. Rui Chen and his family members are the beneficiaries. Under the terms of this trust, Mr. Rui Chen has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Vanship Limited in our Company, and, except for Mr. Chen, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Mr. Chen is incapacitated, has released his authority or nominated another person to have such authority in his place. Windforce Limited is controlled by Mr. Rui Chen. As of the Latest Practicable Date, Mr. Rui Chen controlled 44.6% of the aggregate voting power of our Company.

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

Weighted Voting Rights Structure and WVR Beneficiaries

Under our weighted voting rights structure, our share capital comprises Class Y ordinary shares and Class Z ordinary shares. Each Class Y ordinary share entitles the holder to exercise 10 votes, and each Class Z ordinary share entitles the holder to exercise one vote, respectively, on all matters that require a shareholder’s vote, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires certain matters to be voted on a one vote per share basis. Please see “Share Capital—Weighted Voting Rights Structure” for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules and further details.

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Immediately upon the completion of the Global Offering, the WVR beneficiaries, being the holders of the Class Y ordinary shares, will be Mr. Rui Chen, Mr. Yi Xu or Ms. Ni Li, whose respective shareholdings and voting rights with respect to shareholder resolutions relating to matters other than the Reserved Matters (in each case excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercise or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option), will be as follows:

- Mr. Rui Chen will beneficially own 49,299,006 Class Y ordinary shares and 629,745 Class Z ordinary shares, representing 43.65% of the voting rights in the Company;
- Mr. Yi Xu will beneficially own 27,216,108 Class Y ordinary shares and 1,096,100 Class Z ordinary shares, representing 24.17% of the voting rights in the Company; and
- Ms. Ni Li will beneficially own 7,200,000 Class Y ordinary shares and 908,300 Class Z ordinary shares, representing 6.45% of the voting rights in the Company.

Mr. Rui Chen has served as chairman of the board of directors and chief executive officer of the Company since November 2014. He is a serial entrepreneur with more than 15 years of experience in the Internet and technology-related industries in China. Mr. Chen led the strategic development of the Company since its founding. With long-term thinking, he spearheaded a series of strategic initiatives which transformed Bilibili from a community of people with shared interest to a full-spectrum video community covering a wide array of content categories and diverse video consumption scenarios. Mr. Chen formulated the strategy of ‘community first’, and continuously investing in high-quality content. Under his leadership, Bilibili built a healthy and prosperous content ecosystem, which was crucial for the Company to stay attractive to young generations. At the same time, Mr. Chen led the construction of the Company’s diversified commercialization model, and guided the rapid development in multiple business areas.

Prior to joining the company, Mr. Chen co-founded Cheetah Mobile Inc., a mobile internet company listed on the New York Stock Exchange (NYSE: CMCM). In 2009, Mr. Chen founded Beike Internet Security Co., Ltd. and served as its chief executive officer from 2009 to 2010. Prior to that, Mr. Chen served as general manager of Internet security research and development at Kingsoft Corporation Limited (SEHK:03888), a leading software and internet service company listed on the Hong Kong Stock Exchange, from 2001 to 2008. Mr. Chen was named by Fortune Magazine as one of China’s “40 Under 40,” a list of the most influential people in business under the age of 40 in China. Mr. Chen received his bachelor’s degree from Chengdu University of Information Technology in 2001.

Mr. Yi Xu founded the Company’s website in 2009 (which culminated into the commencement of the Group’s commercial operations in 2011 and the founding of the Company in 2013) and has served as the Company’s director and president since December 2013. Mr. Xu has guided the technological development of the Company and played an instrumental role in developing various ground-breaking interactive features such as bullet chatting. Throughout the years, Mr. Xu has sought innovative ways to refine, and add new functions to, bullet chatting, which remains one of the most significant interactive features on the Company’s online platform. He has also contributed to constant design improvements of the user interface of the Company’s online platform. Mr. Xu has also been an opinion leader in the Company’s online community since the inception of the Company and led the prosperity of community culture among users, thereby strengthening a strong sense of belonging among users and fostering a vibrant “Bilibili” community. Mr. Xu received his associate degree from Beijing University of Posts and Telecommunications in 2010.

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Ms. Ni Li has served as the Company's chief operating officer since November 2014 and vice chairwoman of the Company's board of directors since January 2015. Ms. Li oversees the Company's overall operation of the platform's business, building content ecosystem, commercialization, strategic investment, brand marketing, and etc.. In the past two years, Ms. Li has built a strong business and operational team. Under her leadership, the team successfully produced blockbusters including Bilibili New Year's Eve Gala event and Hou Lang, significantly enhancing Bilibili's brand awareness and driving the user and revenue growth. Prior to joining the Company, Ms. Li was in charge of human resources operations at Cheetah Mobile (NYSE: CMCM) from 2013 to 2014. Previously, Ms. Li founded Goalcareer, a management consulting firm serving Fortune 500 companies and startups with a focus in the semiconductor, telecommunication and internet sectors, and worked as its chief executive officer from 2008 to 2012. Ms. Li received her bachelor's degree in law from Lingnan Normal University in 2008.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR beneficiaries may not necessarily always be aligned with those of our shareholders as a whole, and that the WVR beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to "Risk Factors—Risks Related to Our Corporate Structure."

ARTICLES OF ASSOCIATION

As we are seeking a listing as a Non-Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules (Secondary Listings of Qualifying Issuers) with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules (Weighted Voting Rights), including Rule 8A.44 of the Hong Kong Listing Rules, which requires our WVR structure to give force to the requirements of certain rules under Chapter 8A of the Hong Kong Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 and Appendix 13 to the Hong Kong Listing Rules pursuant to Note 1 to Rule 19C.06 of the Hong Kong Listing Rules (the "**Listing Rules Articles Requirements**"). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at an extraordinary general meeting to be convened in September 2021.

Furthermore, we undertake to, at the same extraordinary general meeting, seek shareholders' approval to amend our Articles to (a) lower the quorum of general meeting from one-third of the voting powers in our Company as currently provided for in our Articles to 10% voting powers in our Company, and (b) where a general meeting is postponed by our directors in accordance with our Articles, require such meeting to be postponed to a specific date, time and place (the "**GM Postponement Requirement**").

In addition, save for certain specified exceptions, we undertake to fully comply with the applicable requirements under Chapter 8A of, and Appendices 3 and 13 to, the Hong Kong Listing Rules and the GM Postponement Requirement before our Articles are formally amended such that immediately upon the Listing, we will be subject to, and will fully comply with, such requirements as if they have already been incorporated into our existing Articles in full upon the Listing. For further

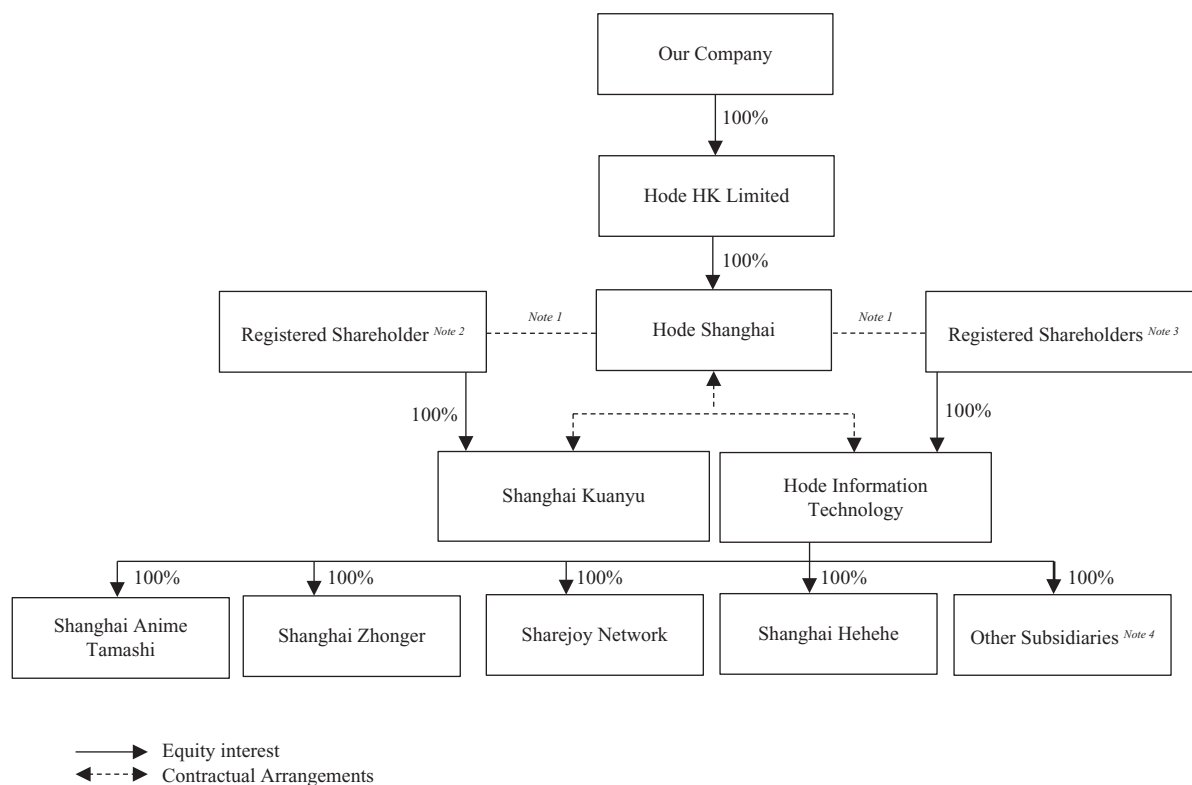
SUMMARY

details, please see “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company” and “Share Capital—Weighted Voting Rights Structure”.

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to restrictions and prohibitions on foreign investment under current PRC laws and regulations. In order to comply with such laws, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities’ operations. As a result, we include the financial results of our Consolidated Affiliated Entities in our consolidated financial statements in accordance with U.S. GAAP as if such entities were our wholly-owned subsidiaries. The Contractual Arrangements comply with the relevant requirements set out in the Hong Kong Stock Exchange’s Listing Decision HKEX-LD43-3. For further details, please see the section headed “Contractual Arrangements” in this document.

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

- (1) Rui Chen executed an exclusive option agreement, equity pledge agreement, power of attorney in favor of Shanghai Kuanyu. Rui Chen, Yi Xu, and Ni Li executed documents with substantially the same terms as the said documents in favor of Hode Information Technology. See the section headed “—Our Contractual Arrangements” for details.
- (2) Rui Chen holds 100% equity interests in Shanghai Kuanyu. He is also our controlling shareholder, the chairman of our board of directors and our chief executive officer.

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- (3) Rui Chen, Yi Xu and Ni Li hold 52.3%, 44.3%, and 3.4% equity interests in Hode Information Technology, respectively. Mr. Chen is our controlling shareholder, the chairman of our board of directors and our chief executive officer. Mr. Xu is our founder, director and president. Ms. Li is the vice chairwoman of our board of directors and chief operating officer.
- (4) Certain of our subsidiaries have not yet commenced substantive business operations and are not expected to have commenced any substantive business operations by the Listing. The Company will not conduct any businesses within their respective business segments that are not subject to foreign investment restrictions or prohibitions through these entities, or it will only conduct such businesses that are subject to foreign investment restrictions or prohibitions after obtaining the relevant licenses.

RISK FACTORS

There are certain risks involved in our business and industries, our corporate structure, our business operations in China, investing in our Shares and ADSs, the Listing and the Global Offering, many of which are beyond our control. For example, these risks include, among others, the following risks relating to our business:

- We operate in a fast-evolving industry. We cannot guarantee that we will successfully implement our commercialization strategies or develop new ones, or generate sustainable revenues and profit.
- We have incurred significant losses and we may continue to experience losses in the future.
- If we fail to anticipate user preferences and provide products and services to attract and retain users, or if we fail to keep up with rapid changes in technologies and their impact on user behavior, we may not be able to attract sufficient user traffic to remain competitive, and our business and prospects may be materially and adversely affected.
- Our business depends on our ability to provide users with interesting and useful content, which in turn depends on the content contributed by the content creators on our platform.
- Increases in the costs of content on our platform may have an adverse effect on our business, financial condition and results of operations.
- If the content contained within videos, live broadcasting, games, audios and other content formats on our platform is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations may be materially and adversely affected.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$24,332.20 million after deducting estimated underwriting fees and the estimated offering expenses payable by us and based upon an indicative offer price of HK\$988.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming that the Over-allotment Option is not exercised, or HK\$27,992.06 million if the Over-allotment Option is exercised in full. We plan to use the net proceeds we will receive from the Global Offering for the following purposes:

- **approximately 50% (approximately HK\$12,166.10 million, assuming the Overallotment Option is not exercised) for our content to support our healthy and high-quality user growth, ever-growing content ecosystem and development of our community.** We will continue to broaden and enrich our content offerings, including acquisition, investment and production of premium content. We will also seek for strategic partnerships or alliances to strengthen our position. In addition, we will provide support and infrastructure to incentivize and reward our content creators, and help their high-quality content reach a broad number of users, to reinforce our ever-growing content ecosystem.

SUMMARY

- **approximately 20% (approximately HK\$4,866.44 million, assuming the Overallotment Option is not exercised) for research and development to improve our user experience and strengthen our user-centric commercialization capabilities.** We will continue to invest in and develop our technologies, particularly (1) AI and big data analytics, to have better understanding of our users and enhance our content recommendations for growing user base and engagement, and improve our commercialization capabilities, (2) cloud technology, to manage our operational cost for storage and computing capabilities and bandwidth, (3) IT infrastructure to support the growth of our user base and traffic, and (4) self-developed games, to continue to build up our own team to develop more in-house games. We also plan to attract, train and retain more talent for these purposes.
- **approximately 20% (approximately HK\$4,866.44 million, assuming the Overallotment Option is not exercised) for sales and marketing, primarily to fuel our user growth and to raise our brand awareness.** We see substantial opportunities for user growth under the rapid videolization trend, and will continue to invest in healthy and high quality user growth. We will continue to raise our brand awareness among wider demographics and acquire users through channel acquisition, and closely monitor the healthiness of our ecosystem.
- **approximately 10% (approximately HK\$2,433.22 million, assuming that the Overallotment Option is not exercised) for general corporate purposes and working capital needs.**

See “Use of Proceeds” for further details.

THE LISTING

Our ADSs have been listed and traded on the Nasdaq since March 28, 2018. Dealings in our ADSs on the Nasdaq are conducted in U.S. dollars. We have applied for a listing of our Class Z ordinary shares on the Main Board under Chapter 19C (Secondary Listings of Qualifying Issuers) as well as Chapter 8A (Weighted Voting Rights) of the Hong Kong Listing Rules. Dealings in our Class Z ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class Z ordinary shares will be traded on the Hong Kong Stock Exchange in board lots of 20 Shares. For additional information, see “Information about This Document and the Global Offering.”

WAIVERS AND EXEMPTIONS

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

Among the various waivers that we have applied for, we have applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin-off a subsidiary entity and have it

SUMMARY

listed on the Hong Kong Stock Exchange within three years of the Listing. The Company, from time to time, considers different opportunities to bring value to its shareholders, including spinning off any of its business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, the Company has not identified any target for a potential spin-off and as a result the Company does not have any information relating to the identity of any spin-off target or any other details of any spin-off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that the potential spin-off would not render the Company, excluding the subsidiary to be spun off, failing to meet the eligibility or suitability requirements under Rule 19C.05 of the Hong Kong Listing Rules based on the financial information of the subsidiary to be spun off at the time of the Listing, and where more than one subsidiary is to be spun off, the assessment will be made on a cumulative basis. We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the time. In the event that we proceed with a spin-off, the Company's interest in the entity to be spun off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

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

OFFERING STATISTICS

	Based on the indicative offer price per Offer Share of HK\$988.00 for both the Hong Kong Public Offering and International Offering
Our market capitalization ⁽¹⁾	HK\$372,782 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	RMB65.22 or HK\$77.53

Notes:

- (1) The calculation of market capitalization is based on 377,310,001 Shares that will be in issue immediately following the Global Offering, excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted net tangible assets per Share is based on a total of 376,919,952 Shares that will be in issue assuming that the Global Offering have been completed on December 31, 2020, excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and any issuance or repurchase of Shares and/or ADSs by the Company.

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB309.4 million after December 31, 2020 (assuming that the Global Offering is conducted at the indicative offer price per Offer Share of HK\$988.00 for both Hong Kong Public Offering and International Offering and the Over-allotment Option is not exercised). We expect approximately RMB301.4 million of the listing expenses will be recorded as a deduction in equity directly and approximately RMB8.0 million of the listing expenses will be charged to the profit or loss of our Company.

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DIVIDEND POLICY

Our board of directors has complete discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We had not declared and paid any dividends during the Track Record Period. We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Financial Information—Dividend Policy.”

NO MATERIAL ADVERSE CHANGE

Our directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest consolidated financial information of our Group was prepared) and there has been no event since December 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix I to this document.

IMPACT OF COVID-19 AND RECENT DEVELOPMENTS

The COVID-19 pandemic has had, and may continue to have, a significant impact on our operations and financial results. The COVID-19 pandemic has caused delays in the delivery of the merchandise sold on our platform to the customers in the first quarter of 2020. The delivery has been gradually recovering since the second quarter of 2020. We have experienced a significant increase in the size and engagement of our active user base during the first quarter of 2020 partly due to the shelter-in-place restrictions in China, and we have been able to maintain the momentum of user acquisition and engagement in other quarters of 2020. Our MAU increased by 18% from the second quarter to the fourth quarter of 2020 as COVID-19 subsided. In China, business activities have largely resumed, governmental emergency measures have been significantly relaxed, and the general economy is gradually recovering. Recently, there has been an increasing number of confirmed COVID-19 cases in multiple cities in China. The Chinese government may again take measures to keep COVID-19 in check, and we may have to adjust various aspects of our operations. There remain significant uncertainties surrounding COVID-19 and its further development as a global pandemic, including the effectiveness of vaccine programs. The extent of any business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. See also “Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations.”

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China’s, the Holding Foreign Companies Accountable Act, or the Act, has been signed into law in December 2020. In essence, the Act requires the SEC to prohibit foreign companies from having its securities traded on U.S. securities exchanges or “over-the-counter” if a company retains a foreign accounting firm that cannot be inspected by the PCAOB for three consecutive years, beginning in 2021. The enactment of the Act and any additional rulemaking efforts to increase U.S. regulatory access to audit information in China could cause

SUMMARY

investor uncertainty for affected SEC registrants, including us. See also “Risk Factors—Risks Related to Our Business and Industry—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.”

In November 2020, the NRTA promulgated the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) (“Notice 78”), which sets forth registration requirements for platforms providing online show live broadcasting or e-commerce live broadcasting as well as requirements for certain live broadcasting businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live broadcasting review personnel requirements, content tagging requirements, and other requirements. During the Track Record Period, we generated a portion of our revenues from live broadcasting. We are still in the process of obtaining further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. For more information, see “Risk Factors—Risks Related to Our Business—We face uncertainties with respect to the enactment, interpretation and implementation of Notice 78” and “Regulatory Overview—Regulations Related to Online Live Broadcasting Services” and “Business—Content Management And Review.”

On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), or the Guideline, which became effective on the same day, aiming at enhancing anti-monopoly administration on businesses that operate under the platform model and the overall platform economy. The Guideline aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. As of the date of this document, we have not been subject to any regulatory actions or investigations in connection with anti-monopoly and as advised by our PRC Legal Adviser, we do not expect that the Guideline will have a material impact on our business.

We established an entity in Shanghai China together with Zhuhai Hengqin Wangfu Project Investment LLP (珠海橫琴望福項目投資合夥企業(有限合夥) or “Wangfu”), an independent third party, and two entities controlled by Mr. Rui Chen and Ms. Ni Li, respectively (the “Management Entities”), to acquire the land use rights for a parcel of land in Shanghai. The governmental designated usage of this parcel is primarily for office space and commercial purposes. We hold 30.01% of the shares of the entity, Wangfu holds 45%, and the Management Entities collectively hold the remaining 24.99% of the shares. The total investment for the acquisition of land use rights is estimated to be approximately RMB8.1 billion. Pursuant to the shareholders agreement among the shareholders of the entity, we have committed to funding the acquisition of land use rights up to RMB1.2 billion, of which RMB975 million has been made and the remaining is expected to be made before March 31, 2021.

DEFINITIONS

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

“2019 FIL”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), promulgated by the National People’s Congress in March 2019, which became effective on January 1, 2020
“Accountant’s Report”	accountant’s report for the years ended December 31, 2018, 2019 and 2020 in Appendix I to this document
“ADS(s)”	American Depositary Shares (each representing one Class Z ordinary share)
“Articles” or “Articles of Association”	our Articles of Association (as amended from time to time), the current form of which was adopted by a special resolution passed on February 27, 2018 and effective on March 28, 2018, a summary of which is set out in Appendix III
“board” or “board of directors”	our board of directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for business
“BVI”	the British Virgin Islands
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CAC”	the Cyberspace Administration of China (國家互聯網信息辦公室)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing

DEFINITIONS

	<p>HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request</p>
"CCASS Investor Participant"	<p>a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation</p>
"CCASS Participant"	<p>a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant</p>
"China" or "the PRC"	<p>the People's Republic of China, excluding, for the purposes of this document only, Taiwan and the special administrative regions of Hong Kong and Macau, except where the context otherwise requires</p>
"Class Y ordinary shares"	<p>Class Y ordinary shares of the share capital of the Company with a par value of US\$0.0001 each, giving a holder of a Class Y ordinary share 10 votes per share on any resolution tabled at the Company's general meeting, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis. Please see "Share Capital—Weighted Voting Rights Structure" for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules and further details</p>
"Class Z ordinary shares"	<p>Class Z ordinary shares of the share capital of the Company with a par value of US\$0.0001 each, conferring weighted voting rights in the Company such that a holder of a Class Z ordinary share is entitled to one vote per share on any resolution tabled at the Company's general meeting</p>
"CNNIC"	<p>China Internet Network Information Center (中國互聯網絡信息中心)</p>
"Companies Ordinance"	<p>the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time</p>

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company,” “our Company,” “Bilibili,” “we,” “our” or “us”	Bilibili Inc., a company incorporated in the Cayman Islands on December 23, 2013 as an exempted company and, where the context requires, its subsidiaries and consolidated affiliated entities from time to time
“connected transaction(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely, Shanghai Kuanyu and Hode Information Technology and their respective subsidiaries (each a “Consolidated Affiliated Entity”), details of which are set out in the section headed “Contractual Arrangements”
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Rui Chen, Vanship Limited and other entities controlled by Mr. Rui Chen through which he holds interests in our Company, as set out in the section headed “Relationship with the Controlling Shareholders”
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deposit Agreement”	the deposit agreement, dated as of March 27, 2018, as amended or supplemented from time to time, among us, Deutsche Bank Trust Company Americas and our ADS holders and beneficial owners from time to time
“director(s)”	member(s) of our board
“DTC”	The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007 and came into effect on January 1, 2008 and was most recently amended on December 29, 2018 which became effective on the same date
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“foreign private issuer”	as such term is defined in Rule 3b-4 under the U.S. Exchange Act
“GAPP”	the General Administration of Press and Publication (新聞出版總署)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company, subsidiaries and consolidated affiliated entities from time to time
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hode Information Technology”	Shanghai Hode Information Technology Co., Ltd. (上海幻電信息科技有限公司), a company incorporated under the laws of PRC on May 2, 2013 and one of our Consolidated Affiliated Entities
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Hong Kong Offer Shares”	the Shares offered pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Public Offer Price on the terms and conditions described in this document
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this document

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated March 17, 2021, relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting”
“TCP License”	the value-added telecommunications business operating license (增值電信業務經營許可證) for internet information service
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company
“International Offer Price”	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
“International Offer Shares”	the Shares offered pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“International Offering”	the offer of the International Offer Shares at the International Offer Price pursuant to a prospectus supplement and the shelf registration statement on Form F-3 that was filed with the SEC and became effective on April 1, 2019
“International Underwriters”	the group of underwriters, led by the Joint Representatives, that expects to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Representatives, the International Underwriters and us on or about March 23, 2021
“Joint Policy Statement”	the Joint Policy Statement Regarding the Listing of Overseas Companies jointly issued by the Hong Kong Stock Exchange and the SFC on September 27, 2013 and amended on April 30, 2018
“Latest Practicable Date”	March 9, 2021, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document

DEFINITIONS

“Listing”	the listing we are seeking on the Hong Kong Stock Exchange under Chapter 19C and Chapter 8A of the Hong Kong Listing Rules
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about March 29, 2021 on which the Shares are listed on the Main Board of the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Major Subsidiaries”	our subsidiaries and consolidated affiliated entities as identified in “History and Corporate Structure—Major Subsidiaries and Operating Entities”
“Memorandum” or “Memorandum of Association”	our memorandum of association adopted by a special resolution passed on February 27, 2018 and effective on March 28, 2018 (as amended from time to time), a summary of which is set out in Appendix III to this document
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) promulgated by the MOFCOM and other governmental authorities on August 8, 2006, effective on September 8, 2006, and subsequently amended on June 22, 2009
“MIIT” or “MII”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), and its predecessor known as the Ministry of Information Industry of the PRC(中華人民共和國信息產業部)
“MCT” or “MOC”	the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部), and its predecessor known as the Ministry of Culture of the PRC (中華人民共和國文化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易合作部)

DEFINITIONS

“Nasdaq”	Nasdaq Global Select Market
“NPPA”	the National Press and Publication Administration (國家新聞出版署), the authority currently in charge of online game registration and publication number issuance
“Negative List (2020)”	the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version)(《外商投資准入特別管理措施(負面清單)(2020年版)》), most recently jointly promulgated by the MOFCOM and the NDRC on June 23, 2020 and became effective on July 23, 2020, as amended, supplemented or otherwise modified from time to time
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	the National People’s Congress of the PRC (全國人民代表大會)
“NRTA”	the National Radio and Television Administration of the PRC (國家廣播電視總局)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, being Class Z ordinary shares of the Company, together with, where relevant, any additional Class Z ordinary shares which we may issue pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option we expect to grant to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 3,750,000 additional Offer Shares at the International Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PCAOB”	the Public Company Accounting Oversight Board
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“PRC Legal Adviser”	Tian Yuan Law Firm, our legal adviser as to the laws of the PRC
“Price Determination Agreement”	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the pricing of the Offer Shares
“Price Determination Date”	the date, expected to be on or about March 23, 2021, on which the International Offer Price and Public Offer Price will be determined, or such later time as the Joint Representatives (for themselves and on behalf of the Underwriters) and we may agree, but in any event, not later than March 26, 2021
“Principal Share Registrar”	Walkers Corporate Limited
“Public Offer Price”	the final offer price per Hong Kong Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
“Qualifying Issuer”	has the meaning given to it under chapter 19C of the Hong Kong Listing Rules
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Person”	the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to Hong Kong Listing Rule 8A.24, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)

DEFINITIONS

“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
“SAIC” or “SAMR”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as the PRC State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
“SAPPRFT”	State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局), formerly known as the GAPP, the SARFT and since March 2018 was reformed and now known as the NRTA, while the responsibility of the SAPPRFT for the approval of online game registrations and issuance of game publication numbers has been transferred to the NPPA
“SARFT”	State Administration of Radio, Film and Television of the PRC (中華人民共和國國家廣播電影電視總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會)
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SEC”	the United States Securities and Exchange Commission
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Anime Tamashi”	Shanghai Anime Tamashi Cultural Media Co., Ltd. (上海動魂文化傳媒有限公司), a company incorporated under the laws of PRC on June 4, 2015, a wholly-owned subsidiary of Hode Information Technology and one of our Consolidated Affiliated Entities

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“Shanghai Hehehe”	Shanghai Hehehe Cultural Communication Co., Ltd. (上海呵呵呵文化傳播有限公司), a company incorporated under the laws of PRC on April 17, 2014, a wholly-owned subsidiary of Hode Information Technology and one of our Consolidated Affiliated Entities
“Shanghai Kuanyu”	Shanghai Kuanyu Digital Technology Co., Ltd. (上海寬娛數碼科技有限公司), a company incorporated under the laws of PRC on August 12, 2005 and one of our Consolidated Affiliated Entities
“Shanghai Zhonger”	Shanghai Zhonger Information Technology Co., Ltd. (上海中二信息科技有限公司), a company incorporated under the laws of PRC on August 21, 2014, a wholly-owned subsidiary of Hode Information Technology and one of our Consolidated Affiliated Entities
“shareholder(s)”	holder(s) of Shares and, where the context requires, ADSs
“Sharejoy Network”	Sharejoy Network Technology Co., Ltd. (蕪湖享遊網絡技術有限公司), a company incorporated under the laws of PRC on December 3, 2013, a wholly-owned subsidiary of Hode Information Technology and one of our Consolidated Affiliated Entities
“Share(s)”	the Class Y ordinary shares and Class Z ordinary shares in the share capital of the Company, as the context so requires
“Share Incentive Plans”	the Global Share Incentive Plan and the 2018 Share Incentive Plan, details of which are set out in the section headed “Directors and Senior Management—Compensation”
“Joint Bookrunners,” “Joint Global Coordinators,” or “Joint Lead Managers”	the joint bookrunners, joint global coordinators or joint lead managers as named in “Directors and Parties Involved in the Global Offering”
“Joint Representatives”	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Asia Pacific) Limited and UBS AG Hong Kong Branch
“Joint Sponsors”	the Joint Sponsors of the listing of the Class Z ordinary shares on the Main Board of the Hong Kong Stock Exchange as named in “Directors and Parties Involved in the Global Offering”
“Stabilizing Manager”	Morgan Stanley Asia Limited

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“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Profound Surplus Limited and the Stabilizing Manager (or its affiliates or any person acting for it) pursuant to which the Stabilizing Manager (or its affiliates or any person acting for it) may borrow up to 3,750,000 Shares from Profound Surplus Limited to facilitate the settlement of over-allocations
“subsidiaries”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Track Record Period”	the years ended December 31, 2018, 2019 and 2020
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. GAAP”	accounting principles generally accepted in the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“variable interest entities,” “VIE” or “VIEs”	our variable interest entities, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries
“VAT”	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
“VIE structure” or “Contractual Arrangements”	variable interest entity structure and, where the context requires, the agreements underlying the structure

DEFINITIONS

“weighted voting right”	has the meaning ascribed to it under the Hong Kong Listing Rules
“WFOE” or “Hode Shanghai”	Hode Shanghai Limited (幻電科技(上海)有限公司), a company incorporated under the laws of PRC on September 11, 2014, a wholly-owned subsidiary of our Company
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WVR beneficiaries”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Rui Chen, Mr. Yi Xu and Ms. Ni Li, holding the Class Y ordinary shares, which entitle each to weighted voting rights, details of which are set out in the section headed “Share Capital”
“WVR structure”	has the meaning ascribed to it under the Hong Kong Listing Rules

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

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

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

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

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of certain terms used in this document in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“ACG”	anime, comics and games
“average monthly interactions”	this number for a period is calculated by dividing the total number of interactions based on our interactions features such as bullet chats, commentaries, following, favorites, sharing, bilibili moment posts and like, among other things, during the specified period by the number of months in such period
“average monthly revenue per paying user”	this number for a period is calculated by dividing the sum of revenues from mobile games and VAS during the specified period by the total number of monthly paying users during such period
“average monthly revenue per MAU”	this number for a period is calculated dividing the sum of revenues during the specified period by the total number of MAU during that period then further by the number of months in the specified period
“bullet chat” or “bullet chatting”	a commenting function that enables content viewers to send comments that fly across the screen like bullets, which we refer to as bullet chats herein. Bullet chats are context-based and can be viewed by the audiences who watch the same content, and therefore can intrigue interactive commenting among content viewers. Only official member can send bullet chats on our platform
“average daily time spent per active user on our mobile apps”	this number for a given period is calculated by dividing the total time spent on our mobile apps during the specified period (excluding time spent on Bilibili operating games, Bilibili Comic and Maoer) by the average number of active users per day during such period, further divided by the number of days during the specified period
“Generation Z+” or “Gen Z+”	for the purposes of this document only, the demographic cohort of individuals in China born from 1985 to 2009
“monthly active users” or “MAU”	the sum of our mobile apps MAU and PC MAU after eliminating duplicates so that each active registered user that logged on both our Bilibili mobile app and our Bilibili PC website would only be counted towards mobile apps MAU and not PC MAU during a given month. We calculate mobile apps MAU based on the number of mobile devices (including smart TV and other smart devices) that

GLOSSARY OF TECHNICAL TERMS

	<p>launched our mobile apps during a given month. Starting from the first quarter of 2019, we count mobile MAU of Bilibili Comic, a mobile app offering anime and comic contents, and Maoer, an audio platform offering audio drama, towards our MAU. We calculate PC MAU by dividing the total number of IP addresses used by users to visit our PC website during a given month by an estimate of the average number of IP addresses used by each user. “Average MAU” for a period is calculated by dividing the sum of MAU during the specified period by the number of months in such period</p>
“Net Promoter Score”	<p>the percentage of customers rating their likelihood to recommend a company, a product, or a service to a friend or colleague as 9 or 10 (“promoters”) minus the percentage rating this at 6 or below (“detractors”) on a scale from 0 to 10. It is a measure commonly used in customer surveys to measure customer satisfaction</p>
“official member”	<p>user who passes our multiple-choice membership exam consisting of 100 questions, after which additional interactive and community features, such as bullet chatting and commenting, will become available to them</p>
“our platform”	<p>“Bilibili” mobile apps, PC websites, Smart TV, Bilibili Comic, Maoer and a variety of related features, functionalities, tools and services that we provide to users and content creators</p>
“occupationally generated videos” or “OGV”	<p>Bilibili-produced or jointly produced content and licensed content procured from third-party production companies</p>
“paying users”	<p>users who make payments for various products and services on our platform, including purchases in mobile games offered on our platform and payments for VAS (excluding purchases on our e-commerce platform). A user who makes payments across different products and services offered on our platform using the same registered account is counted as one paying user and we add the number of paying users of Maoer towards our total paying users without eliminating duplicates. “Average monthly paying user” for a period is calculated by dividing the sum of monthly paying users during the specified period by the number of months in such period</p>
“professional user generated videos” or “PUGV”	<p>videos generated by users that exhibits creativity as well as a certain level of professional production and editing capabilities</p>

GLOSSARY OF TECHNICAL TERMS

“retention rate”	as applied to any cohort of users who visit our platform in a given period, are to the percentage of these users who make at least one repeat visit after a certain duration; the “12th-month retention rate” for any cohort of users in a given month is the retention rate in the twelfth month after the applicable month
“premium members”	members who have subscribed to our premium membership, which allow these members to enjoy exclusive or advance access to our premium content. We calculate premium members based on the number of members whose premium package is still valid by the last day of a given month
“VAS”	value-added services, including premium membership, live broadcasting, Bilibili Comic, Maoer and other value-added services
“video-based content”	for the purposes of this document only, video content on video-centric platforms and non-video-centric platforms as well as mobile games. Non-video-centric platforms include social media, instant messaging, e-commerce, browser, and other kind of platforms.
“videolization”	We refer to the trend of video integrating into the scenarios of everyday life as “videolization” in this document
“young generations”	for the purposes of this document only, people aged 35 or below

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We operate in a fast-evolving industry. We cannot guarantee that we will successfully implement our commercialization strategies or develop new ones, or generate sustainable revenues and profit.

We operate in a fast-evolving industry, and our commercialization model is evolving. We generate revenues primarily by providing our users with valuable content, such as videos, mobile games and VAS. We also generate revenues from advertising, e-commerce and other services. We cannot assure you that we can successfully implement the existing commercialization strategies to sustainably generate growing revenues, or that we will be able to develop new commercialization strategies to grow our revenues. If our strategic initiatives do not enhance our ability to monetize or enable us to develop new commercialization approaches, we may not be able to maintain or increase our revenues or recover any associated costs. In addition, we may introduce new products and services to expand our revenue streams, including products and services with which we have little or no prior development or operating experience. If these new or enhanced products or services fail to engage users, content creators or business partners, we may fail to diversify our revenue streams or generate sufficient revenues to justify our investments and costs, and our business and operating results may suffer as a result.

We have incurred significant losses and we may continue to experience losses in the future.

We have incurred significant losses in the past. In 2018, 2019 and 2020, respectively, we had loss from operations of RMB729.0 million, RMB1,495.2 million and RMB3,141.0 million (US\$481.4 million), and net loss of RMB565.0 million, RMB1,303.6 million, and RMB3,054.0 million (US\$468.0 million). We cannot assure you that we will be able to generate profits in the future. Our ability to achieve profitability depends in large part on our ability to manage our costs and expenses. We intend to manage and control our costs and expenses as a proportion of our total revenues, but there can be no assurance that we will achieve this goal. We may experience losses in the future due to our continued investments in technology, talent, content, brand recognition, user base expansion and other initiatives. In addition, our ability to achieve and sustain profitability is affected by various factors, some of which are beyond our control, such as changes in macroeconomic and regulatory environment or competitive dynamics in the industry. Accordingly, you should not rely on our financial results of any prior period as an indication of our future performance.

If we fail to anticipate user preferences and provide products and services to attract and retain users, or if we fail to keep up with rapid changes in technologies and their impact on user behavior, we may not be able to attract sufficient user traffic to remain competitive, and our business and prospects may be materially and adversely affected.

Our ability to retain, grow and engage our user base depends heavily on our ability to provide a superior user experience. We must offer quality content covering a wide range of interests and formats,

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introduce successful new products and services, develop user-friendly platform features, and push effective content feeds recommendations. In particular, we must encourage content creators to upload more appealing professional user generated content and we must source more popular licensed content. We must also keep providing our users with features and functions that could enable superior content viewing and social interaction experience. If we are unable to provide a superior user experience, our user base and user engagement may decline, which may materially and adversely affect our business and growth prospects.

We maintain a large content library primarily consisting of PUGV and OGV, and are developing new features to attract and retain our users. In order to expand our content library, we must continue to work with our content creators and incentivize them to produce content that reflects cultural trends and maintain good business relationships with licensors of premium copyrighted content to renew our licenses and source new professionally produced content. Our content creators and licensors may choose to work with other large online video platforms to distribute their content if such platforms can offer better products, services or terms than we do. We cannot assure you that we will be able to attract our content creators to upload their content to our platform or renew or enter into license agreements on commercially reasonable terms with our licensors or at all.

In addition, the industry in which we operate is characterized by rapidly changing technologies and changing user expectations. To remain competitive, we must adapt our products and services to evolving industry standards and improve the performance and reliability of our products and services to be able to adapt to these changes and innovate in response to evolving user expectations. Developing and integrating new content, products, services and technologies into our existing platform could be expensive and time-consuming, and these efforts may not yield the benefits we expect. If we fail to develop new products, services or innovative technologies on a timely basis, or our new products, services or technologies are not accepted by our users, our business, financial performance and prospects could be materially and adversely affected. We cannot assure you that we can anticipate user preferences and industry changes and respond to such changes in a timely and effective manner. In addition, changes in user behavior resulting from technological developments may also adversely affect us. For example, the number of people accessing the internet through mobile devices, including mobile phones, tablets and other hand-held devices, has increased in recent years, and we expect this trend to continue while 4G, 5G and more advanced mobile communications technologies are broadly implemented. If we fail to develop products and technologies that are compatible with all mobile devices, or if the products and services we develop are not widely accepted and used by users of various mobile devices, we may not be able to penetrate the mobile markets. In addition, the widespread adoption of new internet, networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or integrate our products, services or infrastructure. If we fail to keep up with rapid technological changes to remain competitive, our future success may be adversely affected.

Our business depends on our ability to provide users with interesting and useful content, which in turn depends on the content contributed by the content creators on our platform.

The quality of the content offered on our platform and our users' level of engagement are critical to our success. In order to attract and retain users and compete effectively, we must offer interesting and useful content and enhance our users' viewing experience. It is vital to our operations that we remain sensitive to and responsive to evolving user preferences and offer content that appeals to our users and members. In 2020, 91.4% of the total video views are of PUGV, as compared to

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90.1% in 2019. Thus far, we have been generally able to encourage our content creators to create and upload PUGV that are appealing to our users. We have also been providing our content creators with support and guidance in various forms, including technical support for content distribution, editing and uploading. However, we cannot assure you that our content creators can contribute to create popular professional user generated content for our platform. If our content creators cease to contribute content, or their uploaded content fails to attract or retain our users, we may experience a decline in user traffic and user engagement. If the number of users or the level of user engagement declines, we may suffer a reduction in revenue.

Increases in the costs of content on our platform may have an adverse effect on our business, financial condition and results of operations.

We need to acquire or produce popular content to provide our users with an engaging and satisfying viewing experience. We recorded content costs in our cost of revenue of RMB543.0 million, RMB1,001.6 million and RMB1,875.5 million (US\$287.4 million) in 2018, 2019 and 2020, respectively. The acquisition of such content depends on our ability to retain our content creators and hosts of our live broadcasting. As our business develops, we may incur increasing costs to compensate our content creators and hosts of our live broadcasting. Increases in market prices for licensed content and live broadcasting rights may also have an adverse effect on our business, financial condition and results of operations. For example, in September 2020, we formed a strategic partnership with Riot Games, the developer of leading MOBA League of Legends, among others, for granting us a three-year exclusive license for live broadcasting the League of Legends Esports global events in China beginning in 2020 through the 2023 Mid-Season Invitational, at an aggregate purchase price of RMB800 million (US\$122.6 million). If we are not able to procure licensed content at commercially acceptable costs, our business and results of operations will be adversely impacted. In addition, if we are unable to generate sufficient revenues to outpace the increase in market prices for licensed content, our business, financial condition and results of operations may be adversely affected. In 2018, we started to devote more resources in producing our original content. We rely on our in-house team to generate creative ideas for original content and to supervise the original content origination and production process, and we intend to continue to invest resources in content production. If we are not able to compete effectively for talent or attract and retain top talent at reasonable costs, our original content production capabilities would be negatively impacted.

If the content contained within videos, live broadcasting, games, audios and other content formats on our platform is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government and regulatory authorities have adopted regulations governing content contained within videos, live broadcasting, games, audios and other information over the internet. Under these regulations, internet content providers are prohibited from posting or displaying content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent, violent or defamatory on the internet. Internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of China. The PRC government and regulatory authorities strengthen the regulations on internet content from time to time, such as the Opinion on Strictly Regulating Online Game Market Management (《關於嚴格規範網絡遊戲市場管理的意見》) jointly adopted by a few authorities in December 2017, the Regulations on Administration of Network Short Video Platforms (《網絡短視頻平台管理規範》) and the Censoring

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Criteria for Network Short Video Content (《網絡短視頻內容審核標準細則》) promulgated in January 2019 by China Netcasting Services Association, or the CNSA, and the Administrative Provisions on Online Audio-Visual Information Services (《網絡音視頻信息服務管理規定》), effective from January 1, 2020. The enactment of these regulations may significantly increase our compliance costs in recruiting additional content reviewers and training them to identify the prohibited content timely and accurately. Any failure to comply with these regulations may subject us to liability. In November 2020, the NRTA further promulgated the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) (“Notice 78”) which requests the live broadcasting platforms for online shows to strengthen positive value guidance and to prevent the spread of the trends of wealth flaunting, money worshiping and vulgarity. For more information, see “Regulatory Overview—Regulations Related to Online Transmission of Audio-Visual Programs” and “Regulatory Overview—Regulations Related to Online Live Broadcasting Services.”

In addition to licensed content provided by copyright owners, we allow our users to upload content to our platform. Our users can upload all types of content including self-created and professionally produced content and certain graphical files for the purpose of updating user biographies and content covers. Currently only registered users are allowed to upload content to our platform. We maintain two levels of content management and review procedures to monitor the content uploaded to our platform to ensure that no content that may be deemed to be prohibited by government rules and regulations is posted and to promptly remove any infringing content. Our content screening team is dedicated to screening and monitoring the content uploaded on our platform on a 24-hour, 7-day basis. For more details relating to our content monitoring procedures, see “Our Business—Content Management and Review”. However, there can be no assurance that we can identify all the videos or other content that may violate relevant laws and regulations due to the large amount of content uploaded by our users every day.

If the content contained within videos, live broadcasting, games, audios and other content formats on our platform is considered inappropriate or offensive, our business, financial condition and results of operations may be materially and adversely affected.

Failure to identify and prevent illegal or inappropriate content from being uploaded and/or streamed on our platform may subject us to liability. To the extent that PRC regulatory authorities find any content on our platform objectionable, they may require us to limit or eliminate the dissemination of such content on our platform in the form of take-down orders, cause our app to be temporarily removed from app stores, or temporarily disable certain functions on our platform, or otherwise. For example, the CAC conducted a nationwide inspection of major internet platforms providing short-video content, and we were notified by certain smartphone app stores in China that our mobile app had been temporarily removed from July 26, 2018 until August 25, 2018. We implemented the required measures promptly and reinstated the mobile app downloads from those app stores on August 26, 2018. We thereafter conducted a self-inspection by taking a comprehensive review of the content on our platform and have doubled the headcounts of content monitoring personnel. Our app may be removed from app stores again in the future, and such removal could materially and adversely affect our business operations. On December 3, 2020, in response to the reported vulgar content on our platform, the Shanghai Municipal Office of Anti-Pornography and Illegal Publication (上海市“掃黃打非”辦公室), the Shanghai Municipal Internet Information Office (上海市互聯網信息辦公室) and the Shanghai Municipal Culture and Tourism Bureau (上海市文化和旅遊局) made inquiries with us and requested us to rectify within two weeks and strengthen the content review of videos, live

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broadcasting, anime, bullet chatting and other content on our platform. As of the Latest Practicable Date, we have completed the required rectification. We have submitted the final rectification report to the Shanghai Municipal Office of Anti-Pornography and Illegal Publication and the Shanghai Municipal Internet Information Office on December 22, 2020 and our rectification report has been accepted by the relevant competent authorities.

In addition, PRC laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in our liability as a platform operator. In the past, we were subject to penalties by PRC regulatory authorities due to our failure to comply with these requirements. For example, the Inspection Department of the Enforcement General Administration of Shanghai Culture Market (上海市文化市場行政執法總隊) imposed on us a fine of RMB20,000 in May 2018 and a fine of RMB10,000 in April 2019 primarily for having inappropriate content on our platform. We also may face liability for copyright or trademark infringement, fraud and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through or displayed on our platform.

Furthermore, reports or publicity of violence and crimes related to our PUGV, OGV, online games or any claims of our PUGV, OGV, online game content to be considered, among others, obscene, superstitious, fraudulent, defamatory, inappropriate, offensive or impairing public interest, may result in negative publicity, harm to our brand or a regulatory response that might have a material and adverse impact on our business. Any claim of us failing to identify any content a viewer may find objectionable may result in negative publicity, harm to our brand or regulatory actions, which in turn might have a material and adverse impact on our business. We generate a portion of our revenues from advertising. Our advertising revenues might be materially and adversely affected by any decision by advertisers to reduce their advertising as a result of adverse media reports, user complaints or other negative publicity involving us or, content on our platform. In addition, reductions of advertising by advertisers due to allegedly objectionable content made available on our platform by content creators, licensors, or other third parties, concerns about our content management practices, concerns about brand reputation or potential liability, or uncertainty regarding their own legal and compliance obligations, may also materially and adversely affect our advertising revenues.

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

According to Notice 78, platforms providing online show live broadcasting or e-commerce live broadcasting services shall, among other things, register their information and business operations by November 30, 2020, ensure real-name registration for all live broadcasting 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.

As advised by our PRC Legal Adviser, 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 have not been able to set such limit on our platform and we are currently not able to assess the impact this requirement under Notice 78 will have on the virtual gifting spending activities on our platform. We recorded revenues generated from our live broadcasting business under VAS. We derived 14.2%, 24.2% and 32.0% of our revenues from VAS in 2018, 2019 and 2020, respectively. Revenues from live broadcasting accounted for 7.8%, 8.8% and 10.9% of our total net revenues in 2018, 2019 and 2020, respectively. Any such limits ultimately imposed may negatively impact our revenues derived from virtual gifting and our results of operations.

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Notice 78 also requests the live broadcasting platforms for online shows to register in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息管理系統), however, in our communication with Shanghai Municipal Administration of Radio and Television (上海市廣播電視局), we were informed that due to the adjustment of the system, entities holding a License for Online Transmission of Audio-Visual Programs need to wait for further notification from the competent authority before they can register in this system. As of the Latest Practicable Date, we have not yet received the notification requesting such registration. Notice 78 also sets forth requirements for certain live broadcasting businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live broadcasting review personnel requirements, content tagging requirements, and other requirements. For more information on Notice 78, see “Regulatory Overview—Regulations Related to Online Live Broadcasting 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 broadcasting may increase our compliance burden in the live broadcasting business, and may have an adverse impact on our business and results of operations.

We may not be able to effectively manage our growth and the increased complexity of our business, which could negatively impact our brand and financial performance.

We have experienced rapid growth since our inception in 2011. Our financial performance has been and will continue to be influenced by our ability to add, retain and engage active users of our products. Our user acquisition and engagement may fluctuate depending on factors beyond our control, such as the shelter-in-place restrictions due to the COVID-19 pandemic. We have experienced a significant increase in the size and engagement of our active user base during the first quarter of 2020 partly due to the shelter-in-place restrictions in China. Although we have been able to maintain the momentum of user acquisition and engagement in other quarters of 2020 as China gradually relaxed its shelter-in-place restrictions, we may not be able to maintain the growth of our active user base or user acquisition and the level of engagement in the long term. As we grow our user base and increase the level of user engagement, we may incur increasing costs, such as licensing fees and royalties for licensed content and hosts’ compensation to further expand our content library to meet the growing and diversified demands of our users. If such expansion is not properly managed, it may adversely affect our financial and operating resources without achieving the desired effects. The market prices for licensing fees and royalties for licensed content, such as license for live broadcasting popular e-sport events, have increased significantly in China during the past few years. Online video broadcasting programs are competing aggressively to license popular content titles and events, driving licensing fees up in general. As the market further grows, copyright owners, distributors and industry participants may demand higher licensing fees for such content. Furthermore, as our content library expands, we expect the costs of licensed content to continue to increase. If we are unable to generate sufficient revenues to outpace the increase in costs, we may incur more losses and our business, financial condition and results of operations may be adversely affected. See “—Increases in the costs of content on our platform may have an adverse effect on our business, financial condition and results of operations.”

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As we only have a limited history of operating our business at its current scale, it is difficult to evaluate our current business and future prospects, including our ability to grow in the future. In addition, our costs and expenses may increase rapidly as we expand our business and continue to invest in our infrastructure to enhance the performance and reliability of our platform. For example, we may increase our investment in servers and bandwidth to maintain our quality user experience while sustaining the growth of user base. Continued growth could also strain our ability to maintain reliable service levels for our users, content creators and business partners, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Our costs and expenses may grow faster than our revenues and may be greater than what we anticipate. If we are unable to generate adequate revenues and to manage our costs and expenses, we may continue to incur losses in the future and may not be able to achieve or subsequently maintain profitability. Managing our growth will require significant expenditures and the 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.

We have a unique community culture that is vital to our success. Our operations may be materially and adversely affected if we fail to maintain our culture and brand image within our addressable user communities.

Our users have developed a unique community culture that distinguishes us from other online content providers. Our users come to our platform for creative content covering a wide array of cultures and interests as well as for strong, vibrant and safe communities. We believe that maintaining and promoting such community culture is critical to retaining and expanding our user base. We have taken multiple initiatives to preserve our community culture and values, such as requiring users to pass a membership exam before they are allowed to send bullet chats and utilize other interactive functions on our platform, and temporarily blocking or permanently deleting accounts of users who posted inappropriate content or comments.

Despite our efforts, we may be unable to maintain and foster our unique community culture and cease to be the preferred platform for our target users and content creators. As our user base is expanding, we may have difficulties in guiding our new users to honor and abide by our community values despite the initiatives we have adopted and may adopt in the future. In such event, our user engagement and loyalty may suffer, which would in turn negatively affect user traffic and our attractiveness to other customers and partners. In addition, frictions among our users and inflammatory comments posted by internet trolls may damage our community culture and brand image, which would be detrimental to our operations. Historically, some incidents of intense frictions among our users who belonged to different micro-interests and fans groups disrupted our operations. Users who have met through our services may become involved in emotionally charged situations and could suffer adverse moral, emotional or physical consequences. Such events could be highly publicized and have a significant negative impact on our reputation. Government authorities may require us to discontinue or restrict the relevant services. As a result, our business could suffer and our user base and results of operations may be materially and adversely affected.

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If we fail to obtain and maintain the licenses and approvals required within the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.

The internet and mobile industries in China are highly regulated. Our consolidated affiliated entities are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to provide their current services. However, we cannot assure you that we can successfully renew these licenses in a timely manner or that these licenses are sufficient to conduct all of our present or future business. As we develop and expand our business scope, we may need to obtain additional qualifications, permits, approvals or licenses. We may be required to obtain additional licenses or approvals if the PRC government adopts more stringent policies or regulations for our business.

The expiration date of the Major Subsidiary's Online Culture Operating Permits granted by the local branch of MCT ranges from June 2022 to December 2023, which were all renewed after May 2019. As the MCT ceased to assume the responsibility for the administration of the online game industry and no longer approved or issued the Online Culture Operating Permits regarding online games since May 2019, the Online Culture Operating Permits held by the Major Subsidiary no longer contains content related to online games operation. Based on our PRC Legal Adviser, Tian Yuan Law Firm's consultation with the MCT in November 2020, the MCT no longer assumes the responsibility to supervise the operation of online games, and it is not necessary for an enterprise to obtain Online Culture Operating Permits to operate online game operation business. As of the date of this document, no laws, regulations or official guidelines have been promulgated regarding whether the responsibility of MCT for regulating online games will be undertaken by another governmental department. Therefore, our PRC Legal Adviser has advised us that as long as there is no governmental authority promulgating new supervision requirements for the operation of online game, we are able to continue our online game operation business although the Online Culture Operating Permits currently held no longer contain content related to online games operation, which will not constitute any material non-compliance.

The NPPA at the national level had suspended the approval of game registration and issuance of publication numbers for online games starting from March 2018. Although the NPPA later resumed game registration and issued game publication numbers for the first batch of games with an effective date of December 19, 2018, the processing time of games registration and issuance of publication may vary greatly and is within the NPPA's discretion. Any delay in game registration with the NPPA or obtaining game publication numbers could lead to the termination of our cooperation agreements with third parties or negatively affect the operation results of our games. Under the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》) released in May 2019, the Online Culture Operating Permits covering the business scope of using the information network to operate online games granted by the MCT before this notice will remain valid until the expiration dates of these permits. On July 10, 2019, the MCT announced the abolishment of the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》), which regulated the issuance of Online Culture Operating Permits relating to online games. For more information, see "Regulatory Overview—Regulations Related to Online Games." As of the Latest Practicable Date, the governmental authorities have not issued laws or regulations to replace the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》), or to clarify the

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new regulatory body of online games. If we are unable to comply with the new regulations relating to our online games operations, our ability to introduce, launch and operate new games may be adversely affected, and our financial condition and operating results could be adversely affected. In addition, we cannot assure you that we or relevant third parties can obtain the NPPA's approvals or complete any new governmental requirements for all games on our platform in a timely manner or at all, which could adversely and materially impact our ability to introduce new games, the timetable to launch new games and our business growth.

Moreover, the provision of online games is deemed to be an internet publication activity. An online game operator may be required to obtain an Internet Publishing Service License in order to directly make those games publicly available in China. Although it is not specifically authorized by the NPPA, an online game operator is generally able to publish its games through third-party licensed electronic publishing entities and register the games with the NPPA as electronic publications, which is consistent with our practice during the Track Record Period and up to the Latest Practicable Date. In addition, the provision of comics online may be deemed to be an internet publication activity, which may require the content provider to obtain an Internet Publishing Service License. Furthermore, in a consultation with the competent government authorities in February 2021, the PRC Legal Adviser was informed that operation of an online comics business currently does not require the Internet Publishing Service License. However, for the future convenience to publish games by ourselves, we are planning to apply for the Internet Publishing Service License for our business operation and we have been continuously communicating with the competent authorities. However, there is no assurance that we will be granted such license. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the net revenues that were generated through online games and comics, the imposition of fines, the revocation of our business and operating licenses and the discontinuation or restriction of our operations of online games and comics.

In addition, considerable uncertainties exist in relation to the interpretation and implementation of existing and future laws and regulations governing our business activities. For example, under the Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs (《境外電視節目引進、播出管理規定》), the introduction or broadcasting of foreign anime in China is subject to approval of the SARFT or its authorized entities. Approval or filing procedures were not explicitly required in practice by the NRTA for the broadcasting and distribution of foreign anime on the internet only. We are currently preparing for the approval or filing procedures for broadcasting and distribution of foreign anime on our platform based on our preliminary consultation with the relevant government authorities. We could be found in violation of any future laws and regulations or of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties or changes in policies, regulations or enforcement by government authorities, may disrupt our operations and materially and adversely affect our business, financial condition and results of operations.

Furthermore, in August 2018, the National Office of Anti-Pornography and Illegal Publication, the MIIT, the Ministry of Public Security, the MCT, the NRTA and the CAC jointly issued the Notice on Strengthening the Management of Live Broadcasting Service (《關於加強網絡直播服務管理工作的通知》), which required a real-name registration system for users to be put in place by live

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broadcasting service providers. On October 25, 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》), which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Pursuant to the Notice 78, users who have not registered with real names or who are minors are prohibited from virtual gifting. On October 17, 2020, Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》) added a new section entitled “Online Protections” which stipulates a series of provisions to further protect minors’ interests on the internet. For more information, see “Regulatory Overview—Regulations Related to Online Games” and “Regulatory Overview—Regulations Related to Online Streaming Services.” We have implemented several measures to comply with the current real-name registration system. However, the PRC government may further tighten the real-name registration requirements or require us to implement a more thorough compulsory real-name registration system for all users on our platform in the future, so that we will need to upgrade our system or purchase relevant services from third-party service providers and incur additional costs in relation thereto. If we were required to implement a more rigid real-name registration system for users on our platform, potential users may be deterred from registering with our platform, which may in turn negatively affect the growth of our user base and prospect.

Our business is subject to complex and evolving laws, regulations and governmental policies in China and other countries and regions where we have business. Many of these laws, regulations and governmental policies are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, increased cost of operations, or declines in our growth or engagement, financial performance, or otherwise harm our business.

We are subject to a variety of laws and regulations that involve matters important to or may otherwise impact our business, including, among others, provision of internet information, provision of audio-visual programs, production of radio and television programs, provision of internet follow-up comment services, provision of online games, provision of online live broadcasting services, sales of internet advertising, e-commerce business, internet information security and privacy protection, intellectual property rights, taxation and foreign exchange. See also “Regulatory Overview.” The introduction of new products and services, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign laws and regulations can impose different obligations or be more restrictive than those in the PRC.

These laws and regulations are continuously evolving and can be subject to significant change. New laws, regulations and governmental policies may be adopted from time to time by the PRC government to address new issues that come to the authorities’ attention, which may require us to obtain new license and permits, or take certain actions that may adversely affect the industry that we operate in and our business operations. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

As the industry that we operate in is still evolving in China, new laws, regulations and governmental policies may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. We may not timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future.

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If we fail to timely address all the change in policy or to obtain and maintain approvals, licenses or permits required for our business, or to comply with relevant laws and regulations, we could be subject to liabilities, fines, penalties and operational disruptions, or we could be required to modify our business model, which could materially and adversely affect our growth and financial performance, including but not limited to our profitability, the trading price of our listed securities and our valuation. See also “—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the licenses and approvals required within the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.”

We face significant competition, primarily from companies that operate in the video-based industry in China, and we compete with these companies for users, content providers and advertisers.

We face significant competition primarily from companies that operate in the video-based industry in China designed to engage users, especially the Generation Z+, and capture their time spent on mobile devices and the internet. In particular, our competitors mainly include large online video streaming platforms, other platforms offering video products, live broadcasting platforms, and other companies offering online content. Some of our competitors have longer operating histories and significantly greater financial resources than we do, and in turn may be able to attract and retain more users, content partners and advertisers. Our competitors may compete with us in a variety of ways, including by obtaining exclusive online distribution rights for popular content, conducting brand promotions and other marketing activities, and making acquisitions. If any of our competitors provides comparable or better user experience, our user traffic could decline significantly. We have exclusive distribution rights only for certain content on our platform. Our content creators are generally free to post their content on our competitors’ platforms, which may divert user traffic from our platform, and adversely affect our user traffic and thus our operations.

We believe that our ability to compete effectively depends upon many factors, some of which are beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our platform, products and services compared to those of our competitors;
- the amount, quality and timeliness of content on our platform, especially the amount and quality of the PUGV generated by our content creators;
- the environment and culture of our user communities;
- 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 inventory size, quality and size of player base of the games we operate;
- our ability to establish and maintain relationships with content providers and partners;
- our ability to commercialize our services;
- changes mandated by 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 derive a substantial portion of our revenues from mobile games. If we fail to launch new games or release upgrades to existing games to grow our games' player base, our business and operating results will be materially and adversely affected.

We derived 71.1%, 53.1% and 40.0% of our revenues from mobile games in 2018, 2019 and 2020, respectively. We derive a significant portion of mobile game revenues from a limited number of games. We had one mobile game contributing more than 10% of our total net revenues, accounting for 53%, 31% and 11% of our total net revenues for the years ended December 31, 2018, 2019 and 2020, respectively.

We offer mobile games from third-party game developers and publishers on our platform either on an exclusive or non-exclusive basis. Therefore, we must maintain good relationships with our third-party game developers and copyright owners to obtain access to new popular games on reasonable commercial terms. We may not be able to maintain or renew these agreements on acceptable terms or at all. In such event, we may be unable to continue offering these popular mobile games, and our operating results will be adversely affected. In addition, if our users decide to access these games through our competitors, or if they prefer other mobile games operated by our competitors, our operating results could be materially and adversely affected. In addition, if we fail to launch new games or release upgrades to existing games in a timely manner, or if our games do not achieve expected popularity, we may lose players of our games, which could materially and adversely impact our business. Even in the event that we succeed in launching new games, the new games may divert players away from the existing games on our platform, which may increase player churn and reduce revenues from our existing games.

In addition, the revenue model we adopt for online games may not remain effective, which may cause us to lose players and materially and adversely affect our business, financial condition and results of operations. We derive substantially all of the mobile games revenues from the sale of in-game virtual items. However, we may not be able to continue to successfully implement this model.

The PRC government has taken steps to limit online game playing time for all minors and to otherwise control the content and operation of online games. Such restrictions on online games may materially and adversely impact our business and results of operations.

As part of its anti-addiction online game policy, the PRC regulators have been implementing regulations designed to reduce the amount of time that youth under the age of 18 spend playing online games. For a detailed description of these regulations, see “Regulatory Overview—Regulations Related to Online Games—Anti-addiction System and Protection of Minors.” A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. On the other hand, if we were to start charging for playing time, we may lose our players, and our financial condition and results of operations may be materially and adversely affected.

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. Online game operators are required to explore the manner to notify users of different ages about the online games based on various criteria, such as the games' content and the amount of money anticipated to be used in the games, on the game's download, registration and log-in pages in a prominent way. For more information, see “Regulatory Overview—Regulations Related to Online Games—Anti-addiction System and Protection of Minors.”

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Although we have implemented several measures and developed a detailed plan for system upgrade and are in the process of conducting various system upgrading works according to the requirements under the relevant laws and regulations, we may be nevertheless considered non-compliant if the regulators take a different view, or if our system is not fully upgraded by the end of the grace period, the length of which also remains uncertain at the discretion of the relevant government authorities. Should the relevant government authorities find us not satisfying the requirements, they may order us to rectify. In a severe case, our business license could be revoked, which may materially and adversely affect our business operations and financial condition.

The implementation of these laws and regulations may lead to a decrease in the number of minors in our user base and the playtime of minor users, thereby leading to a decrease in the minor users' revenue contribution to our mobile game business, and may materially and adversely affect our results of operations and prospects.

Illegal game servers and acts of cheating by users of mobile games could harm our business and reputation and materially and adversely affect our results of operations.

Several of our competitors have reported that certain third parties have misappropriated the source codes of their games and set up illegal game servers and let their customers play such games on illegal servers without paying for the game playing time. While we already have in place numerous internal control measures to protect the source codes of our games from being stolen and to address illegal server usage and, to date, our games have not to our knowledge experienced such usage, our preventive measures may not be effective. The misappropriation of our game server installation software and installation of illegal game servers could harm our business and reputation and materially and adversely affect our results of operations.

In addition, acts of cheating by users of mobile games could lessen the popularity of our mobile games and adversely affect our reputation and our results of operations. There have been a number of incidents in previous years where users, through a variety of methods, were able to modify the rules of our mobile games. Although these users did not gain authorized access to our systems, they were able to modify the rules of our mobile games during gameplay in a manner that allowed them to cheat and disadvantage our other mobile game users, which often has the effect of causing players to stop playing the game and shortening the game's lifecycle. Although we have taken a number of steps to deter our users from engaging in cheating when playing our mobile games, we cannot assure you that we or the third parties from whom we license some of our mobile games will be successful or timely in taking steps necessary to prevent users from modifying the rules of our mobile games.

If we suspect a player of installing cheating programs on our mobile games, or of engaging in other types of unauthorized activities, we may freeze that player's game account or even ban the player from logging on to our games and other products. Such activities to regulate the behavior of our users are essential to maintain a fair playing environment for our users. However, if any of our regulatory activities are found to be wrongly implemented, our users may institute legal proceedings against us for damages or claims. Our operation, business and financial performance may be materially and adversely affected as a result.

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We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms.

Content posted on our platform may expose us to allegations by third parties of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. We have been involved in litigation based on allegations of infringement of third-party copyright due to the content available on our platform. We are currently involved in approximately 110 lawsuits based on allegations of infringement of third-party copyright due to the content posted on our platform, which are immaterial to our company on an individual basis or a collective basis. Regardless of the outcome, these lawsuits, and any other litigation that may be brought against us or our current or former directors and officers, could be time-consuming, result in significant expenses and divert our resources and the attention of our management and other key employees. An unfavorable outcome in any of these matters could exceed the limited coverage provided under our current applicable insurance policies.

Our failure to identify unauthorized videos posted on our platform may subject us to claims of infringement of third-party intellectual property rights or other rights. Although we maintain content management and review procedures to monitor the content uploaded to our platform, due to the large number of videos uploaded, we may not be able to identify all content that may infringe on third-party rights. Such failure may subject us to potential claims and lawsuits, defending of which may impose a significant burden on our management and employees, and there can be no assurance that we will obtain final outcomes that are favorable to us. In addition, we may be subject to administrative actions brought by the National Copyright Administration of China or its local branches or related law enforcement departments for alleged copyright infringement.

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 a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Under relevant PRC laws and regulations, online service providers which provide storage space for users to upload works or links to other services or content could be held liable for copyright infringement under various circumstances, including situations where an online service provider knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes the copyrights of others. In certain cases in China, the courts have found an online service provider to be liable for the copyrighted content posted by users which was accessible from and stored on such provider's servers.

Although we have not been subject to claims or lawsuits outside China, we may become subject to copyright laws in other jurisdictions, such as the United States, by virtue of our listing in the United States, the ability of users to access our videos from the United States and other jurisdictions, the ownership of our ADSs by investors, and the extraterritorial application of foreign law by foreign courts or otherwise.

In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our platform, or (iii) enter into royalty or license agreements which may not be available on commercially reasonable terms or at all.

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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 and, even if properly screened, a third-party may still find user-generated content posted on our platform offensive and take action against us in connection with the posting of such content. We may also face litigation or administrative actions for defamation, negligence or other purported injuries resulting from the content we provide or the nature of our services. Such litigation and administrative actions, with or without merit, may be expensive and time-consuming, result in significant diversion of resources and management attention from our operations, and adversely affect our brand and reputation.

Furthermore, our app may be taken down temporarily from Apple app store or other apps markets for copyright reasons, and we may be subject to copyright infringement claims brought by our competitors, which, malicious or not, may be time-consuming to defend and disrupting to our operations.

We may not be able to prevent others from engaging in unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights, which could harm our business and competitive position.

We have invested significant resources to develop our own intellectual property and acquire licenses to use and distribute the intellectual property of others on our platform. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation. Further, others may engage in conduct that constitutes unfair competition, defamation or other violations of our rights, which could harm our business, reputation and competitive position.

Protection of intellectual property rights in the counties and regions that we operate may not be sufficient. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. 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 or seek court declarations that they do not infringe upon our intellectual property rights. Other unlawful conduct against us is also difficult to prevent and police. We cannot assure you that the steps we have taken will prevent misappropriation of our rights. From time to time, we may have to resort to litigation to enforce our rights, which could result in substantial costs and diversion of our resources.

Many of our products and services contain open source software, which may pose particular risks to our proprietary software, products and services in a manner that negatively affects our business.

We use open source software in our products and services and will use open source software in the future. 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 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. 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.

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Furthermore, 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. As a result, we may be unable to prevent our competitors or others from using such software source code contributed by us.

We face intense competition for users and hosts, as well as strict regulatory supervision by government authorities, for our live broadcasting business.

We face significant competition in the live broadcasting business for both users and hosts. The live broadcasting on our platform primarily focuses on interest areas including anime, game, music, fashion, lifestyle, technology and others. We cannot assure you that such content will continue to attract new users and retain existing ones.

We have entered into exclusive cooperation agreements with certain popular hosts on our platform. We may not be able to maintain or renew these agreements on acceptable terms or at all. In such event, we may be unable to retain these popular hosts on our platform, and our operating results will be adversely affected. We cooperate with talent agencies to recruit, manage, train and support our hosts. Furthermore, we may lose hosts if the talent agencies that manage them are unable to reach or maintain satisfactory cooperation arrangements with such hosts. If talented and popular hosts cease to contribute content to our platform, or their live broadcasting programs fail to attract users, we may experience a decline in user traffic and user engagement, which may have material and adverse impact on our results of operations and financial conditions.

In addition, the costs attributed to hosts' compensation have increased significantly in China during the past few years for companies that provide such services. If we are unable to generate sufficient revenues to outpace the increase in such compensation, we may lose opportunities to retain the popular hosts on our platform and thus incur more losses. In addition, the compensation we pay to the hosts could significantly increase our cost of revenues and materially adversely affect our margins, financial condition and results of operations.

We cooperate with talent agencies to manage, organize and recruit hosts on our platform. As we are an open platform that welcomes all hosts to register on our websites, cooperation with talent agencies substantially increases our operation efficiency in terms of discovering, supporting and managing hosts in a more organized and structured manner, and turning amateur hosts to full-time hosts. We have a revenue sharing arrangement with both our hosts and talent agencies under which we share with them a portion of the revenues from virtual gifting. In addition, we also cooperate with popular e-sports teams to make their game-play available on our platform by paying them a sponsorship fee. The absolute amounts and revenue sharing percentages that we pay hosts and talent agencies may increase. If the interests among us, hosts and the talent agencies are not well balanced, or if we cannot design a revenue-sharing mechanism that is agreeable to both hosts and talent agencies, we may not be able to retain or attract hosts or talent agencies, or both. In addition, while we have entered into exclusive streaming agreements with certain hosts, none of the talent agencies we cooperate with has an exclusive cooperation relationship with us. If our competitor platforms offer higher revenue sharing percentages with an intent to attract our popular hosts, costs to retain our hosts may further increase, additionally, talent agencies may choose to devote more of their resources to hosts who stream on other platforms, or they may encourage their hosts to use or even enter into an exclusive agreement with other platforms, all of which could materially and adversely affect our business, financial condition and results of operations. If we are not able to continue to retain our hosts

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and produce high-quality content on our platform at commercially acceptable costs, our business, financial condition and results of operations would be adversely impacted. Furthermore, as our business and user base further expand, we may have to devote more resources in encouraging our hosts and talent agencies to produce content that meets the varied interests of a diverse user base, which would increase the costs of content on our platform. If we are unable to generate sufficient revenues that outpace our increased content costs, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our live broadcasting services may be abused by hosts and other users. We have an internal control system in place to review and monitor live broadcasting streams and will shut down those streams that may violate PRC laws and regulations. For detailed descriptions of these PRC laws and regulations, see “Regulatory Overview—Regulations Related to Online Live Broadcasting Services.” However, we may not identify all such streams and content. Failure to comply with applicable laws and regulations may result in the revocation of our licenses to provide internet content or other licenses, the closure of the concerned platforms and reputational harm. We may also be held liable for such censored information displayed on our platform.

If we fail to develop effective advertising products and systems or retain existing advertisers or attract new advertisers to advertise on our platform, or if we are unable to collect accounts receivable from the advertisers or advertising agencies in a timely manner, our financial condition, results of operations and prospects may be materially and adversely affected.

We generate a portion of our revenues from advertising. We enter into contracts with both advertisers and third-party advertising agencies, and the financial soundness of these customers may affect our collection of accounts receivable. We make a credit assessment of the advertiser and advertising agency to evaluate the collectability of the advertising service fees before entering into an advertising contract. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each advertiser or advertising agency, and any inability of advertisers or advertising agencies to pay us in a timely manner may adversely affect our liquidity and cash flows.

Our ability to generate and maintain our advertising revenues depends on a number of factors, including the maintenance and enhancement of our brand, the scale, engagement and loyalty of our users and the market competition on advertising prices. We cannot assure you that we will be able to retain existing advertisers or advertising agencies or attract new ones. If we fail to retain and enhance our relationships with third-party advertising agencies or advertisers themselves, our business, results of operations and prospects may be adversely affected.

We rely on third-party logistics services for our product delivery when performing our e-commerce business, and if such third-party logistics services fail to provide reliable logistics services, our e-commerce business and reputation may be materially and adversely affected.

We offer ACG-related merchandise on our platform, and generate revenues from sales of these products. Our e-commerce business uses a number of third-party logistics companies to deliver our products to customers. Any interruption to or failure in logistics services could prevent the timely or proper delivery of our products. These interruptions may be due to events that are beyond our control or the control of these third-party logistics services, such as pandemic, inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. We may not be able to find alternative logistics companies to provide logistics services in a timely and reliable manner, or at all, to

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replace such third-party logistics services to the extent necessary. If products sold on our platform are not delivered in proper condition or on a timely basis or at all, our e-commerce business and reputation would suffer.

We rely upon our partner to deliver our services through smart TV.

In smart TV video streaming market, only a small number of qualified license holders can provide internet audio and visual program service to the TV terminal users via smart TVs, set-top boxes and other electronic products. Most of those license holders are radio or TV stations. Private companies that wish to operate such business need to cooperate with those license holders to legally provide relevant services. We cooperate with a PRC licensed entity for the development of relevant programs and provision of audio-visual program services through private network and targeted communication channels, such as smart TVs. If we are not successful in maintaining existing or creating new relationships, or if we encounter technological, content licensing, regulatory or other impediments to delivering our streaming content to our members via these devices, our ability to grow our business may be adversely impacted.

We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards.

We make our products and services available across a variety of operating systems, mainly on mobile devices and personal computers. As mobile usage accelerates, we expect to generate a large portion of our business and revenues from mobile. If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or if we are slower than our competitors in developing attractive products and services adaptable for mobile devices, we may fail to capture a significant share or an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of mobile users, we may not be able to continue to successfully commercialize mobile user traffic in the future.

We depend 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 devices or their systems 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. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. Further, if the number of systems, networks and devices for which we develop our products and services increases, it will result in an increase in our costs and expenses, and adversely affect our gross margin and results of operation.

We face risks associated with our investments.

We currently spend a portion of our capital in both short-term and long-term investments. Our short-term investments primarily include money market funds, financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks or other financial institutions and publicly traded companies with the intention to be sold within twelve months. Our long-term investments primarily consist of investment in companies whose businesses are complementary to ours, including game, anime production and content creation tool development

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companies. These investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results. For a detailed description of accounting treatment of our short-term investments and long-term investments and the performance of the investments, see “Financial Information-Critical Accounting Policies and Estimates.”

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

Difficulties in identifying, consummating and integrating acquisitions and strategic alliances and potential write-offs in connection with our investments or acquisitions may have a material and adverse effect on our business and results of operations.

We have acquired, and may in the future acquire, companies that are complementary to our business. From time to time, we may also make alternative investments and enter into strategic partnerships or alliances as we see fit. For example, in September 2018, we increased the shareholding and acquired majority equity interests in Zenith Group Holdings Co., Limited (“Zenith”), the owner of a series of famous virtual singers, such as Luo Tianyi. In the fourth quarter of 2019, we acquired the remaining equity interests in Zenith. In December 2018, we entered into an agreement with certain affiliates of NetEase, Inc. to acquire NetEase Comics business, including copyrights of a large number of storylines from leading publishers and comic artists. In December 2018, we entered into an agreement to increase our shareholdings and to acquire majority equity interests in Maoer Inc., an audio platform offering audio drama. In July 2019, we entered into a series of agreements to acquire a controlling interest in Chaodian Inc. (“Chaodian”). In September 2020, we acquired the remaining interests in Chaodian through a series of transactions. Chaodian operates offline events, such as concerts and exhibitions *Bilibili Macro Link* and *Bilibili World*, and a talent agency that is currently managing many of our content creators. In April 2020, we entered into a business collaboration agreement with Sony Corporation to pursue collaboration opportunities within the area of entertainment business in the Chinese market, including anime and mobile games.

However, past and future acquisitions, partnerships or alliances may expose us to potential risks, including risks associated with:

- the integration of new operations and the retention of customers and personnel;
- significant volatility in our operating profit (loss) due to changes in the fair value of our contingent purchase consideration payable;
- unforeseen or hidden liabilities, including those associated with different business practices;
- the diversion of management’s attention and resources from our existing business and technology by acquisition, transition and integration activities;
- failure to achieve synergies with our existing business and generate revenues as anticipated;
- failure of the newly acquired businesses, technologies, services and products to perform as anticipated;

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- inability to generate sufficient revenues to offset additional costs and expenses;
- breach or termination of key agreements by the counterparties;
- the costs of acquisitions;
- international operations conducted by some of our subsidiaries;
- any different interpretations on contingent purchase consideration; or
- the potential loss of, or harm to, relationships with both our employees and customers resulting from our integration of new businesses.

Any of the potential risks listed above could have a material and adverse effect on our ability to manage our business and our results of operation. In addition, we cannot be assured the acquired businesses, technologies, services and products from our past acquisitions and any potential transaction will generate sufficient revenue to offset the associated costs or other potential unforeseen adverse effects on our business.

We may incur impairment charges for our intangible assets and goodwill.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of our acquisitions of interests in our subsidiaries and consolidated VIEs. We recorded goodwill of RMB941.5 million, RMB1,012.0 million and RMB1,295.8 million (US\$198.6 million) as of December 31, 2018, 2019 and 2020, respectively.

We are required to test our goodwill for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. We may record impairment of goodwill acquired in connection with our acquisitions if the carrying value of our goodwill acquired in connection with our past or future acquisitions are determined to be impaired.

Our intangible assets consist primarily of licensed copyrights of content, license rights of mobile games, and intellectual property and others. Purchased intangible assets are initially recognized and measured at fair value. Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion. Intangible assets are subsequently measured at cost less accumulated amortization and impairment. Intangible assets should be tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. We cannot guarantee that we will not record greater impairment losses of intangible assets in the future. Material impairment of intangible assets could negatively affect our financial condition and results of operations.

Any malfunction, capacity constraint or operation interruption for any extended period may have an adverse impact on our business.

Our ability to provide superior user experience on our platform depends on the continuous and reliable operation of our IT systems. We cannot assure you that we will be able to procure sufficient bandwidth in a timely manner or on acceptable terms or at all. Failure to do so may significantly impair user experience on our platform and decrease the overall effectiveness of our platform to users, content providers and advertisers. Our IT systems and proprietary content distribution network are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications

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failures, undetected errors in software, computer viruses, hacking and other attempts to harm our IT systems. Disruptions, failures, unscheduled service interruptions or a decrease in connection speeds could damage our reputation and cause our users, content providers and advertisers to migrate to our competitors' platforms. If we experience frequent or persistent service disruptions, whether caused by failures of our own IT systems or those of third-party service providers, our user experience may be negatively affected, which in turn may have a material and adverse effect on our reputation and business. We cannot assure you that we will be successful in minimizing the frequency or duration of service interruptions. As the number of our users increases and our users generate more content on our platform, we may be required to expand and adapt our technology and infrastructure to reliably store and process content. It may become increasingly difficult to maintain and improve the performance of our platform, especially during peak usage times, as our services become more complex and our user traffic increases.

Any compromise of the cybersecurity of our platform could materially and adversely affect our business, operations and reputation.

Our products and services involve the storage and transmission of users' and other 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 from time to time, and we have been able to rectify attacks without significant impact to our operations in the past. 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 other customers to disclose sensitive information in order to gain access to our data or our users' or other customers' data or accounts, or may otherwise obtain access to such data or accounts. 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 other customers, and 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 results of operations.

Undetected programming errors or flaws or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our products and services, which would materially and adversely affect our results of operations.

The video programs on our platform may contain programming errors that may only become apparent after their release. We generally have been able to resolve such flaws and errors. However, we cannot assure you that we will be able to detect and resolve all these programming errors effectively. Undetected programming errors could adversely affect our user experience and market acceptance.

Our software has contained, and may now or in the future contain, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of content providers, loss of revenue or liability for damages, any of which could adversely affect our business and operating results.

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

We collect personal data from our users in order to better understand our users and their needs for the purpose of our content feeds recommendation and to help our advertisement 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 other customers and adversely affect our results of operations.

Many jurisdictions, including China and the U.S., continue to consider the need for greater regulation or reform to the existing regulatory framework. In the U.S., all 50 states have now passed laws to regulate the actions that a business must take in the event of a data breach, such as prompt disclosure and notification to affected users and regulatory authorities. In addition to the data breach notification laws, some states have also enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. The U.S. federal and state governments will likely continue to consider the need for greater regulation aimed at restricting certain uses of personal data for targeted advertising. California enacted the California Consumer Privacy Act, or CCPA, which creates new individual privacy rights for consumers (as that word is broadly defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA, which went into effect on January 1, 2020, requires covered companies to provide new disclosures to California consumers, and provides such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business.

In the European Union, or EU, the General Data Protection Regulation, or GDPR, which came into effect on May 25, 2018, could increase our burden of regulatory compliance. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, requiring expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained either valid consent or have another legal basis in place to justify their data processing activities. The GDPR further provides that EU member states may make their own additional laws and regulations in relation to certain data processing activities, which could further limit our ability to use and share personal data and could require localized changes to our operating model. Under the GDPR, fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, may be assessed for noncompliance, which significantly increases our potential financial exposure for non-compliance.

In China, the requirement of legal collection and usage of personal information was stated in several rules and regulations. In addition, internet service providers must promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures. For more information, see “Regulatory Overview—Regulations Related to Online Games” and the “Regulatory Overview—Regulations Related to Internet Information Security and Privacy

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Protection.” On October 21, 2020, the Legislative Affairs Committee of the NPC has publicly solicited opinions on the PRC Personal Information Protection Law (Draft) (《中華人民共和國個人信息保護法(草案)》), which sets forth detailed rules on handling personal information and legal responsibilities. As of the Latest Practicable Date, the draft has not been formally adopted.

While we strive to comply with applicable data protection laws and regulations, as well as our privacy policies pursuant to our terms of use and other obligations we may have with respect to privacy and data protection, any failure or perceived failure to comply with these laws, regulations or policies may result 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 and have an adverse effect on our business and results of operations. See “Regulatory Overview—Regulations Related to Internet Information Security and Privacy Protection.”

Any systems failure or compromise of our security that results in the unauthorized access to or release of our users’ or other 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 expect to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of services we offer and increase the size of our users base.

Our practices may become inconsistent with 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. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and operating results. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. Failure or perceived failure to comply with applicable laws and regulations related to the collection, use, or sharing of personal information or other privacy-related and security matters could result in a loss of confidence in us by customers and users, which could adversely affect our business, financial condition and results of operations.

We utilize payment collection channels to collect proceeds from our paying users’ purchases. Any failure by those payment collection channels to process payments effectively and securely may materially and adversely affect our revenue realization and brand recognition.

We depend on the billing and payment systems of third parties such as online third-party payment processors to maintain accurate records of payments of sales proceeds by paying users and collect such payments. We receive periodic statements from these third parties which indicate the aggregate amount of fees that were charged to paying users of our products and services. Our business and results of operations could be adversely affected if these third parties fail to accurately account for or calculate the revenues generated from the sales of our products and services. If there are security breaches or failure or errors in the payment process of these third parties, user experience may be affected and our business results may be negatively impacted.

Failure to timely collect our receivables from third parties whose billing and payment systems we use and third-party payment processors may adversely affect our cash flows. Our third-party payment processors may from time to time experience cash flow difficulties. Consequently, they may delay their payments to us or fail to pay us at all. Any delay in payment or inability of current or

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potential third-party payment processors to pay us may significantly harm our cash flow and results of operations.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products through payment service providers even if the publicized breach did not involve payment systems or methods used by us. In addition, billing software errors could damage user confidence in these payment systems. If any of the above were to occur and damage our reputation or the perceived security of the payment systems we use, we may lose paying users as they may be discouraged from purchasing products or services on our platform, which may have an adverse effect on our business and results of operations.

Our success depends on the efforts of our key employees, including our senior management members and other technology personnel. If we fail to hire, retain and motivate our key employees, our business may suffer.

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, particularly in the internet and technology industries. Our future success depends on our ability to attract a large 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 granted, and may continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

We adopted a global share incentive plan in 2014 and a share incentive plan in 2018, which we refer to as the Global Share Plan and the 2018 Plan, respectively, in this document, for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. We recognize expenses in our consolidated financial statements in accordance with U.S. GAAP. Under each of the share incentive plans, we are authorized to grant options and other types of awards. As of January 31, 2021, awards to purchase an aggregate of 22,265,166 ordinary shares under both of the Global Share Plan and the 2018 Plan have been granted and outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. We recognize share-based compensation expenses in our consolidated financial statements in connection with these grants, and may continue to incur such expenses in the future. As of December 31, 2020, our unrecognized share-based compensation expenses relating to unvested awards amounted to RMB3,787.3 million (US\$580.4 million), adjusted for estimated forfeitures.

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

In April 2019, we issued US\$500 million in aggregate principal amount of convertible senior notes due 2026, which we refer to as 2026 Notes in this document. The 2026 Notes bear interest at a rate of 1.375% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2019, and will mature on April 1, 2026 (unless earlier repurchased, redeemed or converted). In June 2020, we issued US\$800 million in aggregate principal amount of convertible senior notes due 2027, which we refer to as 2027 Notes in this document. The 2027 Notes bear interest at a rate of 1.25% per year, payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2020, and will mature on June 15, 2027 (unless repurchased, redeemed or converted).

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 2026 Notes, 2027 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 convertible notes, we will be in default under the indenture governing the convertible notes, which in turn may constitute a default under existing and future agreements governing our indebtedness.

We rely on certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as MAU and average monthly paying users, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data that have not been independently verified. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

We do not have any business insurance coverage.

The insurance industry in China is still in an early stage of development, and insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain property

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insurance, product liability insurance or key-man insurance. We consider this practice to be reasonable in light of the nature of our business and the insurance products that are available in China and in line with the practices of other companies in the same industry of similar size in China. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

A severe or prolonged downturn in the Chinese or global economy, any financial or economic crisis, or perceived threat of such a crisis, could materially and adversely affect our business and financial condition.

COVID-19 may continue to have a severe and prolonged negative impact on the Chinese and the global economy, including potential reductions in advertising and marketing customers' budgets, which may affect our advertising revenues and financial performance generally. Even before the outbreak of COVID-19, the global macroeconomic environment faced 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 have 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. The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, the economic slowdown in the Eurozone in 2014. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. It is unclear whether these challenges will be contained and what effects they each may have. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have negative 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. Any severe or prolonged slowdown in the global or Chinese economy might lead to tighter credit markets, increased market volatility, sudden drops in business and dramatic changes in business, and may materially and adversely affect our business, results of operations and financial condition.

We face risks related to natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of natural disasters, other health epidemics or other public safety concerns. In recent years, there have been other breakouts of epidemics in China and globally. Our operations could be disrupted if one of our employees is suspected of having COVID-19, H1N1 flu, avian flu or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general and the mobile internet industry in particular.

The worldwide outbreak of COVID-19 pandemic has resulted in significant disruptions in the global economy. To contain the spread of COVID-19, the Chinese government has taken certain emergency measures, including extension of the Lunar New Year holidays, implementation of travel

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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 delays in the delivery of the merchandise sold on our platform to the customers in the first quarter of 2020. Although the delivery has been gradually recovering since then, if the impact of COVID-19 is prolonged or worsens further, it may still disrupt the delivery, which may in turn adversely affect our revenue and financial conditions. Our user acquisition and engagement may fluctuate depending on factors beyond our control, such as the shelter-in-place restrictions due to the COVID-19 pandemic. We have experienced a significant increase in the size and engagement of our active user base during the first quarter of 2020. Although we have been able to maintain the momentum of user acquisition and engagement in other quarters of 2020 as China gradually relaxed its shelter-in-place restrictions, we may not be able to maintain the growth of our active user base or user acquisition and the level of engagement in the long term. The COVID-19 pandemic has caused delays in production and uncertainty in scheduling of content of our licensed content providers in countries such as Japan. In the event that this pandemic cannot be effectively and timely contained in the countries where our licensed content providers reside, our ability to consistently offer and introduce new content this year may be significantly disrupted, which in turn may harm our user acquisition and engagement growth, as well as our financial performance generally. 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 and optimizing our technology system to support potential growth in user traffic. As a result of any of the above developments, our business, financial condition and results of operations could be materially and adversely affected by COVID-19 pandemic for this year and beyond. The extent to which COVID-19 impacts our results 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. Although we have servers that are hosted in an offsite location, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing 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 services on our platform.

Any future outbreak of contagious diseases, extreme unexpected bad weather or natural disasters would adversely affect our offline events and delivery of the merchandise sold on our platform. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, the offline events operated by us may be cancelled or delayed and the delivery of the merchandise sold on our platform may be delayed. Government advices regarding, or restrictions on holding offline events and travels, in the event of an outbreak of any contagious disease or occurrence of natural disasters may have a material adverse effect on our business and operating results.

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Our ability to conduct business in international markets may be adversely affected by legal, regulatory and other risks.

International expansion of our online games is a part of our growth strategy and may subject us to additional risks and challenges, including but not limited to challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands; challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them; exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and potentially adverse tax consequence; and risks of increased costs associated with doing business in foreign jurisdictions. If we fail to address any of these risks and challenges associated with our international expansion, our reputation, business and results of operations may be adversely affected.

Any failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.

We have not registered our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed timeframe.

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 HFCAA, was enacted on December 18, 2020. The HFCAA 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.

The auditor, the independent registered public accounting firm that issued the audit report included in our annual report on Form 20-F filed with the SEC, 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 the auditor that issued the audit report included in our annual report on Form 20-F filed with the SEC is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, the auditor that issued the audit report included in our annual report on Form 20-F is currently not inspected by the PCAOB.

The SEC has not yet proposed rules relating to the implementation of the HFCAA. There could be additional regulatory or legislative requirements or guidance that could impact us if the auditor that

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issued the audit report included in our annual report on Form 20-F is not subject to PCAOB inspection. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCAA. However, some of the recommendations were more stringent than the HFCAA. 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 HFCAA and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition the requirements of the HFCAA 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 HFCAA. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

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

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

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

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including the auditor of our consolidated financial statements in our annual reports on Form 20-F filed with the SEC, alleging that these firms had violated U.S. securities

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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, or the ALJ, 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 the SEC requirements could ultimately lead to the delisting of our Class Z ordinary shares from Nasdaq or the termination of the registration of our Class Z ordinary shares under the Securities Exchange Act of 1934, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

RISKS RELATED 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.

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. For example, the internet cultural business (except for music), the internet audio-visual program business, the radio and television program production and operation business, and the production of audio-visual products and/or electronic publications remain as prohibited areas for foreign investment. Specifically, foreign ownership of a commercial internet information services provider may not exceed 50%, and the major foreign investor is required to have a record of good performance and operating experience in managing value-added telecommunications business. We are a company registered in the Cayman Islands and WFOE is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct our business in China mainly through Shanghai Kuanyu and Hode Information Technology (our VIEs) and their respective subsidiaries, based on a series of contractual arrangements by and among Hode Shanghai (our WFOE), our VIEs, and their shareholders. As a result of these contractual arrangements, we exert control over our consolidated affiliated entities and consolidate their financial results in our financial statements under U.S. GAAP. Our consolidated affiliated entities hold the licenses, approvals and key assets that are essential for our operations.

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In the opinion of our PRC Legal Adviser, based on its understanding of the relevant PRC laws and regulations, except as disclosed in this document each of the contracts among Hode Shanghai, our VIEs and their shareholders is valid, binding and enforceable in accordance with its terms. However, we have been further advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, the PRC government may ultimately take a view contrary to the opinion of our PRC Legal Adviser. If we are found in violation of any PRC laws or regulations or if the contractual arrangements among Hode Shanghai, our VIEs and their shareholders are determined as illegal or invalid by the PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues;
- shutting down our servers or blocking our app/websites;
- requiring us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply;
or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our consolidated affiliated entities or the right to receive their economic benefits, we would no longer be able to consolidate their financial results.

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

Due to PRC restrictions or prohibitions on foreign ownership of internet and other related businesses in China, we operate our business in China through our VIEs and their subsidiaries, in which we have no ownership interest. We rely on a series of contractual arrangements with our VIEs and their shareholders, including the powers of attorney, to control and operate business of our consolidated affiliated entities. These contractual arrangements are intended to provide us with effective control over our consolidated affiliated entities and allow us to obtain economic benefits from them. See “Contractual Arrangements” for more details about these contractual arrangements. In particular, our ability to control the consolidated affiliated entities depends on the powers of attorney, pursuant to which Hode Shanghai can vote on all matters requiring shareholder approval in our VIEs. We believe these powers of attorney are legally enforceable but may not be as effective as direct equity ownership.

Although we have been advised by our PRC Legal Adviser, Tian Yuan Law Firm, that except as disclosed in this document, each of the contracts among Hode Shanghai, our VIEs and their

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shareholders is valid, binding and enforceable under existing PRC laws and regulations, these contractual arrangements may not be as effective in providing control over our VIEs and their subsidiaries as direct ownership. If our 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. 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 the legal system in many other jurisdictions, such as the United States. See “—Risks Related 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 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 the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIEs and may lose control over the assets owned by our VIEs. As a result, we may be unable to consolidate the financial results of such entities in our consolidated financial statements, our ability to conduct our business may be negatively affected, and our operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.

We may lose the ability to use and enjoy assets held by our VIEs and their subsidiaries that are important to our business if our VIEs and their subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our VIEs hold certain licenses that are important to our operations, including the ICP License, License for Online Transmission of Audio-Visual Programs, Online Culture Operating Permits and License for Production and Operation of Radio and Television Programs. Under our contractual arrangements, the shareholders of our VIEs may not voluntarily liquidate our VIEs or approve them to sell, transfer, mortgage or dispose of their assets or legal or beneficial interests exceeding certain threshold in the business in any manner without our prior consent. However, in the event that the shareholders breach this obligation and voluntarily liquidate our VIEs, or our VIEs declare bankruptcy, or all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if our VIEs or their subsidiaries undergo a voluntary or involuntary liquidation proceeding, their shareholders or unrelated third-party creditors may claim rights to some or all of its assets, 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 negatively affect our financial condition 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 PRC tax authorities. We may be subject to adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our

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WFOE, our VIEs and their shareholders are not on an arm's-length basis and therefore constitute favorable transfer pricing. As a result, the PRC tax authorities could require that our VIEs adjust their taxable income upward for PRC tax purposes. Such an adjustment could increase our VIEs' tax expenses without reducing the tax expenses of our WFOE, subject our VIEs to late payment fees and other penalties for under-payment of taxes, and result in the loss of any preferential tax treatment our WFOE may have. As a result, our consolidated results of operations may be adversely affected.

If the chops of our PRC subsidiaries, our VIEs and their 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 subsidiaries, our VIEs and their 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 safe, 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.

The shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of our VIEs include Yi Xu, Rui Chen and Ni Li, who are also our shareholders, and, in some cases are our directors or officers. Conflicts of interest may arise between the roles of them as shareholders, directors or officers of our company and as shareholders of our VIEs. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to our company to act in good faith and in the best interest of our company and not to use their positions for personal gain. The shareholders of our VIEs have executed powers of attorney to appoint Hode Shanghai or a person designated by Hode Shanghai to vote on their behalf and exercise voting rights as shareholders of our VIEs. We cannot assure you that when conflicts arise, these shareholders will act in the best interest of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to our shareholders and ADS holders.

We are a holding company, and we may rely on dividends to be paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of the ADSs and our ordinary shares and service any debt we may incur. If

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our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, a wholly foreign-owned enterprise in China, such as Hode Shanghai, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. These reserve funds are not distributable as cash dividends. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Substantial uncertainties exist with respect to how the Foreign Investment Law may impact the viability of our current corporate structure and operations.

The National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019, effective from January 1, 2020, and the State Council approved the Regulation on Implementing the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the "Implementation Regulations") on December 26, 2019, effective from January 1, 2020, which replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《外資企業法》), together with their implementation rules and ancillary regulations. The Supreme People's Court of China issued a judicial interpretation on the 2019 FIL in December 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the 2019 FIL. The judicial interpretation clarifies the issues regarding the validity of the investment contract violating the restrictive or prohibitive requirements in the negative list. 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 (2020) as void because the contracts have not been approved or registered by administrative authorities. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it is difficult to predict the outcome of a judicial or administrative proceeding, and such unpredictability towards our contractual rights could adversely affect our business and impede our ability to continue our operations. The 2019 FIL 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 2019 FIL removes all references to the terms of "de facto control" or "contractual control" as defined in the draft published in 2015 by the MOFCOM. However, the 2019 FIL has a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, the State Council may in the future promulgate laws and regulations that deem investments made by foreign investors through contractual arrangements as "foreign investment," and our contractual arrangements may be subject to and be deemed to violate the market entry requirements in China. The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the

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industries that are currently subject to foreign investment restrictions in China. See “Contractual Arrangements.”

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the “negative list” to be issued or approved to be issued by the State Council. The commercial internet information service, internet audio-visual program services, online cultural activities, the radio and television program production and operation business, and the production of audio-visual products and/or electronic publications that we conduct through our consolidated affiliated entities are subject to foreign investment restrictions set forth in the Negative List (2020). It is uncertain whether the industry of commercial internet information service, internet audio-visual program services, online culture activities, the radio and television program production and operation business, and the production of audio-visual products and/or electronic publications, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions under the then updated “negative list” to be issued. If the then updated “negative list” requires companies with existing VIE structure like us to take further actions, we will face uncertainties as to whether any clearance from the relevant governmental authorities can be timely obtained, or at all.

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

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

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

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

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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.

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

RISKS RELATED 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.

The PRC legal system is based on written statutes and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

We face uncertainties with respect to the interpretation and implementation of the Anti-Monopoly Guidelines for the Internet Platform Economy Sector.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. Due to the uncertainties associated with the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, it may be costly to adjust some of our business practice in order to comply with these laws, regulations, rules, guidelines and implementations, and any incompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and/or materially and adversely affect our financial conditions, operations and business prospects.

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Regulation and censorship of information disseminated over the mobile and internet in China may adversely affect our business and subject us to liability for content posted on our platform.

Internet companies in China are subject to a variety of existing and new rules, regulations, policies, and license and permit requirements on the distribution of information over the mobile and internet. Under these rules and regulations, content service providers are prohibited from posting or displaying over the mobile or internet content that, among others, violates PRC laws and regulations, impairs the national dignity of China or the public interest, is obscene, superstitious, fraudulent or defamatory, or may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of China. For more information, see “Regulatory Overview—Regulations Related to Internet Information Security and Privacy Protection.” In connection with enforcing these rules, regulations, policies and requirements, relevant government authorities may suspend services by, or revoke licenses of, any internet or mobile content service provider that is deemed to provide illicit content online or on mobile devices, and such activities may be intensified in connection with any ongoing government campaigns to eliminate prohibited content online. For example, in recent years, the National Office of Anti-Pornography and Illegal Publications, the CAC, the MIIT, the MCT, and the Ministry of Public Security jointly have been launching a series of “Clean Up the Internet” campaigns. These campaigns aim to eliminate pornographic information and content in the internet information services industry by, among other things, holding liable individuals and corporate entities that facilitate the distribution of pornographic information and content. During the campaigns, relevant government authorities have shut down websites, removed links and closed accounts. Certain major public internet companies voluntarily initiated self-investigations to filter and remove content from their websites and cloud servers. In January 2019, CNSA issued the Regulations on Administration of Network Short Video Platforms (《網絡短視頻平台管理規範》) and Censoring Criteria for Network Short Video Contents (《網絡短視頻內容審核標準細則》) to tighten the censorship on short video contents. The regulatory authorities carried out a series of law enforcement actions against violation of personal information protection from January to December 2019. On January 23, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理工作的通知》), 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. At the same time, they announced a one-year special crackdown on the illegal collection and misuse of personal information by apps. On July 22, 2020, the MIIT issued the Notice on Carrying out Special Rectification Actions in Depth against the Infringement on Users’ Rights and Interests by Apps (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》) to urge app service providers, among others, to strengthen the protection of users’ personal information in relation to the download and usage of apps. On December 1, 2020, the CAC issued the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (Apps) (Draft for Comments) (《常見類型移動互聯網應用程序 (App) 必要個人信息範圍 (徵求意見稿) 》) to further provide guidance over personal information security and privacy protection. As a result, a number of mobile apps were condemned publicly for their non-compliance with personal information protection policies, including, among other non-compliance actions, the failure to publish rules on the collection and improper use of users’ personal information, the failure to provide channels for users to access and revise their information, the failure to provide functions for users to cancel accounts, the unauthorized collection of personal information, the unreasonable requests for access, and the unauthorized sharing of information with third parties. For more information, see “Regulatory Overview—Regulations Related to Online Transmission of Audio-

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Visual Programs.” and “Regulatory Overview—Regulations Related to Internet Information Security and Privacy Protection.”

We endeavor to eliminate illicit content from our platform. We have made substantial investments in resources to monitor content that users post on our platform and the way in which our users engage with each other through our platform. In the past, we have terminated certain user accounts in order to eliminate spam, fictitious accounts and indecent content from our platform. We use a variety of methods to ensure our platform remains a healthy and positive experience for our users, including a designated content management team and our own data analytics software. Although we employ these methods to filter our users and content posted by our users, we cannot be sure that our internal content control efforts will be sufficient to remove all content that may be viewed as indecent or otherwise non-compliant with PRC law and regulations. Government standards and interpretations as to what constitutes illicit online content or behavior are subject to interpretation and may change.

We have paid fines in connection with content posted on our platform, and 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. Further, our senior management could be held criminally liable if we are deemed to be profiting from illicit content on our platform. Although our operations have not been materially adversely affected by government campaigns or any other regulatory actions in the past, we cannot assure you that our business and operations will be immune from government actions or sanctions in the future. If government actions or sanctions are brought against us, or if there are widespread rumors that government actions or sanctions have been brought against us, our reputation could be harmed, we may lose users and other customers, our revenues and results of operation may be materially and adversely affected and the value of our ADSs could be dramatically reduced.

In March 2018, the SAPPRFT issued the Notice on Further Regulating the Order of Online Audio-visual Programs (《關於進一步規範網絡視聽節目傳播秩序的通知》) to further regulate the transmission of internet audio-visual programs. Due to the lack of clarification and detailed implementation rules, it is unclear to us whether and how this notice would be applicable to the content posted on our platform by our users. In November 2019, the CAC, the NRTA and the MCT, jointly issued the Notice on Promulgation of the Administrative Provisions on Internet Audio-visual Information Services (《關於印發〈網絡音視頻信息服務管理規定〉的通知》), which required the providers of internet audio-visual information services to have sufficient capacities to deal with cyber threats, prevent internet illegal and criminal activities, and defend the integrity, safety and availability of online data. We have conducted a review of the content that may be implicated on our platform and believe our current content monitoring measures in place are adequate. However, given the uncertainty in the interpretation and implementation of this notice, we may be required to subsequently implement further content monitoring measures, which could materially and adversely affect our business, financial condition and results of operations. For further information regarding this notice, see “Regulatory Overview—Regulations Related to Online Transmission of Audio-Visual Programs.”

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Adverse changes in economic and political policies of the PRC government could have a material and adverse effect on overall economic growth in China, which could materially and adversely affect our business.

A substantial majority of our revenues is 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 with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past years, growth has been uneven across different regions and among different economic sectors.

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. Although the PRC economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the PRC economy in the recent years. Any adverse changes in economic conditions in China, in the policies of the PRC 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 services and adversely affect our competitive position.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

While playing online games or participating on platform activities, our users acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to online game players. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. On May 28, 2020, the PRC Civil Code (《中華人民共和國民法典》) was enacted, effective on January 1, 2021, pursuant to which, ownership of data and virtual assets are civil rights protected by laws. However, there is currently no further PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on several PRC court judgments, courts generally required the online game operators to provide well-developed security systems to protect virtual assets owned by players and some courts required game operators to return the virtual items or found game operators liable for the loss and damage incurred therefrom if the online game operators are found to be in default or violate players' rights. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

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Restrictions on virtual currency may adversely affect our online game revenues.

Our revenues from mobile games are collected through the online sale of in-game items, which are considered to be the “virtual currency” as such term is defined in the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》), which was jointly issued by the MOC and MOFCOM in 2009. PRC laws and regulations, including this notice, have provided various restrictions on virtual currency and imposed various requirements and obligations on online game operators with respect to the virtual currency used in their games, including that (i) any entity engaged in the services relating to the issuance or trading of virtual currencies for online games shall comply with the conditions relevant to the establishment of an internet culture entity for business purpose and file an application with the provincial administrative department of culture at its locality for preliminary examination and then with the MOC for approval; (ii) the total amount of virtual currency issued by online game operators and the amount purchased by individual users in China is subject to limits, and online game operators are required to report the total amount of their issued virtual currency on a quarterly basis and are prohibited from issuing disproportionate amounts of virtual currency in order to generate revenues; (iii) virtual currency may only be provided to users in exchange for payment in legal currency and may only be used to pay for virtual goods and services of the issuer of the currency, and online game operators are required to keep transaction data records for no less than 180 days; (iv) online game operators are prohibited from providing lucky draws or lotteries that are conducted on the condition that participants contribute cash or virtual currency in exchange for game props or virtual currencies; (v) online game operators are prohibited from providing virtual currency trading services to minors; and (vi) companies involved with virtual currency in China must be either issuers or trading platforms, and may not operate simultaneously both as issuers and as trading platforms. We must tailor our business model carefully, including designing and operating our databases to maintain user information for the minimum required period, in order to comply with the current PRC laws and regulations, including the foregoing notices, in a manner that in many cases can be expected to result in an adverse impact on our online game revenues.

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 laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including imposition of fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While 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 assure you that all the content contained in such advertisements is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have an adverse effect on our business, financial condition, results of operations and prospects.

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If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a PRC resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, the STA issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was most recently amended in December 2017, or the Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. The STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011 and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (ii) decisions relating to the enterprise’s financial matters (such as loan, financing, financial risk management, etc.) and human resource matters (such as appointment, dismissal and remuneration, etc.) are made or are subject to determination or approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of the ADSs or ordinary shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be

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withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the our Class Z ordinary shares and ADSs.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the EIT Law and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside China, will be subject to a withholding tax rate of 10%. Pursuant to a special arrangement between Hong Kong and China, such rate may be reduced to 5% if a Hong Kong resident enterprise owns more than 25% of the equity interest in the PRC company. Our current PRC subsidiaries are wholly owned by our Hong Kong subsidiaries, such as Hode HK. Accordingly, Hode HK may qualify for a 5% tax rate in respect of distributions from its PRC subsidiaries. Under the Notice of the State Taxation Administration on Issues regarding the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated in 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include, but are not limited to: (i) the taxpayer must be the beneficial owner of the relevant dividends, and (ii) the corporate shareholder to receive dividends from the PRC subsidiaries must have met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the STA promulgated the Announcement of the Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) in 2018, which sets forth certain detailed factors in determining “beneficial owner” status, and specifically, if an applicant’s business activities do not constitute substantive business activities, the applicant will not qualify as a “beneficial owner.”

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》) promulgated by the STA on October 14, 2019 and became effective from January 1, 2020, which provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, collect and retain relevant materials for reference in accordance with these treaties and accept supervision and management from the tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

We face uncertainty with respect to the indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors.

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In February 2015, the STA issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or STA Bulletin 7, as amended in 2017. Pursuant to this bulletin, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to STA Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the shareholders, the business model and organizational structure of the offshore enterprise; the replicability of the transaction by direct transfer of PRC taxable assets; and the offshore tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor is required to declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. STA Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of STA Bulletin 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under STA Bulletin 7. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Bulletin 7. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

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Discontinuation of any of the preferential tax treatments available to us or imposition of any additional taxes could adversely affect our financial condition and results of operations.

The EIT Law and its implementation rules, effective 2008, unified the previously existing separate income tax laws for domestic enterprises and FIEs and adopted a unified 25% EIT rate applicable to all resident enterprises in China, subject to certain exceptions. In addition, certain enterprises may enjoy a preferential EIT rate of 15% under the EIT Law if they qualify as High and New Technology Enterprise, or HNTE, subject to various qualification criteria. For example, in 2017, Hode Information Technology qualified as a HNTE and was eligible for a 15% preferential tax rate effective for three years starting from 2017 to 2019. Hode Information Technology has renewed this qualification which allows it to enjoy a 15% preferential EIT rate for another three years starting from 2020 to 2022. In addition, in 2018, Shanghai Bilibili Technology Co., Ltd. qualified as a HNTE which allows it to enjoy a three-year preferential EIT rate of 15% from 2018. If Hode Information Technology or Shanghai Bilibili Technology Co., Ltd. fails to maintain or renew their HNTE status, their applicable EIT rate may be increased to 25%, which could have a material adverse effect on our financial condition and results of operations.

There are uncertainties with respect to value-added tax rates relating to the tax liabilities of our PRC subsidiaries.

The MOF, the STA and the General Administration of Customs promulgated the Notice On Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019, which provides that the value-added tax rate of 16% in manufacturing and other industries is reduced to 13%, the value-added tax rate of 10% in transportation and other industries is reduced to 9%, and the value-added tax rate in value-added telecommunication service and other industries stays at 6% from April 1, 2019. We are subject to value-added tax for goods sold at a rate varying from 0% to 17% depending on their categories in different periods. Our advertising and marketing revenues are subject to culture business construction fee at a rate of 3% in 2018, which was reduced to 1.5% since July 1, 2019, valid until December 31, 2024. We are also subject to surcharges on value-added tax payments in accordance with PRC law. It is uncertain whether the value-added tax rate will be raised in the future, which could have a material adverse effect on our financial condition and results of operations. If we fail to comply with these regulations, we may be subject to sanctions including corrective orders, imposition of fines and confiscation of illegal gains.

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

Shareholder claims or regulatory investigations that are common in the United States (including securities law class actions and fraud claims) 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 a 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 may directly conduct investigations or collect evidence and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct

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investigations or collect evidence within China may further increase difficulties faced by you in protecting your interests. See also “—Our shareholders may face difficulties in protecting their interests, and the ability to protect their rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing us as a Cayman Islands company.

China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008 and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by MOFCOM before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions. This is also the first time that the SAMR imposed administrative penalties for illegal concentration declarations on entities structured in a VIE arrangement.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者並購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者並購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, 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 with “national security” concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring

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transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content or mobile games business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review. On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “Office of the Working Mechanism”) will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. See “Regulatory Overview—Regulations Related to Foreign Investment in the PRC.”

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The SAFE promulgated the 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. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their

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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.

Rui Chen, Yi Xu and Ni Li have completed initial SAFE registration prior to our initial public offering in 2018 and will update their registration filings with SAFE under SAFE Circular 37 when any changes should be registered under SAFE Circular 37. However, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make or update such registrations, and we cannot 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 subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

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

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. In 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under the notices and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches 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 or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding shares or interests and fund transfers. 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. Failure of our PRC stock option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business. The STA has issued certain circulars concerning equity incentive awards. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax.

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Each of our PRC subsidiaries has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering or the offering of ADSs and notes to make loans to our PRC subsidiaries and our VIEs and their subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, VIEs and their subsidiaries. We may make loans to our PRC subsidiaries, VIEs and their subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these ways are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our wholly owned PRC subsidiaries by means of capital contributions, these capital contributions are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other governmental authorities in China. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our consolidated affiliated entities, which are PRC domestic company. Further, we are not likely to finance the activities of our consolidated affiliated entities by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in internet information services, online games, online audio-visual program services and related businesses.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third-party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9,

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2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. 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 and then 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 Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28. 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 (2020) and the target investment projects are genuine and in compliance with PRC laws. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties. According to the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance, provided that the capital usage is authentic and compliant with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements.

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 subsidiary. 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.

Fluctuation in exchange rates could have a material and adverse effect on our results of operations and 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 Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. 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.

A substantial majority of our revenues and costs is denominated in RMB. Any significant depreciation of the RMB may materially adversely affect the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, when we convert our U.S. dollars denominated funds into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an

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adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi 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 Renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the Renminbi relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. 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 approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi 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. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries and VIEs to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

In light of the flood of capital outflows of China in 2016 due to the weakening RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. 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.

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RISKS RELATED TO OUR SHARES, OUR ADS AND THE LISTING

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

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

Our Articles of Association are specific to us and include certain provisions that may be different from the requirements under the Hong Kong Listing Rules and common practices in Hong Kong. As we are seeking a listing under Chapter 19C as a Non-Grandfathered Greater China Issuer with a WVR structure, our Articles of Association must comply with the articles requirements set out in Chapter 8A of, and Appendices 3 and 13 to, the Hong Kong Listing Rules unless waived by the Hong Kong Stock Exchange. We will put forth resolutions to our shareholders at an extraordinary general meeting to be convened in September 2021 to amend certain provisions of our Articles in order to comply with the relevant Hong Kong Listing Rules. For further details, please see “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company.”

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

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

The trading price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. The trading price of our Class Z ordinary shares, likewise, can be volatile for similar or different reasons. For example, the trading price of our ADSs ranged from US\$19.25 to US\$95.71 per ADS in 2020. The trading price of our listed securities is likely to remain volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with operations located mainly in China that have listed their securities in the United States and/or Hong Kong. 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 the following:

- variations in our revenues, earnings, cash flow and data related to our user base or user engagement;

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- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new product and service offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our products and services or our industry;
- additions or departures of key personnel;
- releases at any time, in some cases without notice, of lock-up or other transfer restrictions on our outstanding ordinary shares, ADSs or other equity related securities;
- sales of additional ADSs or other equity-related securities in the public markets, or issuance of ADSs upon conversion of convertible senior notes issued by us, or the perception of these events; and
- actual or potential litigation or regulatory investigations.

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

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

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

Furthermore, although all of our directors and executive officers have agreed to a lock-up of their Class Z ordinary shares, any major disposal of our Class Z ordinary shares and/or ADSs by any of them upon expiration of the relevant lock-up periods (or the perception that these disposals may occur upon the expiration of the lock-up period) may cause the prevailing market price of our Class Z ordinary shares and/or ADSs to fall which could negatively impact our ability to raise equity capital in the future.

We may need additional capital, and the sale of additional Class Z ordinary shares and/or ADSs or other equity securities could result in additional dilution to our shareholders, and the incurrence of additional indebtedness could increase our debt obligations.

We may require additional cash resources due to changed business conditions, strategic acquisitions or other future developments. If these resources are insufficient to satisfy our cash

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requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity and equity-linked securities could result in additional dilution to our shareholders. The sale of substantial amounts of our ADSs (including upon conversion of the concurrently offered convertible senior notes) could dilute the interests of our shareholders and ADS holders and adversely impact the trading price of our ADSs. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing 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.

Conversion of our convertible senior notes may dilute the ownership interest of the existing shareholders, including holders who had previously converted their notes.

The conversion of some or all of the 2026 Notes or the 2027 Notes will dilute the ownership interests of existing shareholders and existing holders of our ADSs. Any sales in the public market of the ADSs issuable upon such conversion may increase the opportunities to create short positions with respect to the ADSs, which could adversely affect prevailing trading prices of our ADSs. In addition, the existence of the 2026 Notes and the 2027 Notes may encourage short selling by market participants because the conversion of the 2026 Notes and the 2027 Notes could depress the 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.

Provisions of our convertible senior notes could discourage an acquisition of us by a third-party.

Certain provisions of the 2026 Notes and the 2027 Notes could make it more difficult or more expensive for a third-party to acquire us, or may even prevent a third-party from acquiring us. For example, upon the occurrence of certain transactions constituting a fundamental change, holders of the 2026 Notes and the 2027 Notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes. In the event of a fundamental change, we may also be required to increase the conversion rate for conversions in connection with such fundamental changes. By discouraging an acquisition of us by a third-party, these provisions could have the effect of depriving the holders of our Class Z ordinary shares and ADSs of an opportunity to sell their Class Z ordinary shares and ADSs, as applicable, at a premium over prevailing market prices.

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

We have a dual-class share structure such that our ordinary shares consist of Class Y ordinary shares and Class Z ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class Z ordinary shares will be entitled to one vote per share, while holders of Class Y ordinary shares will be entitled to ten votes per share based on our proposed dual-class share structure. Our ADSs represent Class Z ordinary shares. Each Class Y ordinary share is convertible into one Class Z ordinary share at any time by the holder thereof, while Class Z ordinary shares are not convertible into Class Y ordinary shares under any circumstances. Upon any sale of Class Y ordinary shares by a holder thereof to any person other than Rui Chen, Yi Xu and Ni Li or any entity which is not ultimately controlled by any of Rui Chen, Yi Xu or Ni Li, such Class Y ordinary shares shall be automatically and immediately converted into the same number of Class Z ordinary shares.

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As of the date of this document, three of our directors, Rui Chen, Yi Xu and Ni Li, beneficially own all of our issued Class Y ordinary shares. As of January 31, 2021, these Class Y ordinary shares constitute approximately 24% of our total issued and outstanding shares and approximately 76% of the aggregate voting power of our total issued and outstanding shares. As a result of the dual-class share structure and the concentration of ownership, holders of Class Y ordinary shares will have considerable influence over matters such as decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our listed securities. 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 Z ordinary shares and ADSs may view as beneficial.

For further details about our shareholding structure, see “Share Capital—Weighted Voting Rights Structure.”

The dual-class structure of our ordinary shares may adversely affect the trading market for the Class Z ordinary shares and/or ADSs.

S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual-class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class Z ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

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

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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.

Certain existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

We have adopted a dual-class voting structure such that our ordinary shares consist of Class Z ordinary shares and Class Y ordinary shares. Based on our dual-class voting structure, in respect of matters requiring a shareholders' vote, holders of Class Z ordinary shares will be entitled to one vote per share, while holders of Class Y ordinary shares will be entitled to ten votes per share. Due to the disparate voting powers attached to these two classes of ordinary shares, three of our directors, Rui Chen, Yi Xu and Ni Li, beneficially own all of our issued Class Y ordinary shares. As of January 31, 2021, these Class Y ordinary shares in aggregate constitute approximately 24% of our total issued and outstanding ordinary shares and approximately 76% of the aggregate voting power of our total issued and outstanding ordinary shares. They may take actions that are not aligned with the interests of our shareholders, including our ADS holders. In addition, the significant concentration of share ownership may adversely affect the trading price of our Class Z ordinary shares and/or ADSs due to investors' perception that conflicts of interest may exist or arise.

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

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

The sales or availability for sales of substantial amounts of our listed securities could adversely affect their trading price.

Sales of substantial amounts of our Class Z ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could adversely affect the trading price of our listed

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

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

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, investors should not rely on an investment in our Class Z ordinary shares and/or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. 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 subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return to the holders of our Class Z ordinary shares and/or ADSs will likely depend entirely upon any future price appreciation of our Class Z ordinary shares and/or ADSs. There is no guarantee that our Class Z ordinary shares and/or ADSs will appreciate in value or even maintain the price at which the investors purchased these securities. Investors may not realize a return on their investment in our Class Z ordinary shares and/or ADSs and may even lose their entire investment.

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

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and the jurisdiction of residence of the holders of our Class Z ordinary shares and/or ADSs that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, 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 ordinary 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 China, unless a tax treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China 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 ADSs or ordinary shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and similar arrangements and PRC laws. Although substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Class Z ordinary shares or ADSs, or the gain realized from the transfer of our Class Z ordinary shares or ADSs, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we were considered a PRC resident enterprise, as described above. See “—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax

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purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.” If PRC income tax were imposed on gains realized through the transfer of our ADSs or on dividends paid to our non-PRC resident investors, the value of the investment in our Class Z ordinary shares and/or ADSs may be materially and adversely affected. Furthermore, the holders of our Class Z ordinary shares and/or ADSs whose jurisdictions of residence have tax treaties or similar arrangements with China may not qualify for benefits under such tax treaties or arrangements.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. holders of our Class Z ordinary shares or ADSs.

A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75% of its gross income for such year consists of certain types of “passive” income; or (ii) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”). Although the law in this regard is unclear, we intend to treat our VIEs as being owned by us for U.S. federal income tax purposes, not only because we exercise effective control over the operation of these entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Assuming that we are the owner of our VIEs for U.S. federal income tax purposes, and based on our current and expected income and assets (taking into account our current market capitalization and the proceeds from this offering), we do not believe we were a PFIC for the taxable year ended December 31, 2020 and we do not presently expect to be a PFIC for the current taxable year or the foreseeable future. However, no assurance can be given in this regard because the determination of whether we are or will become a PFIC is a fact-intensive inquiry made on an annual basis that depends, in part, upon the composition of our income and assets. Fluctuations in the market price of our ADSs or Class Z ordinary shares may cause us to become a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test may be determined by reference to the market price of our ADSs or Class Z ordinary shares (which may be volatile). The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets, including the proceeds from this offering. In addition, if it were determined that we do not own the stock of our VIEs for U.S. federal income tax purposes, our risk of being a PFIC may substantially increase.

If we are a PFIC in any taxable year, a U.S. Holder may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the ADSs or Class Z ordinary shares and on the receipt of distributions on the ADSs or Class Z ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under U.S. federal income tax rules and such holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or Class Z ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class Z ordinary shares.

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

The 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

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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. Our dual-class voting structure gives disproportionate voting power to the Class Y ordinary shares. In addition, 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 Class Z ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class Z ordinary shares and/or ADSs may fall and the voting and other rights of the holders of our Class Z ordinary shares and ADSs may be materially and adversely affected.

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

We are an exempted company limited by shares registered under the laws of the Cayman Islands. Our corporate affairs are governed by our Articles of Association, the Companies Act (2021 Revision) of the Cayman Islands (as revised from time to time), or the Companies Act, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us 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 responsibilities 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 or Hong Kong. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States or a court in Hong Kong.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

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

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would under rules and regulations applicable to U.S. domestic issuers or companies incorporated in Hong Kong.

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

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

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

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards, and these practices may afford less protection to shareholders than shareholders would enjoy if we complied fully with the Nasdaq corporate governance listing standards.

As a Cayman Islands company listed on the Nasdaq Stock Market, we are subject to the Nasdaq corporate governance listing standards. However, the Nasdaq corporate governance listing standards permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. We currently follow our home country practice that (i) does not require us to hold an annual meeting of shareholders no later than one year after the end of its fiscal year and (ii) does not require us to seek shareholder approval for amending our share incentive plans. As a result, our investors may not be provided with the benefits of certain corporate governance requirements of Nasdaq.

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 U.S. domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of U.S. securities rules and regulations 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;

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- 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; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

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 the Nasdaq Stock Market. 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. As a result, our ADS holders may not be afforded the same protections or information, which would be made available to our ADS holders, were they investing in a U.S. domestic issuer.

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

Holders of ADSs do not have the same rights as our shareholders and may only exercise the voting rights with respect to the underlying Class Z ordinary shares represented by the ADSs in accordance with the provisions of the deposit agreement. Holders of ADSs may not call a shareholders' meeting, and do not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. Under our Articles of Association, the minimum notice period required to convene a general meeting is 10 days. We undertake that we will (i) provide at least 21 days' notice for annual general meetings and at least 14 days' notice for any other general meetings after the Listing and put forth a resolution at an extraordinary general meeting to be convened in September 2021 to amend our Articles of Association, so that the minimum notice period required to convene annual general meetings will be changed to 21 days and other general meetings 14 days. Under the deposit agreement, ADS holders must vote by giving voting instructions to the depositary. If we ask for ADS holders' instructions, then upon receipt of such voting instructions, the depositary will try to vote the underlying Class Z ordinary shares in accordance with these instructions. If we do not instruct the depositary to ask for ADS holders' instructions, the depositary may still vote in accordance with instructions given by ADS holders, but it is not required to do so. ADS holders will not be able to directly exercise their rights to vote with respect to the underlying Class Z ordinary shares represented by the ADSs unless they withdraw the Class Z ordinary shares and become the registered holders of such Class Z ordinary shares prior to the record date for the general meeting.

When a general meeting is convened, holders of ADSs may not receive sufficient notice of a shareholders' meeting to permit withdrawal of the underlying Class Z ordinary shares represented by their ADSs to allow them to cast their votes with respect to any specific matter. If we ask for ADS holders' instructions, the depositary will notify ADS holders of the upcoming vote and will arrange to deliver our voting materials to the ADS holders. We have agreed to give the depositary at least 30 business days' prior notice of our shareholder meetings. Nevertheless, the depositary and its agents may not be able to send voting instructions to holders of ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of ADSs in a timely manner, but we cannot assure that holders of ADSs will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the

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depository and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote and may lack recourse if the underlying Class Z ordinary shares represented by their ADSs are not voted as they requested.

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

In certain cases, our ADSs are transferable on the books of the depository. However, the depository 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 depository 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 depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository 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 relevant deposit agreement, or for any other reason.

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

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costlier. As we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. Operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We will also incur additional costs as a result of the Listing on the Hong Kong Stock Exchange. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

We may be involved in class action lawsuits in the United States in the future. Such lawsuits could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuits. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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RISKS RELATED TO THE GLOBAL OFFERING

An active trading market for our Class Z ordinary shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Class Z ordinary shares might fluctuate significantly.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Class Z ordinary shares on the Hong Kong Stock Exchange will develop or be sustained. The trading price or liquidity for our ADSs on the Nasdaq might not be indicative of those of our Class Z ordinary shares on the Hong Kong Stock Exchange following the completion of the Global Offering. If an active trading market of our Class Z ordinary shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Class Z ordinary shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai and Shenzhen Stock Exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and mainland Chinese investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai and Shenzhen markets. Stock Connect allows mainland Chinese investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, mainland Chinese investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen Stock Exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of WVR companies to be traded through Stock Connect. However, since these rules are relatively new, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary listing on the Hong Kong Stock Exchange. It is unclear whether and when the Class Z ordinary shares of our Company, a WVR company with a secondary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class Z ordinary shares for trading through Stock Connect will affect mainland Chinese investors' ability to trade our Class Z ordinary shares and therefore may limit the liquidity of the trading of our Class Z ordinary shares on the Hong Kong Stock Exchange.

During the period between pricing and trading of our Class Z ordinary shares in connection with this offering, the price of our ADSs traded on Nasdaq may fall, which could result in a fall in the price of our Class Z ordinary shares to be traded on the Hong Kong Stock Exchange.

The pricing of the Offer Shares will be determined on the Price Determination Date. However, our Class Z ordinary shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Class Z ordinary shares during that period. Accordingly, holders of our Class Z ordinary shares are subject to the risk that the trading price of our Class Z ordinary shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as our ADSs will continue to be traded on the Nasdaq and their price can be volatile, any fall in the price of our ADSs may result in a fall in the price of our Class Z ordinary shares to be traded on the Hong Kong Stock Exchange.

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There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our initial public offering in Hong Kong and the listing of our Class Z ordinary shares on the Hong Kong Stock Exchange.

In connection with our initial public offering of Class Z ordinary shares in Hong Kong, or the Hong Kong IPO, we will establish a branch register of members in Hong Kong, or the Hong Kong share register. Our Class Z ordinary shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Hong Kong IPO and those that may be converted from ADSs, will be registered on the Hong Kong share register, and the trading of these Class Z ordinary shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share conversion and trading between the Nasdaq and the Hong Kong Stock Exchange, we also intend to move a portion of our issued Class Z ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller. See “Information About the Listing—Dealings and Settlement of Class Z ordinary shares in Hong Kong.”

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our Class Z ordinary shares and/or ADSs may be affected.

Purchasers of our Class Z ordinary shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Class Z ordinary shares in the future.

The initial Public Offer Price of our Class Z ordinary shares in Hong Kong is higher than the net tangible assets per Share of the outstanding Class Z ordinary shares issued to our existing shareholders immediately prior to the Global Offering. Therefore, purchasers of our Class Z ordinary shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Class Z ordinary shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Class Z ordinary shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Class Z ordinary shares in the future at a price that is lower than the net tangible asset value per Share.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

Directors' Responsibility Statement

This document, for which our directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information with regard to us. Our directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Hong Kong Public Offering and this document

This document is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this document set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this document and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the pricing of the Hong Kong Offer Shares. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

Neither the delivery of this document nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document or imply that the information contained in this document is correct as of any date subsequent to the date of this document.

Procedures for Application for the Hong Kong Offer Shares

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this document.

Structure and Conditions of the Global Offering

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

Over-allotment Option and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this document.

Restrictions on Offers and Sales of Class Z Ordinary Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers of the Offer Shares described in this document.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Shares on a registration statement on Form F-3 to be filed with the SEC) or the general distribution of this document in any jurisdiction other than in Hong Kong or the United States. Accordingly, this document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Commencement of Dealings in Our Class Z Ordinary Shares

We expect that dealings in our Class Z ordinary shares on the Hong Kong Stock Exchange will commence on Monday, March 29, 2021. The Class Z ordinary shares will be traded in board lots of 20 Class Z ordinary shares each. The stock code of our Class Z ordinary shares will be 9626.

Class Z Ordinary Shares Will Be Eligible for Admission into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Class Z ordinary shares and we comply with the stock admission requirements of HKSCC, our Class Z ordinary shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our Class Z ordinary shares to be admitted into CCASS.

Professional Tax Advice Recommended

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Class Z ordinary shares or ADSs or exercising any rights attaching to our Shares. We emphasize that none of our

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Class Z ordinary shares or ADSs or your exercise of any rights attaching to our Class Z ordinary shares.

Register of Members and Stamp Duty

Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands, and our Hong Kong branch register of members will be maintained by the Hong Kong Share Registrar in Hong Kong.

Dealings in our Class Z ordinary shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, our Class Z ordinary shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Class Z ordinary shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-ordinary share conversion and trading between the Nasdaq and the Hong Kong Stock Exchange, we also intend to move a portion of our issued ordinary shares from our Cayman share register to our Hong Kong Share Registrar. It is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. See “Risk Factors—Risks Related to the Global Offering—There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our initial public offering in Hong Kong and listing of our Class Z ordinary shares on the Hong Kong Stock Exchange.”

Exchange Rate Conversion

Our reporting currency is the Renminbi. This document contains translations of financial data in Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of financial data in Renminbi into U.S. dollars and from U.S. dollars into Renminbi in this document were made at a rate of RMB6.5250 to US\$1.00, the exchange rate on December 31, 2020 set forth in the H.10 statistical release of the Federal Reserve Board.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

Rounding

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

Language

If there is any inconsistency between the English document and its Chinese translation, the English document shall prevail, provided that if there is any inconsistency between the Chinese names

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

Other

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

INFORMATION ABOUT THE LISTING

The Listing

We have applied for a listing of our Class Z ordinary shares on the Main Board under Chapter 19C (Secondary Listings of Qualifying Issuers) as well as Chapter 8A (Weighted Voting Rights).

We have a track record of good regulatory compliance of at least two full financial years on the Nasdaq as required by Rule 19C.04 of the Hong Kong Listing Rules for the purposes of our Listing.

We have applied to the Listing Committee for the listing of, and permission to deal in, our Class Z ordinary shares in issue and to be issued pursuant to the Global Offering (including the Class Z ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option), the Class Z ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and the Class Z ordinary shares to be issued after the conversion of our Class Y ordinary shares into Class Z ordinary shares.

Our ADSs are currently listed and traded on the Nasdaq. Other than the foregoing, no part of our Shares or loan capital is listed on or traded on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Class Z ordinary shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange.

Registration of Subscription, Purchase and Transfer of Shares

Our register of members holding unlisted Shares and a portion of our Class Z ordinary shares represented by the ADSs will be maintained by our Principal Share Registrar in the Cayman Islands, and our register of members holding Class Z ordinary shares listed on the Hong Kong Stock Exchange and a portion of our Class Z ordinary shares represented by the ADSs will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

Ownership of ADSs

An owner may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in his or her name, or (b) by holding ADSs in the direct registration system or “DRS”, or (2) indirectly through his or her broker or other financial institution. If the owner holds ADSs directly, he or she is an ADS holder. This description assumes the owner holds their ADSs directly. ADSs will be issued through DRS, unless the owner specifically requests certificated ADRs. If the owner holds the ADSs indirectly, he or she must rely on the procedures of their broker or other financial institution to assert the rights of ADS holders. Such owners should consult with his or her broker or financial institution to find out what those procedures are. The DRS is a system administered by The Depository Trust Company, or DTC, pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto.

INFORMATION ABOUT THE LISTING

Dealings and Settlement of Class Z Ordinary Shares in Hong Kong

Our Class Z ordinary shares will trade on the Hong Kong Stock Exchange in board lots of 20 ordinary shares. Dealings in our Class Z ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our Class Z ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class Z ordinary shares in his or her stock account or in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

Conversion between Class Z Ordinary Shares Trading in Hong Kong and ADSs

In connection with the Global Offering, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our Principal Share Registrar, Walkers Corporate Limited.

INFORMATION ABOUT THE LISTING

All Class Z ordinary shares offered in the Global Offering will be registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class Z ordinary shares registered on the Hong Kong share register will be able to convert these shares into ADSs, and vice versa.

In connection with the Global Offering, and to facilitate fungibility and conversion between ADSs and Class Z ordinary shares and trading between Nasdaq and the Hong Kong Stock Exchange, we intend to move a portion of our issued Class Z ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Our ADSs

Our ADSs are traded on the Nasdaq. Dealings in our ADSs on the Nasdaq are conducted in U.S. Dollars.

ADSs may be held either:

- directly (a) by having an American Depositary Receipt (ADR), which is a certificate evidencing a specific number of ADSs, registered in the holder's name, or (b) by holding uncertificated ADSs in the direct registration system; or
- indirectly, through the holder's broker or other financial institution.

The depository for our ADSs is Deutsche Bank Trust Company Americas, whose office is located at 60 Wall Street, New York, NY 10005, USA.

Converting Class Z Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class Z ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on the Nasdaq must deposit or have his or her broker deposit the Class Z ordinary shares with the depository's Hong Kong custodian, Deutsche Bank AG, Hong Kong Branch, or the custodian, in exchange for ADSs.

A deposit of Class Z ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class Z ordinary shares have been deposited with CCASS, the investor must transfer ordinary shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class Z ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class Z ordinary shares into CCASS for delivery to the depository's account with the custodian within CCASS, submit and deliver a duly completed and signed letter of transmittal to the custodian.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker.

For Class Z ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class Z ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

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Converting ADSs to Class Z Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class Z ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class Z ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class Z ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker should follow the broker's procedure and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class Z ordinary shares from the depositary's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class Z ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary. Such instructions must have a Medallion signature guarantee.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class Z ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class Z ordinary shares outside CCASS, he or she must receive ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class Z ordinary shares in their own names with the Hong Kong Share Registrar.

For Class Z ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class Z ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class Z ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class Z ordinary shares on the Hong Kong share registrar to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class Z ordinary shares on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary issues ADSs or permits withdrawal of Class Z ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

INFORMATION ABOUT THE LISTING

- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including, but not limited to, completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong or Cayman Share Registrar are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the transfer of Class Z ordinary shares to effect a withdrawal from or deposit of Class Z ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class Z ordinary shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class Z ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class Z ordinary shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class Z ordinary shares into, or withdrawal of ordinary shares from, our ADS program.

Summary of Exemptions as a Foreign Private Issuer in the U.S.

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

Exemptions from Nasdaq rules

Foreign private issuers are exempted from certain corporate governance requirements of Nasdaq. Foreign private issuers are permitted to follow home country practice, i.e., for us, the practice of the Cayman Islands, in lieu of such corporate governance requirements, as long as they disclose any significant ways in which their corporate governance practices differ from those required under the Nasdaq listing standards and explain the basis for the conclusion that the exemption is applicable. Specifically, we currently follow our home country practice that (i) does not require us to hold an annual meeting of shareholders no later than one year after the end of our fiscal year and (ii) does not require us to seek shareholder approval for amending our share incentive plans. There are no other significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Stock Market Rules. However, we undertake that we will (i) hold an annual general meeting every year after the Listing and (ii) put forth a resolution at an extraordinary general meeting to be convened in September 2021 to amend our Articles of Association to provide for an annual general meeting every year, even though there may not be any resolutions to be approved by the shareholders at such meetings. See “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company” for further details.

Exemptions from SEC rules and regulations under U.S. federal securities laws

Foreign private issuers are exempted from Regulation FD under the U.S. Exchange Act. Regulation FD provides that when a domestic U.S. issuer, or someone acting on its behalf, discloses material non-public information to certain persons (including securities analysts, other securities market professionals, and holders of the issuer’s securities who could reasonably be expected to trade

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on the basis of the information), it must make simultaneous public disclosure of that information (in the case of intentional disclosure) or prompt public disclosure (in the case of non-intentional disclosure). However, the SEC expects foreign private issuers to conduct themselves in accordance with the basic principles underlying Regulation FD.

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

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

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

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

Compliance Advisor

We have appointed Somerley Capital Limited as our compliance advisor, or the Compliance Advisor, upon listing of our Class Z ordinary shares on the Hong Kong Stock Exchange pursuant to Rule 8A.33 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 and 8A.34 of the Hong Kong Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document;
- (c) where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of our Class Z ordinary shares or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules;
- (d) our WVR structure;

INFORMATION ABOUT THE LISTING

- (e) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (f) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Advisor shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

WAIVERS AND EXEMPTIONS

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

<u>Rules</u>	<u>Subject matter</u>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Investments and Acquisitions after the Track Record Period
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountant's Report
Rule 8A.44, Appendix 3 and Part B of Appendix 13 to the Hong Kong Listing Rules	Requirements Relating to the Articles of Association of the Company
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules	Subscription for Shares by Existing Shareholders
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 27 of Appendix 1A of the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of Debenture Holders
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contribution to The Company
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraph 3(b) of Practice note 15 to the Hong Kong Listing Rules	Three-year Restriction on Spin-offs
Paragraph 32 of Appendix 1A to the Hong Kong Listing Rules and Guidance Letter HKEX-GL37-12	Timing Requirement of Liquidity Disclosure
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules	Clawback Mechanism
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under Takeovers Code
Part XV of the SFO	Disclosure of interests under Part XV of SFO
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information

WAIVERS AND EXEMPTIONS

PRINTED CORPORATE COMMUNICATIONS

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

The Company's ADSs have been listed on the Nasdaq since March 2018. The Company has a diverse shareholder base with ADS holders globally.

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

Apart from the Hong Kong Offer Shares that the Company will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given the Company's diverse shareholder base and the potential number of countries in which its shareholders are located, the Company considers that it would not be practicable for the Company to send printed copies of all its corporate communications to all of its shareholders. Further, the Company considers that it would also not be practicable for the Company to approach its existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

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

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

INVESTMENTS AND ACQUISITIONS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountant's report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to

WAIVERS AND EXEMPTIONS

which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Investments since the Track Record Period

During the Track Record Period, the Company has made minority investments in a few companies both in China and overseas in the ordinary and usual course of business to further its strategic objectives. Since the Track Record Period and up to the Latest Practicable Date, the Company has made or proposed to make minority investments in a number of companies, and it expects to continue to enter into further minority investments subsequent to the Latest Practicable Date and prior to the date of this prospectus (collectively, the “**Investments**”). Details of the Investments up to the Latest Practicable Date include:

<u>Investment⁽¹⁾⁽³⁾</u>	<u>Consideration⁽²⁾</u> <u>(approximately RMB million)</u>	<u>Percentage of shareholding/ equity interest⁽²⁾</u>	<u>Principal business activities</u>
Company A	10	9.6%	Multi-channel network
Company B	50	0.4%	Copy Rights
Company C	49	0.5%	Consumption
Company D	30	17.1%	Animation
Company E	22	5.0%	Animation
Company F	4	10.0%	Mobile Games
Company G	25	2.5%	Content Creator
Company H	64	10.0%	Film Production
Company I	19	10.9%	Music Production
Company J	52	7.0%	Consumption
Company K	8	15.0%	Consumption
Company L	13	37.0%	Mobile Games
Company M	5	15.0%	Music Production
Company N	6	10.0%	Film Production
Company O	24	15.0%	Consumption
Company P	185	11.5%	Mobile Games
Company Q	70	10.4%	Comics
Company R	28	10.0%	Animation
Company S	3	10.0%	Mobile Games
Company T	12	15.0%	Mobile Games
Company U	7	10.0%	Audio Production
Total	686		

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Investment after the Track Record Period. The percentage of shareholding/equity interest represents the Company’s total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.
- (3) To the best of our directors’ knowledge, information and belief having made all reasonable enquiry, the target and ultimate beneficial owner of the target in each Investments are third parties independent of the Company and its connected persons.

The Company confirms that the investment amounts for the Investments are the result of commercial arm’s length negotiations, based on factors including stock price (for public companies), market dynamics, a mutually agreed valuation, and/or capital need of the relevant company’s operations.

Our directors believe that the Investments will complement the Group’s businesses and support the growth of the Bilibili Platform by enhancing its features, functionality and content offerings, and

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are therefore expected to create synergies. Accordingly, our directors believe that the Investments, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for each of the Investments, if consummated, will be satisfied by the Group's own source of funds. For the avoidance of doubt, the proceeds of the Global Offering will not be used to fund the Investments.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Investments on the following grounds:

Ordinary and usual course of business

The Company confirms that it makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business. The Company has a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of the Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into, or are expected to be entered into, with different counterparties.

Accordingly, the Company believes that the Investments have not resulted in, or are not expected to result in, any significant changes to its financial position since December 31, 2019, and all information that is reasonably necessary for potential investors to make an informed assessment of its activities or financial position has been included in this prospectus. As such, the Company considers that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The Company is not able to exercise any control over the underlying company or business

The Company confirms that: (i) it only holds and/or will only hold a minority equity interest in each of the Investments and does not control their boards of directors, and expects this to remain the case for any subsequent Investments; and (ii) it is also not involved in the day to day management of these Investments and only enjoys minority strategic shareholder rights. The minority rights given to the Company are generally commensurate to its status as a minority shareholder and are for the protection of its interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this prospectus audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to the Company's portfolio relationships and commercial interests to make such disclosures. In addition, as some portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as the Company does not expect the Investments to result in any material changes to its financial position after the Track Record Period, the

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Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of the investors.

Alternative disclosure of the Investments in the listing document

The Company has disclosed alternative information about the Investments in this prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of the Company is a controlling shareholder of any of the Investments. The Company has however excluded disclosure on the names of certain companies in connection with the Investments in this prospectus because (i) the Company has entered into confidentiality agreements with these companies and does not have consent for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to the Investments as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in this prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Investments. The Company considers that it is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable the Company's competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, the Company believes the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Investments.

Acquisitions since the Track Record Period

Since the Track Record Period, the Company has made or proposed to make a number of acquisitions and up to the Latest Practicable Date, and expects to continue to enter into further acquisitions subsequent to the Latest Practicable Date and prior to the date of this prospectus (collectively, the "Acquisitions"). Details of the Acquisitions up to the Latest Practicable Date include:

<u>Targets⁽¹⁾⁽³⁾</u>	<u>Consideration⁽²⁾</u> (approximately RMB million)	<u>Percentage of shareholding/ equity interest⁽²⁾</u>	<u>Principal business activities</u>
Company V	105	100%	Online Games
Company W	613	100%	Animation
Company X	50	100%	Mobile app
Total	768		

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Acquisitions as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Acquisitions after the Track Record Period. The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Acquisitions after the completion of disclosed transaction.
- (3) To the best of our directors' knowledge, information and belief having made all reasonable enquiry, the target and ultimate beneficial owner of the target in each Acquisition are third parties independent of the Company and its connected persons.

The acquisition amounts for the Acquisitions are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital required for the target company's operations.

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Our directors believe that the Acquisitions will complement the Group's businesses and support the growth of the Bilibili Platform by enhancing its features, functionality and content offerings, and are therefore expected to create synergies. Accordingly, our directors believe that the Acquisitions, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for each of the Acquisitions, if consummated, will be satisfied by the Group's own source of funds. For the avoidance of doubt, the proceeds of the Global Offering will not be used to fund the Acquisitions.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Acquisitions on the following grounds:

The percentage ratios of each Acquisition are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisitions are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Acquisitions are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Acquisitions involves the acquisition of interests in a different company and (ii) the Acquisitions were entered into, or are expected to be entered into, with different counterparties.

Accordingly, the Company believes that the Acquisitions have not resulted in, or are not expected to result in, any significant changes to the Company's financial position since December 31, 2019, and all information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in this prospectus. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The historical financial information of the targets is not available and would be unduly burdensome to obtain or prepare

The Company confirms that the targets in respect of the Acquisitions do not have available historical financial information which is readily available for disclosure in this prospectus in accordance with the Hong Kong Listing Rules. In addition, it would require considerable time and resources for the Company and its reporting accountant to fully familiarize themselves with the management accounting policies of the targets and compile the necessary financial information and supporting documents for disclosure in this prospectus. As such, the Company believes that it would be impractical and unduly burdensome for the Company to disclose the audited financial information of the targets as required under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

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

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Alternative disclosure of the Acquisitions in the listing document

The Company has provided alternative information about the Acquisitions in this prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the targets' principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of the Company is a controlling shareholder of any of the targets. The Company has however excluded disclosure on the names of certain targets in connection with the Acquisitions because (i) the Company has entered into confidentiality agreements with these companies and does not have consent from them for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to all of these Acquisitions as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in this prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Acquisitions. It is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable its competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each Acquisition is less than 5% by reference to the most recent fiscal year of the Track Record Period, the Company believes the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Acquisitions.

DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANT'S REPORT

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

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

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

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

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ASC Topic 326 was adopted on January 1, 2020 using the modified retrospective method with a cumulative-effect increase of approximately RMB17.9 million recorded in accumulated deficit on January 1, 2020. The new standard amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The adoption of ASC Topic 326 had no significant impact on our Group's financial position and performance.

ASC 842 was adopted on January 1, 2019 using the modified retrospective method by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. Adoption of the new lease standard resulted in the recognition of RMB235.7 million of operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard does not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows and there was no adjustment to the beginning accumulated deficit on January 1, 2019.

This prospectus includes the following alternative disclosures:

- (a) for certain new accounting standards that came into effect during the Track Record Period, the accounting policies as well as the impact of adoption, if any, to the beginning accumulated deficit of initial application (i.e., January 1, 2019 and 2020) has been disclosed in the "Accountant's Report" in Appendix I to this prospectus in accordance with the relevant requirements under U.S. GAAP; and
- (b) disclosure of the relevant accounting policies adopted for the Track Record Period in the "Accountant's Report" in Appendix I to this prospectus.

As this prospectus has included the above alternative disclosures and the current disclosure in the this prospectus contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, the Company believes that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant's Report in Appendix I to this prospectus to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

The Company has applied for, and the Hong Kong Stock Exchange and SFC have granted, (i) a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules, and (ii) an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this prospectus. The SFC has granted an exemption on the conditions that: (i) the particulars of such exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before March 18, 2021.

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REQUIREMENTS RELATING TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Rule 19.30(1)(b) of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange may refuse a listing if it is not satisfied that the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Note 1 to Rule 19C.06 of the Hong Kong Listing Rules provides that a Non-Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules must comply with Appendix 3 and Appendix 13 to the Hong Kong Listing Rules.

Rule 8A.44 of the Hong Kong Listing Rules requires issuers with WVR structures such as the Company to give force to the requirements of rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document (together with the requirements under Appendix 3 and Appendix 13 to the Hong Kong Listing Rules, the "**Listing Rules Articles Requirements**").

The Company's Articles do not comply with some of the Listing Rules Articles Requirements, namely, (i) paragraphs 2(2), 12, 13(2) and 14 of Appendix 3 to the Hong Kong Listing Rules, (ii) paragraphs 1, 2(1), 3(1), 3(2), 3(3), 4(1), 4(2), 5(2), 5(3) and 5(4) of Part B of Appendix 13 to the Hong Kong Listing Rules and (iii) Rules 8A.09, 8A.13 to 8A.19, 8A.21 to 8A.24, 8A.26 to 8A.35 and 8A.37 to 8A.41 of the Hong Kong Listing Rules (together, the "**Unmet Listing Rules Articles Requirements**"). The Company will seek shareholders' approval to incorporate the Unmet Listing Rules Articles Requirements into its Articles in an extraordinary general meeting to be convened in September 2021 (the "**2021 EGM**").

Details of how the Unmet Listing Rules Articles Requirements will be incorporated into the Company's Articles are set out below:

- (1) Where power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the Company is satisfied beyond a reasonable doubt that the original has been destroyed (paragraph 2(2) of Appendix 3);
- (2) No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company (paragraph 12 of Appendix 3);
- (3) That where power is taken to sell the shares of a member who is untraceable it will not be exercised unless:
 - (i) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and
 - (ii) on expiry of the 12 years the Company gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention (paragraph 13(2) of Appendix 3);
- (4) That, where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14 of Appendix 3);

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- (5) A special resolution means a resolution passed by members holding three-fourths of the voting rights of those present and voting in person or by proxy at a meeting of members (paragraph 1 of Part B of Appendix 13);
- (6) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied only with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. To every such separate general meeting the provisions of the Company's articles relating to general meetings shall mutatis mutandis apply, but the quorum provisions relevant to any such meeting may be varied (paragraph 2(1) of Part B of Appendix 13);
- (7) Any annual general meeting must be called by notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by notice of at least 14 days. The notice convening a meeting shall contain particulars of the resolutions to be considered at that meeting (paragraph 3(1) of Part B of Appendix 13);
- (8) The branch register of members in Hong Kong shall be open for inspection by members but the Company may close the register in terms equivalent to section 632 of the Companies Ordinance (paragraph 3(2) of Part B of Appendix 13);
- (9) An annual general meeting shall be held in each year and the audited accounts shall be sent to members at the same time as the notice of annual general meeting (paragraph 3(3) of Part B of Appendix 13). Notwithstanding the foregoing, the Company will not hold an annual general meeting in 2021;
- (10) The Company shall keep proper books of account necessary to give a true and fair view of the Company's affairs (paragraph 4(1) of Part B of Appendix 13);
- (11) Accounts shall be audited and shall be laid before members at the annual general meeting which must be held in each year; not more than 15 months (or such longer period as the Hong Kong Stock Exchange may authorise) may elapse between the date of one annual general meeting and the next (paragraph 4(2) of Part B of Appendix 13);
- (12) Except as would be permitted by the Companies Ordinance if the Company were a company incorporated in Hong Kong, and except as permitted under the Companies Law, the Company shall not directly or indirectly:
 - (i) make a loan to a director of the Company or his close associates or a director of any holding company of the Company or a body corporate controlled by such a director or director of the Company;
 - (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a director of the Company or such a director or a body corporate controlled by such a director or director of the Company; or
 - (iii) if any one or more of the directors of the Company hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company (paragraph 5(2) of Part B of Appendix 13);

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- (13) The directors shall declare their material interests in any contracts with the Company at the earliest meeting of the board of directors of the Company at which it is practicable for them to do so either specifically or by way of a general notice stating that, by reason of facts specified in the notice, they are to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company (paragraph 5(3) of Part B of Appendix 13);
- (14) Payment to any director or past director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director is contractually entitled) must first be approved by the Company in general meeting (paragraph 5(4) of Part B of Appendix 13);
- (15) The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (a) the aggregate number of votes entitled to be cast by all holders of Class Z ordinary shares (for the avoidance of doubt, excluding those who are also holders of Class Y ordinary shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (b) an increase in the proportion of Class Y ordinary shares to the total number of shares in issue (Rules 8A.09 and 8A.13 of the Hong Kong Listing Rules);
- (16) No further Class Y ordinary shares shall be issued by the Company, except with the prior approval of the Hong Kong Stock Exchange and pursuant to (a) an offer to subscribe for shares made to all the members pro rata (apart from fractional entitlements) to their existing holdings; (b) a pro rata issue of shares to all the members by way of scrip dividends; or (c) pursuant to a share subdivision or other similar capital reorganisation; provided that, each member shall be entitled to subscribe for (in a pro rata offer) or be issued (in an issue of shares by way of scrip dividends) shares in the same class as the shares then held by him, notwithstanding article 16 of the Company's existing Articles; and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class Y ordinary shares in issue, so that:
 - (i) if, under a pro rata offer, any holder of Class Y ordinary shares does not take up any part of the Class Y ordinary shares or the rights thereto offered to him, such untaken shares (or rights) shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class Z ordinary shares; and
 - (ii) to the extent that rights to Class Z ordinary shares in a pro rata offer are not taken up in their entirety, the number of Class Y ordinary shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately. (Rule 8A.14 of the Hong Kong Listing Rules);
- (17) If the Company reduces the number of its shares in issue (e.g. through a purchase of its own shares) the WVR beneficiaries must reduce their weighted voting rights in the Company proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the Company's shares that carry weighted voting rights (Rule 8A.15 of the Hong Kong Listing Rules);

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- (18) The Company must not change the terms of the Class Y ordinary shares to increase the number of votes to which each Class Y ordinary share is entitled (Rule 8A.16 of the Hong Kong Listing Rules);
- (19) Class Y ordinary shares shall only be held by a director or a limited partnership, trust, private company or other vehicle wholly owned or wholly controlled by a director (“**Director Holding Vehicle**”). Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each Class Y ordinary share shall be automatically converted into one Class Z ordinary share upon the occurrence of any of the following events:
- (i) the death of the holder of such Class Y ordinary share (or, where the holder is a Director Holding Vehicle, the death of the director holding or controlling such Director Holding Vehicle);
 - (ii) the holder of such Class Y ordinary share ceasing to be a director or a Director Holding Vehicle for any reason;
 - (iii) the holder of such Class Y ordinary share (or, where the holder is a Director Holding Vehicle, the director holding or controlling such Director Holding Vehicle) being deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a director;
 - (iv) the holder of such Class Y ordinary share (or, where the holder is a Director Holding Vehicle, the director holding or controlling such Director Holding Vehicle) being deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules; or
 - (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class Y ordinary share or the control over the voting rights attached to such Class Y ordinary share (through voting proxies or otherwise), other than (i) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage; (ii) a transfer of the legal title to such share by a director to a Director Holding Vehicle held or controlled by him, or by a Director Holding Vehicle to the director holding or controlling it or another Director Holding Vehicle held or controlled by such director; and (iii) any transfer of legal title to such share by a holder of Class Y ordinary shares to a limited partnership, trust, private company or other vehicle which holds Class Y ordinary shares on behalf of such holder. (Rules 8A.17, 8A.18(1), 8A.18(2) and 8A.19 of the Hong Kong Listing Rules);
- (20) Any conversion of Class Y ordinary shares into Class Z ordinary shares pursuant to these Articles shall be effected by the re-designation of each Class Y ordinary share into one Class Z ordinary share (Rule 8A.21 of the Hong Kong Listing Rules);
- (21) All of the Class Y ordinary shares in the authorized share capital shall be automatically re-designated into Class Z ordinary shares in the event all of the Class Y ordinary shares in issue are converted into Class Z ordinary shares, and no further Class Y ordinary shares shall be issued by the Company (Rule 8A.22 of the Hong Kong Listing Rules);
- (22) The board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of members holding at the date

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of deposit of the requisition Shares which carry in aggregate not less than one-tenth (1/10) of all votes (on a one vote per Share basis) attaching to all issued and outstanding Shares of the Company that as at the date of the deposit carry the right to vote at general meetings of the Company, and such members may add resolutions to the meeting agenda (Rule 8A.23 of the Hong Kong Listing Rules);

- (23) Notwithstanding any provisions in the Company's Articles to the contrary, each Class Y ordinary share and each Class Z ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters:
- (i) any amendment to the Company's Memorandum or Articles, including the variation of the rights attached to any class of shares;
 - (ii) the appointment or removal of any independent non-executive director;
 - (iii) the appointment or removal of the auditors; or
 - (iv) the voluntary winding-up of the Company (Rule 8A.24 of the Hong Kong Listing Rules).
- (24) The role of an independent non-executive director shall include, but is not limited to:
- (i) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (ii) taking the lead where potential conflicts of interests arise;
 - (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and
 - (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

The independent non-executive directors shall give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of the members; and

The independent non-executive directors shall make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments (Rule 8A.26 of the Hong Kong Listing Rules).

- (25) The board shall establish a nominating and corporate governance committee, which shall perform the following duties:
- (i) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;
 - (ii) identify individuals suitably qualified to become directors and select or make recommendations to the board on the selection of individuals nominated for directorships;
 - (iii) assess the independence of independent non-executive directors; and

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- (iv) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer of the Company.

The nominating and corporate governance committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Hong Kong Stock Exchange's website and the Company's website.

The Company should provide the nominating and corporate governance committee sufficient resources to perform its duties. Where necessary, the nominating and corporate governance committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (i) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
 - (iii) the perspectives, skills and experience that the individual can bring to the board; and
 - (iv) how the individual contributes to diversity of the board (Rule 8A.27 of the Hong Kong Listing Rules);
- (26) The nominating and corporate governance committee shall comprise entirely of independent non-executive directors, one of whom shall act as its chairman (Rules 8A.28 and 8A.31 of the Hong Kong Listing Rules);
 - (27) The independent non-executive directors shall be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Hong Kong Listing Rules);
 - (28) The nominating and corporate governance committee shall also perform the following duties:
 - (i) develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
 - (ii) review and monitor the training and continuous professional development of directors and senior management;
 - (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 - (iv) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
 - (v) review the Company's compliance with the code and disclosure in the Corporate Governance Report;

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- (vi) review and monitor whether the Company is operated and managed for the benefit of all of its members;
 - (vii) confirm, on an annual basis, that each holder of Class Y ordinary shares (or where a holder is a Director Holding Vehicle, the person holding or controlling such vehicle) has been a director throughout the year and that none of the events set out in Rule 8A.17 of the Hong Kong Listing Rules have occurred during the relevant financial year;
 - (viii) confirm, on an annual basis, that each holder of Class Y ordinary shares (or where a holder is a Director Holding Vehicle, the person holding or controlling such vehicle) has complied with rules 8A.14, 8A.15, 8A.18 and 8A.24 throughout the year;
 - (ix) review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or holders of Class Z ordinary shares (considered as a group) on the one hand, and any holder of Class Y ordinary shares on the other;
 - (x) review and monitor all risks related to the Company's weighted voting rights structure, including connected transactions between the Company and/or a subsidiary of the Company on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
 - (xi) make a recommendation to the board as to the appointment or removal of the compliance adviser;
 - (xii) seek to ensure effective and on-going communication between the Company and its members, particularly with regards to the requirements of Rule 8A.35 of the Hong Kong Listing Rules;
 - (xiii) report on the work of the nominating and corporate governance committee on at least a half yearly and annual basis covering all areas of its charter in respect of corporate governance matters; and
 - (xiv) disclose, on a comply or explain basis, its recommendations to the board in respect of matters in sub-paragraphs (ix) to (xi) above in the report referred to in sub-paragraph (xiii) above (Rule 8A.30 of the Hong Kong Listing Rules);
- (29) The Corporate Governance Report produced by the Company pursuant to the Hong Kong Listing Rules shall include a summary of the work of the nominating and corporate governance committee, with regards to its charter on corporate governance matters, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible. (Rule 8A.32 of the Hong Kong Listing Rules);
- (30) The Company shall appoint a compliance adviser on a permanent basis (Rule 8A.33 of the Hong Kong Listing Rules);
- (31) The board shall consult with, and if necessary, seek advice from the compliance adviser, on a timely and ongoing basis, on any matters related to:
- (i) the weighted voting rights structure of the Company;
 - (ii) transactions in which the holders of Class Y ordinary shares have an interest; and

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- (iii) where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or holders of Class Z ordinary shares (considered as a group) on the one hand, and any holder of Class Y ordinary shares on the other (Rule 8A.34 of the Hong Kong Listing Rules);
- (32) The Company shall comply with the provisions of Appendix 14 of the Hong Kong Listing Rules regarding communication with shareholders or members of the Company (Rule 8A.35 of the Hong Kong Listing Rules);
- (33) The Company shall include the words “A company controlled through weighted voting rights” or such language as may be specified by the Hong Kong Stock Exchange from time to time on the front page of all its listing documents, periodic financial reports, circulars, notifications and announcements required by the Hong Kong Listing Rules, and describe its weighted voting rights structure, the rationale of such structure and the associated risks for the members prominently in its listing documents and periodic financial reports. This statement shall inform prospective investors of the potential risks of investing in the Company and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Hong Kong Listing Rules);
- (34) Every share certificate shall prominently include the words “A company controlled through weighted voting rights” or such language as may be specified by the Hong Kong Stock Exchange from time to time, and specify the number and class of shares in respect of which it is issued and the amount paid thereon or the fact that they are fully paid, as the case may be, and may otherwise be in such form as the board may from time to time prescribe (Rule 8A.38 of the Hong Kong Listing Rules);
- (35) The Company shall, in its listing documents and its interim and annual reports:
 - (i) identify the holders of Class Y ordinary shares (and, where a holder is a Director Holding Vehicle, the director holding or controlling such vehicle) (Rule 8A.39 of the Hong Kong Listing Rules);
 - (ii) disclose the impact of a potential conversion of Class Y ordinary shares into Class Z ordinary shares on its share capital (Rule 8A.40 of the Hong Kong Listing Rules); and
 - (iii) disclose all circumstances in which the weighted voting rights attached to the Class Y ordinary shares shall cease (Rule 8A.41 of the Hong Kong Listing Rules).

In addition, to further enhance its shareholder protection measures, the Company will at the 2021 EGM propose to its shareholders the following amendments to its Articles: (a) lowering the quorum of general meeting (which is not a class meeting) from one-third of all votes attaching to all shares in issue and entitled to vote at such general meeting in the Company as currently provided for in article 65 of the Company’s Articles to 10% of all votes attaching to all shares in issue and entitled to vote at such general meeting in the Company (the “**Quorum Requirement**”); and (b) where a general meeting is postponed by the directors, requiring such meeting to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”, together with the Unmet Listing Rules Articles Requirements and the Quorum Requirement, the “**Unmet Articles Requirements**”).

As advised by the Company’s legal adviser as to Cayman Islands laws, the incorporation of the following Unmet Articles Requirements will require (a) approvals of both holders of Class Y ordinary shares and holders of Class Z ordinary shares in separate class meetings at the 2021 EGM in

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accordance with article 17 of the Company's Articles because these requirements would vary the rights attached to Class Y and Class Z ordinary shares: (i) paragraph 2(1) of Part B of Appendix 13 to the Hong Kong Listing Rules; and (ii) Rules 8A.09, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18(1), 8A.18(2), 8A.19, 8A.21, 8A.22, 8A.23 and 8A.24 of the Hong Kong Listing Rules—a resolution to incorporate these Unmet Articles Requirements (the “**Class-based Resolution**”) will need to be approved at the separate class meetings of holders of Class Y ordinary shares (the “**Class Y Meeting**”) and of Class Z ordinary shares (the “**Class Z Meeting**”). The quorum for the Class Y and Class Z Meetings will be one-third of the issued shares of the respective Class Y and Class Z ordinary shares on a one share one vote basis in accordance with article 17 of the Company's Articles. The Class-based Resolution requires approval by holders of two-thirds of the issued Class Y ordinary shares and approval by holders of two-thirds of the issued Class Z ordinary shares pursuant to article 17 of the Company's Articles.

If the Class-based Resolution is passed at both the Class Y and Class Z Meetings, at the full shareholders' meeting where all shareholders may vote as a single class (the “**Full Shareholders' Meeting**”), the shareholders will be asked to vote on the Class-based Resolution and another resolution to incorporate into the Company's Articles the Unmet Articles Requirements not covered by the Class-based Resolution (the “**Non-class-based Resolution**”). The quorum for the Full Shareholders' Meeting will be members controlling one-third of the voting powers in the Company present in person or by proxy pursuant to article 65 of the Company's Articles. At the Full Shareholders' Meeting, each of the Class-based Resolution and the Non-class-based Resolution will require approval by members holding two-thirds of the voting rights of those present and voting in person or by proxy in accordance with article 159 of the Company's Articles.

If the Class-based Resolution is not approved at either the Class Y or Class Z Meeting, then the shareholders at the Full Shareholders' Meeting will only be asked to vote on the Non-class-based Resolution.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the Unmet Articles Requirements, subject to the conditions that:

- a. at the 2021 EGM, the Company will put forth: (i) the Class-based Resolution at the Class Y Meeting and the Class Z Meeting; and (ii) the Class-based Resolution (if adopted at the Class Y and Class Z Meetings) and the Non-class-based Resolution at the Full Shareholders' Meeting (together, the “**Proposed Resolutions**”) to amend its Articles to comply with the Unmet Articles Requirements;
- b. each of the WVR beneficiaries will, prior to the Listing, irrevocably undertake to the Company to be present at the 2021 EGM (whether in person or by proxy) and any general meeting that may be convened upon Listing and before the 2021 EGM, and to vote in favor of the Proposed Resolutions;
- c. if any of the Proposed Resolutions are not passed at the 2021 EGM, until they are all approved by the shareholders, the Company undertakes to the Hong Kong Stock Exchange to continue to put forth the Proposed Resolutions that have not been passed at each subsequent annual general meeting, and each of the WVR beneficiaries will, prior to the Listing, irrevocably undertake to continue to be present and vote in favor of such Proposed Resolutions at such a meeting;
- d. the Company will issue a press release announcing its support publicly for the Proposed Resolutions each year after the Listing until all the Proposed Resolutions are adopted;

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- e. the Company will, prior to the Listing, irrevocably undertake to the Hong Kong Stock Exchange that it will comply with the Unmet Listing Rules Articles Requirements and the GM Postponement Requirement in full (the “**Undertaking for Interim Compliance**”) upon the Listing and before its existing Articles are formally amended to incorporate the Unmet Articles Requirements, except for:
 - i. paragraph 3(3) of Part B of Appendix 13 to the extent that the Company is required to hold an annual general meeting in 2021, due to the reasons as set out in “—Laying Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year” in this section below;
 - ii. paragraph 2(1) of Part B of Appendix 13 such that, prior to the Company’s Articles being amended, the threshold for passing a resolution in a separate class meeting will be approval by holders of two-thirds of the issued shares of that class as per article 17 of the Company’s Articles, based on the specific and prevailing circumstances of the Company; and
 - iii. Rules 8A.24(1) and (2) and paragraph 1 of Part B of Appendix 13 such that, prior to the Company’s articles being amended, the threshold for passing a special resolution for amendments to the Company’s Articles will be approval by members holding two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 159 of the Company’s Articles, based on the specific and prevailing circumstances of the Company. For the avoidance of doubt, the exception for Rules 8A.24(1) and (2) is only applicable to the passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with Rules 8A.24(1) and (2) for passing any special resolution (other than the Proposed Resolutions) under the Undertaking for Interim Compliance;
- f. each of the WVR beneficiaries will, prior to the Listing, irrevocably undertake to the Company that it will procure the Company to give effect to the Undertaking for Interim Compliance upon the Listing and before its existing Articles are formally amended; and
- g. the Company remains listed on the Nasdaq.

The Company’s legal adviser as to the laws of the Cayman Islands confirms that the Undertaking for Interim Compliance will not violate the laws and regulations of the Cayman Islands, and the Company confirms that, having consulted its other legal advisers, the Undertaking for Interim Compliance will also not violate other laws and regulations applicable to the Company.

Assuming the Over-allotment Option is not exercised, the WVR beneficiaries will, immediately upon the Listing, beneficially own in aggregate 83,715,114 Class Y ordinary shares and 2,634,145 Class Z ordinary shares representing (a) 100% of the total voting rights of holders of the Class Y ordinary shares voting as a separate class, (b) approximately 0.90% of the total voting rights of holders of the Class Z ordinary shares voting as a separate class, and (c) approximately 74.27% of total voting rights in the Company.

Accordingly, although our WVR beneficiaries’ undertakings to be present at the 2021 EGM (whether in person or by proxy) will be able to ensure a quorum at the Class Y Meeting and the Full Shareholders’ Meeting, there is no assurance that a quorum will be formed at the Class Z Meeting. If no quorum is formed at the Class Z Meeting, it cannot be convened. Furthermore, despite our WVR beneficiaries’ undertakings to vote in favor of the Proposed Resolutions to ensure that they will be

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adopted at the Class Y Meeting and the Full Shareholders' Meeting, there is no guarantee that the Class-based Resolution will be passed at the Class Z Meeting. As the Company has not, since its listing on the Nasdaq, held a general meeting, it is uncertain as to whether the Class-based Resolution will be approved with sufficient support from our shareholders at the Class Z Meeting.

After the Listing, the Company will in its interim and annual reports confirm whether it has, in the preceding financial year, complied with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules to the extent required by Chapter 8A of the Hong Kong Listing Rules.

DEALINGS IN SHARES PRIOR TO LISTING

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

The Company had approximately 100 subsidiaries and operating entities as of January 31, 2021, and its ADSs are widely held, publicly traded and listed on the Nasdaq. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investing public in the U.S. Solely based on public filings with the SEC as of the Latest Practicable Date, other than (a) Mr. Rui Chen (the Company's Controlling Shareholder, executive Director and Chief Executive Officer), (b) Vanship Limited (a company controlled by The Le Petit Prince Trust, a trust of which Mr. Rui Chen is the settlor, and Mr. Rui Chen and his family members are the beneficiaries), (c) Mr. Yi Xu (the Company's executive Director and President) and (d) Kami Sama Limited (a company controlled by The Homur Trust, a trust of which Mr. Yi Xu is the settlor, and Mr. Yi Xu and his family members are the beneficiaries), there are no shareholders who controlled more than 10% of the voting rights of the Company.

Mr. Rui Chen (the Company's Controlling Shareholder, executive Director and Chief Executive Officer) and Mr. Yi Xu (the Company's executive Director and President) may from time to time use their respective Shares as security (including charges and pledges) in connection with financing activities. As of December 31, 2020, Mr. Rui Chen, through Vanship Limited and Windforce Limited, beneficially owned 49,928,751 Shares, of which 10,675,207 Class Y ordinary shares were pledged as security, and Mr. Yi Xu, through himself and Kami Sama Limited, beneficially owned 28,312,208 Shares, of which 14,000,000 Class Y ordinary shares were pledged as security. As of December 31, 2020, no persons under Category 2 (as defined below) had pledged their respective Shares as security in connection with financing transactions.

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

- (a) Mr. Rui Chen, the Company's Controlling Shareholder, executive Director and Chief Executive Officer, and Mr. Yi Xu, the Company's executive Director and President, in respect of their respective use of Shares as security in connection with financing activities, provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 1**”);
- (b) the Company's directors and chief executives other than Mr. Rui Chen and Mr. Yi Xu, and the directors and chief executives of its Major Subsidiaries, in respect of their respective

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use of the Shares as security in connection with financing activities, provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 2**”);

- (c) directors, chief executives and substantial shareholders of the Company’s non-Major Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company’s substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company’s subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and
- (b) persons in Category 1 and Category 2 who use their respective Shares other than as described in this section headed “Dealings in the Shares prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company’s subsidiaries and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;
- (c) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware;
- (d) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, the Company’s directors and chief executive and the directors and chief executives of its

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Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted shares, RSUs, dividend equivalents, and share payments under the Group's share incentive plans.

The Company believes that the circumstances relating to this waiver align with those set out in the Hong Kong Stock Exchange's Guidance Letter HKEX-GL42-12 and the grant of this waiver will not prejudice the interests of potential investors.

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

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

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

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

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

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

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

The Company has been listed on the Nasdaq since March 2018 and has a wide and diverse shareholder base. There is a robust level of trade in the Company's securities, with significant daily trading volume resulting in daily changes to its existing shareholders. The Company is not in a position to prevent any person or entity from acquiring its listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for the Company to seek the prior consent of the Hong Kong Stock Exchange for each of its existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering.

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The Company confirms that any person (whether or not an existing shareholder of the Company) who may, as a result of dealings, become the Company's shareholder and who is not a director or chief executive of the Company or its subsidiaries, or any of their close associates (the "**Permitted Existing Shareholders**"), has no influence over the Global Offering and is not in possession of any non-public inside information and are effectively in the same position as any other public investors of the Company.

Solely based on public filings with the SEC available as of December 31, 2020, the Company had no shareholder who was not a director and who controlled 5% or more of the Company's voting rights.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the restriction on each Permitted Existing Shareholder, subject to the following conditions:

- (a) each Permitted Existing Shareholder (and its close associate) is interested in less than 5% of the Company's voting rights immediately before the Listing;
- (b) each Permitted Existing Shareholder (and its close associate) is neither a director nor member of the senior management of the Company or its subsidiaries or any of their close associates;
- (c) the Permitted Existing Shareholders and their close associates do not have the power to appoint directors of, or any other special rights in, the Company;
- (d) the Permitted Existing Shareholders and their close associates do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- (e) the Permitted Existing Shareholders and their close associates will be subject to the same book-building and allocation process as other investors in the Global Offering; and
- (f) no preferential treatment will be given to the Permitted Existing Shareholders and their close associates in the allocation process by virtue of their relationship with the Company. To the best of their knowledge and belief, each of the Company, the Joint Sponsors and the Joint Representatives (based on (i) its discussions with the Company and the Joint Representatives and (ii) the confirmations to be submitted to the Hong Kong Stock Exchange by the Company and the Joint Representatives) confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with the Company.

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

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in the Company's allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of the issued share capital of

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the Company after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for the Company to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

PRINTED PROSPECTUS

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules, the Company is required to make available copies of this prospectus in printed form.

The waiver from the requirements to make available printed copies of this prospectus is in line with recent amendments to the Hong Kong Listing Rules relating to environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of a printed prospectus and printed application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

The Company proposes to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. The Company’s share registrar appointed in connection with the Listing and the Hong Kong Public Offering will implement enhanced measures to support White Form eIPO Service, including increasing its server capacity and making available a telephone hotline to answer investors’ queries and a dedicated section of the White Form eIPO Service with specific guidance to investors in connection with the fully electronic application process. To apply for the Hong Kong Offer Shares, investors may apply online through the White Form eIPO Service at www.eipo.com.hk or apply through CCASS EIPO service to electronically cause HKSCC Nominees to apply on their behalf. For details, please refer to the section headed “How to Apply for Hong Kong Offer Shares”.

The Company also expects to publish the formal notice with respect to its Hong Kong Public Offering on the official websites of the Hong Kong Stock Exchange and the Company and in selected English and Chinese local newspapers describing the fully electronic application process including the

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available channels for share subscription and the enhanced support provided by the Company's appointed Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectus or application form will be provided.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of providing copies of this prospectus in printed form.

MONTHLY RETURN

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

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

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

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

LAYING ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate.

Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

The Company is an issuer with significant interests outside of Hong Kong. By way of illustration:

- (a) the Company was incorporated in the Cayman Islands;
- (b) the Company is a secondary listed issuer in Hong Kong under Chapter 19C of the Listing Rules, with a primary listing on the Nasdaq;

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- (c) the Company has applied for a ruling from the Securities and Futures Commission on the date hereof that the Company should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Codes on Takeovers and Mergers and Share Buy-backs; one of the reasons for the application is that the Company has significant interests outside of Hong Kong;
- (d) as of December 31, 2020, the Group had more than 8,000 employees based in the PRC and less than 10 employees based in Hong Kong;
- (e) for the year ended December 31, 2019, more than 95% of the Group's net revenues were generated outside Hong Kong, and as of December 31, 2020, more than 95% of the Group's total assets were based outside Hong Kong; and
- (f) for the year ended December 31, 2019, less than 5% of the Group's net revenues were generated from Hong Kong, and, as of December 31, 2020, less than 5% of the Group's total assets were based in Hong Kong.

The Company is expected to be listed in March 2021 and will include in the prospectus the audited financial information for the year ended December 31, 2020 and other financial disclosure. Upon its Listing, the Company will therefore have provided its shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules to its shareholders. Accordingly, the Company's shareholders would not be unfairly prejudiced by it not convening an annual general meeting by June 30, 2021 for the purpose of laying its annual financial statements for the financial year ended December 31, 2020 before its members, as required by Rule 13.46(2)(b) of the Hong Kong Listing Rules.

Furthermore, the Company has not historically held an annual general meeting (“AGM”) every year, and the procedures for convening an AGM for a company with a dual listing in the U.S. and Hong Kong are burdensome and require global coordination among various parties, including, but not limited to, the Company's ADS depository bank, Hong Kong share registrar, and Hong Kong Securities Clearing Company Limited. Since the Company's ADSs, rather than its Class Z ordinary shares, are traded on Nasdaq, the Company with the help of its depository bank must take a series of extra steps to convene an AGM with matters submitted to shareholders for approval, in addition to the usual procedures for giving notice to, and collecting voting results from, shareholders owning Class Z ordinary shares. To illustrate, firstly, the Company (as a public company primarily listed in the U.S. with a highly fragmented and diverse share-holder base) will have to, with the assistance of its ADS depository bank, conduct broker search to gather the contact details of securities holders, prepare and print the AGM notice and proxy forms, mail physical copies to securities holders, arrange notification(s) to Nasdaq and an announcement on Nasdaq (in addition to the Company's own announcement). This is a time-consuming process especially for a company who has not done so in the past, and will need to be completed not less than 21 days before the date of the AGM in accordance with the Company's undertaking to the Hong Kong Stock Exchange (see “—Requirements Relating to the Articles of Association of the Company” in this section above). Secondly, sufficient time must be given to the ADS depository bank to collect voting instructions from the ADS holders so that the depository bank can cast votes on behalf of the ADS holders. Thirdly, the Company will need to coordinate with its ADS depository bank, Hong Kong share registrar and Hong Kong Securities Clearing Company Limited on the logistical matters involved in convening an AGM for U.S. and Hong Kong shareholders. Since the Company has not historically held an AGM after its listing on the Nasdaq, let alone convening an AGM for both U.S and Hong Kong shareholders, the process for

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preparing the Company's first AGM, taking into account potential logistical and technical challenges, could take three months or more after the Listing. As such, the Company may have difficulty and may not be able to complete these burdensome procedures as set out above and convene an AGM by June 30, 2021.

In addition, since the Company has undertaken to convene 2021 EGM in September 2021 (see “—Requirements Relating to the Articles of Association of the Company” in this section above), the Company's resources and management attention will be diverged for the preparation of such 2021 EGM.

Rule 5620(a) of the Nasdaq Stock Market Marketplace Rules (the “**Nasdaq Listing Rules**”) requires that each company listing common stock or voting preferred stock, and their equivalents, shall hold an AGM no later than one year after the end of the company's fiscal year-end. However, pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, a foreign private issuer such as the Company may follow its home country practice in lieu of the Rule 5600 Series corporate governance requirements, including the requirements to hold an AGM under Rule 5620(a). The term “home country” is defined under the U.S. securities laws to mean the jurisdiction in which the company is legally organized, incorporated or established.

The Company has, in its past practice, elected to follow home country practice pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules to avoid complying with the requirement under the Rule 5620(a) to hold an AGM every fiscal year, and has disclosed the same in the Company's annual report on Form 20-F pursuant to the U.S. securities laws.

Under article 61(a) of the Company's articles of association, the Company may (but shall not be obliged to) in each calendar year hold a general meeting as its annual general meeting.

The Company's Cayman Islands counsel confirmed that (a) the Companies Act (as revised) of the Cayman Islands does not require the Company to follow or comply with the requirement of Rule 5620(a) to hold an AGM every fiscal year; (b) the Company's not holding an AGM every fiscal year will not breach any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands; (c) the Company's the memorandum and articles do not prohibit the Company from following its home country practice in lieu of the requirement of Rule 5620(a).

On the basis of the above, the Company's not holding an AGM before the end of the financial year ending December 31, 2020 does not contravene the relevant requirements under the Nasdaq Listing Rules, U.S. securities laws, laws of the Cayman Islands and the Company's articles of association.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules in respect of the requirement to hold an AGM within six months after the financial year ended December 31, 2020 for the purpose of laying the Company's annual financial statements before its members, subject to the condition that the Company shall hold an AGM for the financial year ending December 31, 2021 by June 30, 2022 for the purpose of laying before its members at the 2022 AGM the financial statements for the financial year ending December 31, 2021 and for each subsequent financial year as required by Rule 13.46(2)(b) of the Hong Kong Listing Rules.

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

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

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

The Company has identified 10 entities as its Major Subsidiaries. For further details, see the section headed “History and Corporate Structure—Major Subsidiaries and Operating Entities” in this prospectus. The Company had approximately 100 subsidiaries and operating entities as of January 31, 2021. The Company believes that it would be unduly burdensome for the Company to disclose this information in respect of its non-major subsidiaries as the Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors. The non-disclosure of such information will not prejudice the interests of investors. We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

The Major Subsidiaries include all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. (i.e. contributing more than 10% of the Group’s total assets and income) and subsidiaries that are material to the Group’s business operations (including those that hold major intellectual properties). None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company’s total net revenues, total net income or total assets or holds any major assets and intellectual property rights. By way of illustration, the aggregate revenue of the Major Subsidiaries accounted for more than 80% of the total revenues of the Group for the year ended December 31, 2019 and 2020, respectively, and the total assets of the Major Subsidiaries represented 56% and 53% of the total assets of the Group as at December 31, 2019 and 2020, respectively. As such, the Company has disclosed the particulars of the changes in its share capital and the Major Subsidiaries in the section headed “Statutory and General Information—Further Information About Us” in Appendix IV to this prospectus, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Major Subsidiaries and the Company are set out in the section headed “Statutory and General Information—Other Information—Miscellaneous” of Appendix IV to this prospectus. The disclosure of the relevant information with respect to our Major Subsidiaries provides sufficient information that is reasonably necessary to enable potential investors to make an informed assessment of “the activities, assets and liabilities, financial position, management and prospects of the Company and of its profits and losses and of the rights attaching to such securities” (per Rule 11.07 of the Hong Kong Listing Rules); and having regard to the disclosure of the relevant

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information with respect to its Major Subsidiaries and the fact that such information do not pertain to the business of our Company, the non-inclusion of the information with respect to the non-Major Subsidiaries does not prejudice the interest of the investing public.

The Company has applied for, and the Hong Kong Stock Exchange and SFC have granted, (i) a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules, and (ii) an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this prospectus. The SFC has granted an exemption on the conditions that: (i) the particulars of such exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before March 18, 2021.

DISCLOSURE REQUIREMENTS OF OPTIONS

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

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

In relation to the Company, the only options over the capital or debentures are (a) those issued under the Company's global share incentive plan adopted in November 2014 (the "**Global Share Plan**") and the Company's 2018 share incentive plan adopted in February 2018 (the "**2018 Plan**", and together with the Global Share Plan, the "**Share Incentive Plans**"), which are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules; and (b) the convertible senior notes described in the section below "**—Particulars of Debenture Holders**".

Details of the Share Incentive Plans are disclosed in the section headed "Directors and Senior Management – Compensation – Share Incentive Plans" in this prospectus. The disclosure is substantially the same as those in the Company's 20-F filings and comply with applicable U.S. laws and regulations. The current disclosure in this prospectus is therefore not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1. The Company believes that strict compliance with such requirements would be unduly burdensome, unnecessary and/or inappropriate for the Company, and would not be material or meaningful to Hong Kong investors. The non-disclosure of such information will not prejudice the interests of investors. We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

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The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the extent not strictly met by the current disclosure in this prospectus. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule of the Companies (WUMP) Ordinance. The SFC has granted an exemption on the conditions that: (i) the Company disclosed in this prospectus the number of shares issuable upon exercise of the outstanding options under the Share Incentive Plans and the maximum percentage of options held by the Company directors and executive officers and their affiliates to the Company's total outstanding Class Z ordinary shares; (ii) the particulars of the exemption are set out in this prospectus; and (iii) this prospectus will be issued on or before March 18, 2021.

PARTICULARS OF DEBENTURE HOLDERS

In April 2019, we issued convertible senior notes in an aggregate principal amount of US\$500 million due 2026 with an interest rate of 1.375% per annum (the “**2026 Notes**”). The 2026 Notes may be converted, at an initial conversion rate of 40.4040 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$24.75 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of April 1, 2026.

In June 2020, we issued convertible senior notes in aggregate principal amount of US\$800 million due 2027 with an interest rate of 1.25% per annum (the “**2027 Notes**”, together with the 2026 Notes, the “**Convertible Notes**”). The 2027 Notes may be converted, at an initial conversion rate of 24.5516 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$40.73 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of June 15, 2027.

The convertible notes were placed to institutional investors in private placements and were broadly marketed to professional investors. As the convertible notes are transferable and can be traded via brokers without a centralized registrar that keeps track of the current holders of the Convertible Notes on an ongoing basis, the Company is not in a position to confirm who hold these debt instruments at any point in time—it would be unduly burdensome for the Company to ascertain information relating to the names and addresses of the holders of the convertible notes.

The Company has applied for, and the SFC has granted, an exemption from strict compliance with paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to the extent not strictly met by the current disclosure in this prospectus on the following grounds:

- i. since the identities of the ultimate noteholders are practically unavailable and given the expected frequent changes of the identities of the ultimate noteholders, it would be practically impossible for the Company to disclose the names and addresses of such ultimate noteholders (which are independent third parties). The disclosure, even if it can be made, would also not provide meaningful information to the potential investors of our Company;
- ii. strict compliance with the applicable disclosure requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance for each ultimate noteholder on an individual basis (including the disclosure of names and

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addresses of all noteholders) in this prospectus will be unduly burdensome on the Company in light of the difficulty in identifying the ultimate noteholders and the potentially significant increase in cost and time for ascertaining the information;

- iii. material information relating to the Convertible Notes has been disclosed in the section headed “Financial Information—Liquidity and Capital Resources” and Note 13 (Long-term Debt) to Appendix I of this prospectus, including but not limited to the principal amount, conversion rate, and the maximum number of ADS that can be converted from the Convertible Notes and the potential dilution effect upon full conversion of each of the 2026 Notes and 2027 Notes, the maturity date, the annual coupon rate, the conversion mechanism and the noteholders’ rights to require our Company to repurchase the Convertible Notes. Accordingly, information that should be reasonably necessary for potential investors to make an informed assessment of the Company in their investment decision process has been included in this prospectus; and
- iv. non-compliance with the abovementioned disclosure requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company and the non-disclosure of such information will not prejudice the interests of investors.

We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

The SFC has granted an exemption referred to above on the following conditions:

- a. in respect of the Convertible Notes issued by our Company, the following details are fully disclosed in this prospectus:
 - the total principal amounts of the Convertible Notes;
 - the maximum number of Class Z ordinary shares to be converted from the Convertible Notes;
 - the conversion rates of the Convertible Notes; and
 - the conversion periods of the Convertible Notes;
- b. the potential dilution effect upon full conversion of the Convertible Notes is set out in this prospectus;
- c. the particulars of such exemption are set out in this prospectus; and
- d. this prospectus will be issued on or before March 18, 2021.

DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO THE COMPANY

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require

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the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by the Company, or whose profits or assets make, or will make, a material contribution to the figures in the accountant's report or the next published accounts.

The Company believes that it would be unduly burdensome for the Company to procure this information for the reasons as set out in this section headed "Particulars of any Commissions, Discounts and Brokerages and Alternations of Capital and Authorized Debentures" above. The non-disclosure of such information will not prejudice the interests of investors. As such, only the particulars in relation to the Major Subsidiaries are set out in this prospectus under the sections headed "History—Corporate Structure—Major Subsidiaries" and "Statutory and General Information—Further Information About Us" in Appendix IV to this prospectus, which should be sufficient for potential investors to make an informed assessment of the Company in their investment decisions. We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

The Company has applied for, and the Hong Kong Stock Exchange and SFC have granted, (i) a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules, and (ii) an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this prospectus. The SFC has granted an exemption on the conditions that: (i) the particulars of such exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before March 18, 2021.

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

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors' emoluments during the three financial years ended December 31, 2017, 2018 and 2019. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

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

The aggregate fees, salaries and benefits paid and accrued to its directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management—Compensation" in

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this prospectus. The Company confirms that the current disclosure complies with U.S. annual reporting requirements and is in line with the Company's disclosure in its annual reports on Form 20-F.

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

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

THREE-YEAR RESTRICTION ON SPIN-OFFS

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 to ("PN15") the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. This exception is limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the Parent (as defined in PN15) is not required. Paragraph 3(b) of PN15 provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the Parent, because the original listing of the Parent will have been approved on the basis of the Parent's portfolio of businesses at the time of listing, and the expectation of investors at that time would have been that the Parent would continue to develop those businesses.

The Company, from time to time, considers different opportunities to bring value to its shareholders, including spinning off any of its business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, the Company has not identified any target for a potential spin-off and as a result the Company does not have any information relating to the identity of any spin-off target or any other details of any spin-off; and accordingly, there is no material omission of any information relating to any possible spin-off in this prospectus. Any potential spin-offs by the Company will be subject to compliance with all applicable requirements under the Hong Kong Listing Rules, including PN15, unless otherwise waived by the Hong Kong Stock Exchange.

No shareholders' approval with respect to a potential spin-off will be required under the Company's Articles under applicable U.S. regulations and Nasdaq rules. Further, as the Company is seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules and is therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11, no shareholders' approval will be required under the Hong Kong Listing Rules as well.

The effect of a spin-off to the Company's shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by secondary issuers are allowed within three years after their listing in Hong Kong pursuant to Rule

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19C.11 of the Hong Kong Listing Rules, the Company believes that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a potential spin-off by the Company.

The Company and any subsidiary in respect of which a potential spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of PN15 and the applicable listing eligibility requirements under the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

Under U.S. securities laws and Nasdaq rules, the Company is not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of PN15 in relation to the spin-offs of its business subsidiaries, nor is there any requirement for the Company to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan.

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

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 3(b) of PN15 to be granted on the following conditions:

- (a) the Company will not within three years after the Listing spin off any of its business subsidiaries on the Hong Kong Stock Exchange until it confirms with the Hong Kong Stock Exchange with basis that the potential spin-off would not render the Company, excluding the subsidiary to be spun off, failing to meet the eligibility or suitability requirements under Rule 19C.05 of the Hong Kong Listing Rules based on the financial information of the subsidiary to be spun off at the time of the Listing, and where more than one subsidiary is to be spun off, the assessment will be made on a cumulative basis;
- (b) the Company will disclose in this prospectus its intention relating to any potential spin-off on the Hong Kong Stock Exchange within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see "Risk Factors—Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition");
- (c) any potential spin-offs on the Hong Kong Stock Exchange by the Company will be subject to the requirements of PN15 (other than paragraph 3(b) thereof), including that each of the Company and the business subsidiary to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (d) disclosure of this waiver in this prospectus.

TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE

Paragraph 32 of Part A of Appendix 1 to the Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the "**Most Recent Practicable Date**"), and a commentary on its liquidity, financial resources and capital structure (together, the "**Liquidity Disclosure**").

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In accordance with Hong Kong Stock Exchange's Guidance Letter HKEX-GL37-12 ("GL37-12"), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of the listing document and (b) the final date of the listing document.

As this prospectus is expected to be published in March 2021, the Company would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than January 2021 pursuant to GL37-12. Given that the Company expects to include in this prospectus an accountant's report incorporating the audited consolidated financial information of the Group for the three years ended December 31, 2020, it would be unduly burdensome for the Company to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of the Company's current financial year. For a detailed commentary on the Group's liquidity position, please refer to the section headed "Financial Information—Liquidity and Capital Resources" and "—Working Capital".

Strict compliance with the Liquidity Disclosure requirements would constitute an additional one-off disclosure by the Company of its liquidity position on a date that would fall within the first quarter of its financial year, which would otherwise not be required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq rules, because the Company is required to announce quarterly results at the end and not in the middle of each quarter of its financial year. Such a one-off disclosure would likely confuse the Company's existing investors and deviate from its customary practice and that of other U.S. listed companies.

In any event, if there are any material changes to such disclosures, the Company would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and disclose relevant material facts in this prospectus pursuant to the Hong Kong Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity Disclosure in this prospectus under GL37-12, such that the reported date of indebtedness and liquidity information in this prospectus will not exceed the requirement under GL37-12 by one calendar month (i.e. the time gap between the reported date of the Company's indebtedness and liquidity information and the date of this prospectus would be no more than three calendar months).

DISCLOSURE OF OFFER PRICE

Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules provides that the issue price or offer price of each security must be disclosed in the listing document.

We set out below the reasons for the waiver from strict compliance with Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules:

- (i) **The Public Offer Price will be determined by reference to the Company's ADS price:** The Company's ADSs is listed and traded on NASDAQ. With a view to aligning the interest of securities holders in both U.S. and Hong Kong, the final offer price per Hong

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Kong Offer Share (the “**Public Offer Price**”) will be determined with reference to, among other factors, the closing price of the Company’s ADSs on NASDAQ on the last trading day on or before the Price Determination Date. The market price of the Company’s ADSs traded on NASDAQ is subject to various factors including the overall market conditions, the global economy, the industry updates, etc., and is not within the control of the Company. The Company may set the International Offer Price at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date (on a per Class Z ordinary share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) the Company believes that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the book-building process. If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price;

- (ii) **Negative impact on the market price of the Company’s ADSs and Offer Shares.** Setting a fixed price or a price range with a low-end offer price per Offer Share may be regarded by the investors and shareholders of the Company as an indication of the current market value of the Company’s Shares, which may adversely affect the market price of the ADSs of the Company and the Offer Shares; and
- (iii) **Compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance.** Pursuant to paragraph 10(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the price to be paid for shares subscribed for shall be specified in the Prospectus. On this basis, disclosure of a maximum Public Offer Price complies with the requirements prescribed under paragraph 10(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which provides clear indication of the maximum subscription consideration which a potential investor shall pay for Hong Kong Offer Shares.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules based on the reasons above, so that the Company will only disclose the maximum Public Offer Price for the Hong Kong Offer Shares in the prospectus.

See “Structure of the Global Offering—Pricing and Allocation” in this prospectus for (i) the time for determination of the Public Offer Price and form of its publication; (ii) the historical prices of our ADS and trading volume on the Nasdaq; and (iii) the source for investor to access the latest market price of the Company’s ADS.

CLAWBACK MECHANISM

Requirements under the Hong Kong Listing Rules Paragraph 4.2 of PN18 of the Hong Kong Listing Rules (“**Paragraph 4.2**”) requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

WAIVERS AND EXEMPTIONS

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 3% of the Global Offering, in the event of over-subscription, the Joint Representatives shall apply clawback mechanism as set out below following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Overallotment Option is not exercised) based on the offer price determined on the Price Determination Date.

Based on the current market conditions, the Joint Representatives shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 15 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 1,500,000 Offer Shares, representing 6.0% of the Offer Shares initially available under the Global Offering;
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 20 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 2,250,000 Offer Shares, representing 9.0% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 20 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 3,000,000 Offer Shares, representing 12.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. See “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation.”

WAIVERS AND EXEMPTIONS

NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE

Section 4.1 of the Introduction to Takeovers Codes provides that the Takeovers Codes apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing in Hong Kong. In order to determine whether a company is a “public company in Hong Kong”, Section 4.2 of the Takeovers Code provides that the Executive will consider all the circumstances and apply an economic or commercial test, taking into account primarily the number of Hong Kong shareholders and the extent of share trading in Hong Kong and other factors including (i) the location of its head office and place of central management; (ii) the location of its business and assets, including such factors as registration under companies legislation and tax status; and (iii) the existence or absence of protection available to Hong Kong shareholders given by any statute or code regulating takeovers, mergers and share repurchases outside Hong Kong.

The Company has applied for, and the SFC has granted, a ruling that the Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to the Company. In the event that the bulk of trading in the Company’s Shares migrates to Hong Kong such that the Company would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Codes will apply to the Company.

DISCLOSURE OF INTERESTS UNDER PART XV OF THE SFO

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

The Company has applied for, and the SFC has granted, a partial exemption under section 309(2) of the SFO to the Company, its substantial shareholders, directors and chief executive from strict compliance with the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of part IV of the SFO) on the conditions that (i) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Listing Rules; (ii) all the disclosures of interests filed with the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and (iii) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of the Company’s worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

WAIVERS AND EXEMPTIONS

DISCLOSURE OF INTERESTS INFORMATION

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

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

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

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Directors

<u>Name</u>	<u>Address</u>	<u>I.D. issuing countries/ territories</u>
Rui Chen 陳睿	No. 1 Hengren Road Yangpu District Shanghai PRC	China
Yi Xu 徐逸	Room 2301, No.3, Lane 339 Binjiang Avenue, Pudongxin District Shanghai PRC	China
Ni Li 李旒	Room 3902, No.3, Lane 1 Weifang West Road Pudongxin District Shanghai PRC	China
JP Gan	Apartment B, Floor 38, Tower 9 28 Siu Sai Wan Road Chai Wan Hong Kong	United States of America
Eric He 何震宇	3F, No. 607 Mingshui Road Zhongshan District Taipei Taiwan	Taiwan
Feng Li 李丰	No. 202, Gate 3, Building 19 (Jia) No. 19, Yuquan Road Shijingshan District Beijing PRC	China
Guoqi Ding 丁国其	Room 1502, No.18, Lane 100 Yinxiao Road Pudongxin District Shanghai PRC	Hong Kong

Further information about the directors and other senior management members are set out in the section headed “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Parties Involved in the Global Offering

Joint Sponsors

Morgan Stanley Asia Limited

46th Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Far East) Limited

28/F Chater House
8 Connaught Road Central
Hong Kong

UBS Securities Hong Kong Limited

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Joint Global Coordinators

Morgan Stanley Asia Limited

46th Floor, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited

28/F Chater House
8 Connaught Road Central
Hong Kong

UBS AG Hong Kong Branch

52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and Joint Lead
Managers**

Morgan Stanley Asia Limited

(in relation to the Hong Kong Public Offering only)

46/F, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong

Morgan Stanley & Co. International plc

(in relation to the International Offering only)

25 Cabot Square, Canary Wharf
London, E14 4QA
United Kingdom

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited

(in relation to the Hong Kong Public Offering only)

28/F Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities plc

(in relation to the International Offering only)

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

J.P. Morgan Securities LLC

(in relation to the International Offering only)

383 Madison Avenue
New York, NY 10179
United States of America

UBS AG Hong Kong Branch

52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

UBS Securities LLC

(in relation to the International Offering only)

1285 Avenue of the Americas
New York
New York 10019
United States

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Center
1 Harbor View Street
Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Credit Suisse (Hong Kong) Limited

88/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway, Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong

CMB International Capital Limited

45/F, Champion Tower
Three Garden Road
Central, Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Guotai Junan Securities (Hong Kong) Limited

28/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

Joint Lead Managers**Futu Securities International (Hong Kong) Limited**

Unit C1-2 13/F, United Centre
No.95 Queensway
Admiralty, Hong Kong

Wellington Financial Limited

Room 1012, 10/F
Tsim Sha Tsui Centre, East Wing
66 Mody Road, Kowloon, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Our Legal Advisers

As to Hong Kong and U.S. laws:

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

As to PRC laws:

Tian Yuan Law Firm
10/F, CPIC Plaza B
No. 28 Fengsheng Lane
Xicheng District
Beijing
People's Republic of China

As to Cayman Islands laws:

Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road, Central
Hong Kong

Our Special Legal Adviser

As to PRC laws:

AnJie Law Firm
Unit 3803, Tower 3, Kerry Plaza
No.1 Zhongxinsi Road, Futian District
Shenzhen
People's Republic of China 518048

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws:

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices
10F Jing An Kerry Center Tower 1
No.1515 West Nan Jing Road
Shanghai
People's Republic of China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountant	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 22/F, Prince's Building Central Hong Kong
Industry Consultant	Shanghai iResearch Co., Ltd, China Rm 701, Building B, Zhongjin Building 333 North Caoxi Road Shanghai People's Republic of China
Receiving Banks	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road, Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Principal Executive Offices of Main Operations	Building 3, Guozheng Center No. 485 Zhengli Road Yangpu District Shanghai People's Republic of China
Address in Hong Kong	Suite 603, 6/F, Laws Commercial Plaza 788 Cheung Sha Wan Road Kowloon Hong Kong
Company's Website	<u>http://ir.bilibili.com/</u> (The information on the website does not form part of this document)
Authorized Representatives	Xin Fan (Chief Financial Officer) and Yingying Yang (Senior Director of Investor Relations) Building 3, Guozheng Center No. 485 Zhengli Road Yangpu District Shanghai People's Republic of China
Audit Committee	Eric He (Chairman) JP Gan Feng Li
Compensation Committee	JP Gan (Chairman) Eric He Feng Li
Nominating and Corporate Governance Committee	JP Gan (Chairman) Eric He Feng Li
Cayman Islands Principal Share Registrar	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Compliance Advisor

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

Principal Bank

Morgan Stanley & Co International PLC

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

First launching our website in 2009, we started as a content community inspired by ACG. Through continuous innovations in our business model and technologies, we have evolved into a full-spectrum video community offering a wide array of content categories serving users' diverse interests, and broad content consumption scenarios including videos, live broadcasting, games and more. Our track record of innovations and continued success in competitive industries are widely recognized. We were recognized as a Top 100 Internet Companies in China (中國互聯網百強企業) by the Internet Society of China and the Internet Safety Industry Development Center of the PRC Ministry of Industry and Information Technology (中國互聯網協會、工業和信息化部網絡安全產業發展中心) for the years of 2018 and 2019. In 2020, we were awarded the China Network Video Academy Award—Annual Award (中國網絡視頻學院獎—年度大獎) by the 5th China Network Video Academy Committee, Communication University of China, China Network Video Research Center (第五屆中國網絡視頻學院組委會、中國傳媒大學、中國網絡視頻研究中心), and in 2018, the Most Influential Documentary New Media Organization in China (中國最具影響力紀錄片新媒體機構) by Documentary Committee of China Federation of Radio and Television Associations and Department of Literature and Art of Guang Ming Daily (中廣聯合會紀錄片委員會、光明日報文藝部).

Our Company is a holding company incorporated in the Cayman Islands on December 23, 2013. We conduct our business in China through our subsidiaries and variable interest entities.

KEY MILESTONES

Our key business milestones are summarized below:

Date	Event
2009	We launched our website.
2012	We launched our Bilibili mobile apps.
2014	We launched our online live broadcasting services. We started to publish mobile games on our platform for third-party developers.
2016	We started to publish exclusively licensed FGO mobile game from Aniplex Inc., a wholly owned subsidiary of Sony Corporation.
2017	We launched our e-Commerce Business.
2018	We launched our premium membership service. On March 28, our ADSs commenced trading on the Nasdaq under the symbol “BILI”. In October, Tencent, our principal shareholder, further invested in our Company, and we entered into strategic cooperation arrangements.
2019	In December, we acquired majority equity interests in Maoer Inc., an audio drama platform. After entering into a strategic cooperation agreement with, and making an investment in, us in 2018, Alibaba Group further invested in our Company and became a principal shareholder in February 2019. In December, we hosted our first New Year's Eve Gala, <i>The Most Beautiful Night of 2019</i> to mark December 31, 2019, the turn of the decade.

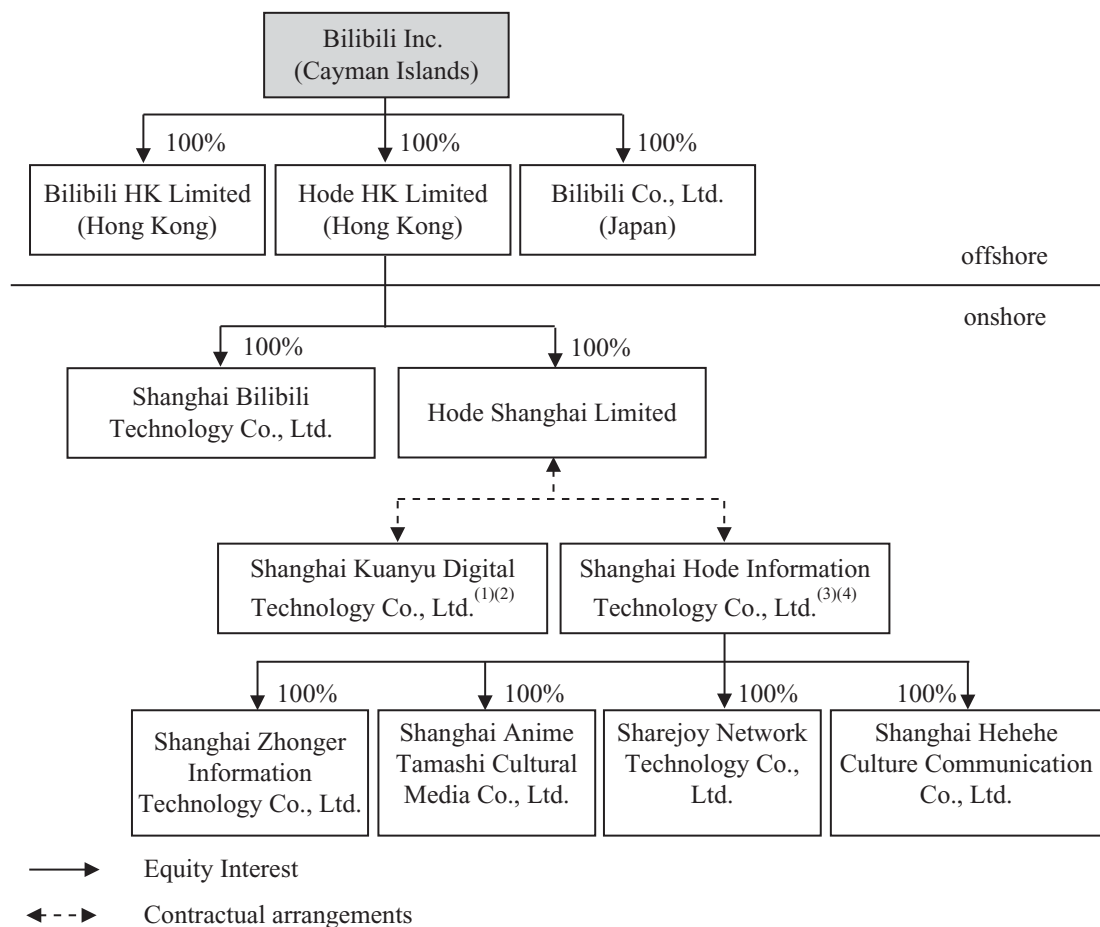
HISTORY AND CORPORATE STRUCTURE

Date	Event
2020	<p>We launched a series of branding campaign, including introduced trilogy videos <i>Hou Lang</i> (後浪), <i>Ru Hai</i> (入海) and <i>Xi Xiang Feng</i> (喜相逢) and our brand proposition, <i>Bilibili-All the Videos You Like</i> (你感興趣的視頻都在B站).</p> <p>In April, Sony Corporation invested in our Company, and we entered into strategic collaboration arrangements.</p> <p>In September, we entered into a strategic partnership with Riot Games and secured a three-year exclusive license for live broadcasting the League of Legends E-sports global events in China.</p>

CORPORATE STRUCTURE

Our corporate structure

For illustrative purposes, we summarize our corporate group structure in the diagram below, including our principal subsidiaries and consolidated affiliated entities as of January 31, 2021:



Notes:

- (1) Mr. Rui Chen holds 100% equity interests in Shanghai Kuanyu. He is also the chairman of our board of directors and our chief executive officer.
- (2) Shanghai Kuanyu has 4 subsidiaries.

HISTORY AND CORPORATE STRUCTURE

- (3) Mr. Rui Chen, Mr. Yi Xu and Ms. Ni Li hold 52.3%, 44.3%, and 3.4% equity interests in Hode Information Technology, respectively, as of the Latest Practicable Date. Mr. Chen is our controlling shareholder, the chairman of our board of directors and our chief executive officer. Mr. Xu is our founder, director and president. Ms. Li is the vice chairwoman of our board of directors and chief operating officer.
- (4) Hode Information Technology has 34 subsidiaries.

Major Subsidiaries and Operating Entities

As of January 31, 2021, we conducted our business operations across approximately 100 subsidiaries and operating entities, ten of which are our Major Subsidiaries. Their principal business activities and dates of establishment are shown below:

<u>Name of company</u>	<u>Principal business activities</u>	<u>Date and jurisdiction of establishment</u>
Bilibili HK Limited	Investment holding	February 25, 2014, Hong Kong
Hode HK Limited	Investment holding	February 25, 2014, Hong Kong
Bilibili Co., Ltd.	Business development	November 26, 2014, Japan
Hode Shanghai Limited	Technology development	September 11, 2014, PRC
Shanghai Bilibili Technology Co., Ltd.	Technology development	December 30, 2016, PRC
Shanghai Hode Information Technology Co., Ltd.	Mobile game operation	May 2, 2013, PRC
Shanghai Kuanyu Digital Technology Co., Ltd.	Video distribution and game distribution	August 12, 2005, PRC
Sharejoy Network Technology Co., Ltd.	Game distribution	December 3, 2013, PRC
Shanghai Hehehe Culture Communication Co., Ltd	Comics distribution	April 17, 2014, PRC
Shanghai Anime Tamashi Cultural Media Co., Ltd.	E-commerce	June 4, 2015, PRC

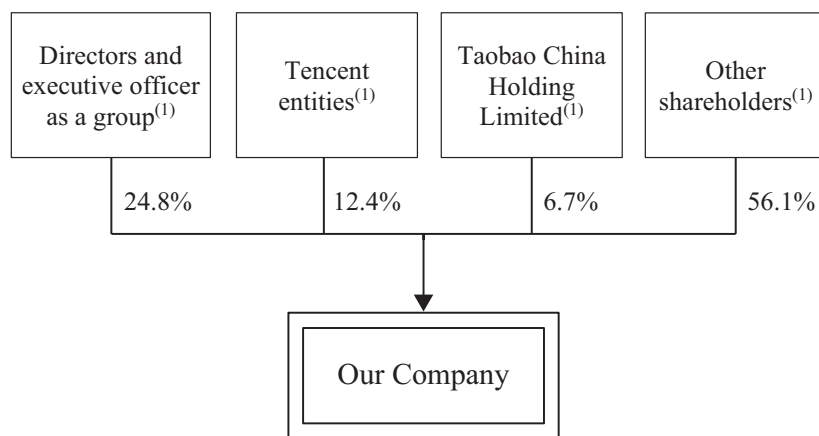
Major Acquisition and Disposal

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

HISTORY AND CORPORATE STRUCTURE

Shareholding Structure

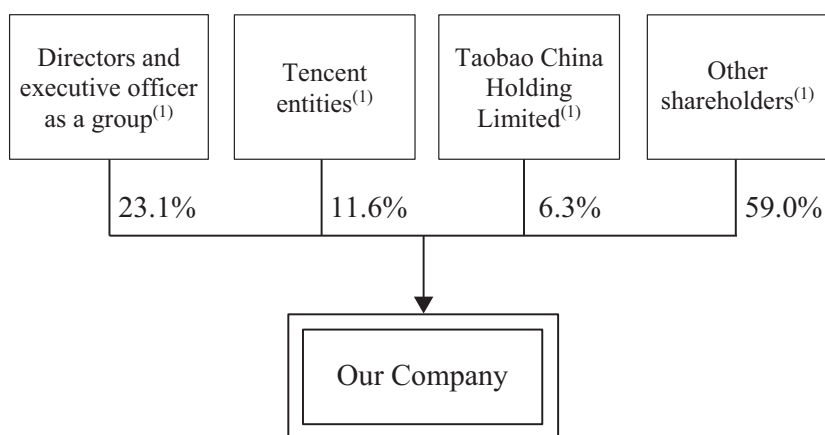
The following diagram illustrates our shareholding structure as at January 31, 2021 (excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option):



Note:

(1) See “Major Shareholders” for further details on the voting rights and the beneficial ownership of our directors and executive officers as a group, Tencent entities, Taobao China Holding Limited, Sony Corporation of America and other shareholders. Each holder of Class Z ordinary shares is entitled to one vote per share and each holder of our Class Y ordinary shares is entitled to ten votes per share on all matters submitted to them for a vote, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires certain matters to be voted on a one vote per share basis. Please see “Share Capital—Weighted Voting Rights Structure” for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules and further details.

The following diagram illustrates our shareholding structure immediately upon the completion of the Global Offering (assuming all major shareholders’ shareholdings remain unchanged as of January 31, 2021, the Over-allotment Option is not exercised, and no additional Shares are issued under the Share Incentive Plans):



Please refer to the details contained in Note (1) above.

Listing on the Nasdaq

On March 28, 2018 we listed our ADSs on the Nasdaq under the symbol “BILI”. Since the date of our listing on the Nasdaq and up to the Latest Practicable Date, our directors confirm that we had no

HISTORY AND CORPORATE STRUCTURE

instances of non-compliance with the rules of the Nasdaq in any material respects and to the best knowledge of our directors having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the Nasdaq.

We believe that the Listing on the Hong Kong Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

SAFE Registration

The SAFE promulgated the 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. According to SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

Mr. Rui Chen, Mr. Yi Xu, and Ms. Ni Li have completed their initial SAFE registrations prior to our listing on the Nasdaq.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We are a leading video community for young generations in China and cover a wide array of content categories and diverse video, consumption scenarios, including videos, live broadcasting and mobile games. See “Business.” We are considered to be engaged in the provision of internet audio-visual program services, radio and television program production and operation business, value-added telecommunications services, production of audio-visual products and/or electronic publications, and internet culture business (the “**Relevant Business**”) as a result of the operations of our business. We conduct the Relevant Business through Shanghai Kuanyu, Hode Information Technology, and its subsidiaries, namely, Sharejoy Network, Shanghai Hehehe, Shanghai Anime Tamashi, and Shanghai Zhonger (the “**Principal VIEs**”). Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting internet audio-visual program services, radio and television program production and operation business, production of audio-visual products and/or electronic publications, and internet culture business and are restricted to conduct value added telecommunications services (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center). A summary of our business that is subject to foreign investment prohibition and restriction in accordance with the Negative List (2020) is set out below:

<u>Categories</u>	<u>Our Business</u>
Prohibited Internet audio-visual program services	The principal business of Shanghai Kuanyu involves video and audio content operation, which falls within the scope of internet audio-visual program services (網絡視聽節目服務) under the Audio-Visual Regulations. Shanghai Kuanyu holds a License for Online Transmission of Audio-Visual Programs. According to the Negative List (2020), foreign investors are prohibited from holding equity interests in any enterprise engaging in internet audio-visual program services.
Prohibited Radio and television program production and operation business	The principal business of Shanghai Kuanyu and Hode Information Technology involves video and audio content operation, which falls within the scope of radio and television program production and operation business (廣播電視節目製作經營業務) under the Radio and TV Programs Regulations. Each of Shanghai Kuanyu and Hode Information Technology holds a License for Production and Operation of Radio and Television Programs. According to the Negative List (2020), foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television program production and operation business.
Prohibited Internet cultural business	The principal business of Shanghai Kuanyu, Hode Information Technology, Shanghai Anime Tamashi, Sharejoy Network, and Shanghai Hehehe involves video and audio content distribution and/or comics distribution and/or

CONTRACTUAL ARRANGEMENTS

Categories

Our Business

Prohibited

Production of audio-visual products and/or electronic publications

online game distribution, which falls within the scope of internet cultural business (互聯網文化活動) under the Internet Culture Provisions. Each of Shanghai Kuanyu, Hode Information Technology, Shanghai Anime Tamashi, Sharejoy Network, and Shanghai Hehehe holds an Online Culture Operating Permit. According to the Negative List (2020), foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business (except for music).

The principal business of Shanghai Zhonger involves the production of audio-visual products and/or electronic publications, which falls within the scope of audio-visual products and/or electronic publications production business (音像製品/電子出版物製作業務). Shanghai Zonger holds a Permit for the Production of Audio-visual Products (音像製品製作許可證). According to the Negative List (2020), foreign investors are prohibited from holding equity interests in any enterprise engaging in the production of audio-visual products and/or electronic publications.

Restricted

Value-added telecommunications services business

The video and audio content operation and online game operation of Shanghai Kuanyu, Hode Information Technology, Sharejoy Network, and Shanghai Hehehe involves internet information services, which falls within the scope of “value-added telecommunications services” under the Telecommunications Regulations. According to the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center). Each of Shanghai Kuanyu, Hode Information Technology, Sharejoy Network, and Shanghai Hehehe holds an ICP License for the provision of the internet information services. As advised by the PRC legal adviser, since each of Shanghai Kuanyu, Hode Information Technology, Sharejoy Network, and Shanghai Hehehe engages in one or more prohibited businesses, foreign investors are prohibited from holding equity interests in each of these entities.

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For further details of the limitations on foreign ownership in PRC companies conducting internet audio-visual program services, radio and television program production and operation business, production of audio-visual products and/or electronic publications, internet cultural business and value-added telecommunications services under applicable PRC laws and regulations, see “Regulatory Overview — Regulations Related to Foreign Investment In The PRC.”

As advised by our PRC Legal Adviser, while the business of video and audio content operation and online game operation fall within the scope of “value-added telecommunication service” under the Telecommunications Regulations, where foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business, each of the Principal VIEs conducting video and audio content operation or online game operation, which also falls within the scope of internet audio-visual program services and/or radio and television program production and operation business and/or production of audio-visual products and/or electronic publications and/or internet cultural business, must hold the License for Online Transmission of Audio-Visual Programs and/or License for Production and Operation of Radio and Television Programs and/or Permit for Production of Audio-visual Products and/or Online Culture Operating Permit, which are prohibited to be held by any foreign invested companies, to conduct video and audio content operation and online game operation.

As a result of the foregoing, a series of Contractual Arrangements have been entered into by Shanghai Kuanyu, Hode Shanghai and the sole shareholder of Shanghai Kuanyu, Rui Chen, and another series of Contractual Arrangements by Hode Information Technology, Hode Shanghai and the shareholders of Hode Information Technology, namely, Rui Chen, Yi Xu, and Ni Li (the “**Registered Shareholders**”) through which we have obtained control over the operations of, and enjoy all economic benefits of the Principal VIEs since 2014.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. Pursuant to the reorganization, in replacement of certain of the previous Contractual Arrangements (which were entered into on October 10, 2017 and April 24, 2019), the Contractual Arrangements currently in effect were entered into on December 23, 2020, whereby the WFOE has acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. The Contractual Arrangements currently in effect were entered into on December 23, 2020, whereby the WFOE has acquired effective control over the Principal VIEs and has become entitled to all the economic benefits derived from their operations.

For each of the three years ended December 31, 2020, the VIEs’ prohibited and restricted businesses accounted for approximately 87%, 80% and 76% of the Group’s net revenues, respectively. For each of the three years ended December 31, 2020, the VIEs’ businesses that are not subject to foreign investment limitations (i.e. the Member Store Business and the ACG-Related Merchandise Business) accounted for approximately 3%, 9% and 4% of the Group’s net revenues, respectively.

The Principal VIEs also operate several ancillary businesses that are fully integrated with its online platform but are not, on their own, subject to foreign investment restrictions. These include (i) the operation of e-commerce platform business through “Bilibili Premium Member Store” (the “**Member Store**”), which provides ancillary services to the content offerings in the Company’s main website and mobile application (the “**Member Store Business**”); and (ii) the development,

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procurement and sales of anime, comics and games (“ACG”) related merchandise (the “**ACG-Related Merchandise Business**”).

Member Store Business

Shanghai Anime Tamashi started the Member Store Business as an e-commerce platform accessible through a sub-entry in the main online platform of the Company, bilibili.com and the “Bilibili” mobile app (the “**Bilibili Platform**”) so that the Member Store Business can leverage on the user traffic, trademarks and technology support of the Bilibili Platform and the registered users of the Bilibili Platform can use a single account to access the online entertainment content in the Bilibili Platform and at the same time enjoy the ancillary services offered in the online Member Store, including direct sales of proprietary ACG-related merchandise of the Group and the online purchase of offline events tickets. Since then, the Member Store Business has become ancillary to the Company’s principal online entertainment business. To attract more users to become registered users of the Bilibili Platform and increase the stickiness of the registered users, Shanghai Anime Tamashi has, since March 2021 (prior to the Listing), expanded the Member Store Business to provide preview services for online comics and trial listening services for online music in the Member Store exclusively for the registered users of the Bilibili Platform (the “**Extended Member Store Business**”) in order to promote the related products of the Bilibili Platform and the ACG-Related Merchandise Business. The Extended Member Store Business was the result of the natural expansion of the Member Store Business, and by extension, the Bilibili Platform. Since the Member Store Business, together with the Extended Member Store Business, is fully integrated with the Bilibili Platform, the Member Store Business cannot be separated from the Bilibili Platform.

The Company has obtained an Value-added Telecommunication Business License for Electronic Data Interchange (the “**EDI License**”) for the Member Store Business. As advised by the PRC Legal Adviser, the operation of an e-commerce platform and direct sales services under the EDI License, on their own, are not strictly subject to any foreign investment restrictions under applicable PRC laws. As further advised by the PRC Legal Adviser, the Extended Member Store Business falls within the scope of internet cultural business under the Internet Culture Provisions, and therefore, the Extended Member Store Business is subject to foreign investment prohibition under the Negative List (2020). Shanghai Anime Tamashi currently holds an Online Culture Operating Permit. As further advised by the PRC Legal Adviser, given that the Online Culture Operating Permit cannot be held by any Sino-foreign equity joint venture or wholly-owned foreign investment entity, Shanghai Anime Tamashi needs to remain within the VIE structure and cannot be transferred to and held through Hode Shanghai.

ACG-Related Merchandise Business

Shanghai Zhonger operates the ACG-Related Merchandise Business, which primarily involves the development, procurement and sales of ACG-related merchandise derived from the animation and games operated by the Group and intellectual property rights licensed to the Group from third party licensors. Shanghai Zhonger sells the ACG-related merchandise online through the Member Store or third party e-commerce platforms, such as TMall. Over the years, Shanghai Zhonger has become an established and iconic brand for the ACG-related merchandise, thereby building up consumer trust in the quality of the ACG-Related Merchandise. Shanghai Zhonger has developed a sophisticated team and advanced technologies for the development, procurement and sales of the ACG-related merchandise derived from the animation and games operated by the Group and from intellectual property rights licensed to the Group. In an effort to expand the ACG-Related Merchandise Business, Shanghai Zhonger has, since March 2021 (prior to the Listing), produced audio-visual products and/or

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electronic publications for some of the popular songs created by the content creators of the Bilibili Platform, and films and animation that are available on the Bilibili Platform, the intellectual property rights of which have been licensed to the Group by third parties (the “**Extended ACG-Related Merchandise Business**”). The Extended ACG-Related Merchandise Business was the result of the natural expansion of the ACG-Related Merchandise Business, and by extension, the Bilibili Platform. Given the reputation enjoyed by Shanghai Zhonger for ACG-related merchandise and its capabilities in developing, procuring and selling ACG-related merchandise, the ACG-Related Merchandise Business, together with the Extended ACG-Related Merchandise, cannot be separated from Shanghai Zhonger.

As advised by the PRC Legal Adviser, the operation of the ACG-Related Merchandise Business, on its own, is not strictly subject to foreign investment restrictions under applicable PRC laws. As further advised by the PRC Legal Adviser, the Extended ACG-Related Merchandise, which includes audio-visual products and/or electronic publications, will be subject to foreign investment prohibition under the Negative List (2020) and necessitate a Permit for Production of Audio-visual Products. Shanghai Zhonger has obtained a Permit for Production of Audio-visual Products for the Extended ACG-Related Merchandise. As further advised by the PRC Legal Adviser, given that the Permit for Production of Audio-visual Products cannot be held by any Sino-foreign equity joint venture or wholly-owned foreign investment entity, Shanghai Zhonger needs to remain within the VIE structure and cannot be transferred to and held through Hode Shanghai.

In addition, Shanghai Zhonger will soon conduct offline exhibitions in relation to the online animation and online games operated by the Principal VIEs (“**Offline Exhibitions**”) to promote the Company’s online entertainment business and the ACG-Related Merchandise Business. These exhibitions will involve online and offline integrated operations. For instance, participants of the Offline Exhibitions will be selected through the Bilibili Platform and there will be live-streaming of the Offline Exhibitions through the Bilibili Platform. Since the Offline Exhibitions, being part of the ACG-Related Merchandise Business, will be fully integrated with the Bilibili Platform, the ACG-Related Merchandise Business cannot be separated from the Bilibili Platform.

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

QUALIFICATION REQUIREMENTS UNDER THE FITE REGULATIONS

On December 11, 2001, the State Council promulgated the Provisions on the Administration of Foreign-funded Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, the FITE Regulations stipulates that the main foreign investor who invests in a value-added telecommunications services in the PRC must possess prior experience in operating value-added telecommunications services and a proven track record of business operations overseas (the “**Qualification Requirements**”). The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements.

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Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

As advised by our PRC Legal Adviser, (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor's fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT. Given that the (i) foreign investment in internet audio-visual program services, radio and television program production and operation business, production of audio-visual products and/or electronic publications and internet cultural business(except for music) is prohibited under current PRC laws and regulations; and (ii) the License for Online Transmission of Audio-Visual Programs, the License for Production and Operation of Radio and Television Programs, the Permit for Production of Audio-visual Products and the Online Culture Operating Permit will not be granted to any foreign invested enterprise, it is not viable for our Company to hold the Principal VIEs directly or indirectly through equity ownership.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications services business operation for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Principal VIEs when the relevant PRC laws and regulations allow foreign investors to invest and to directly hold equity interest in value-added telecommunications services enterprises in China. We are in the process of expanding our overseas value-added telecommunications services business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

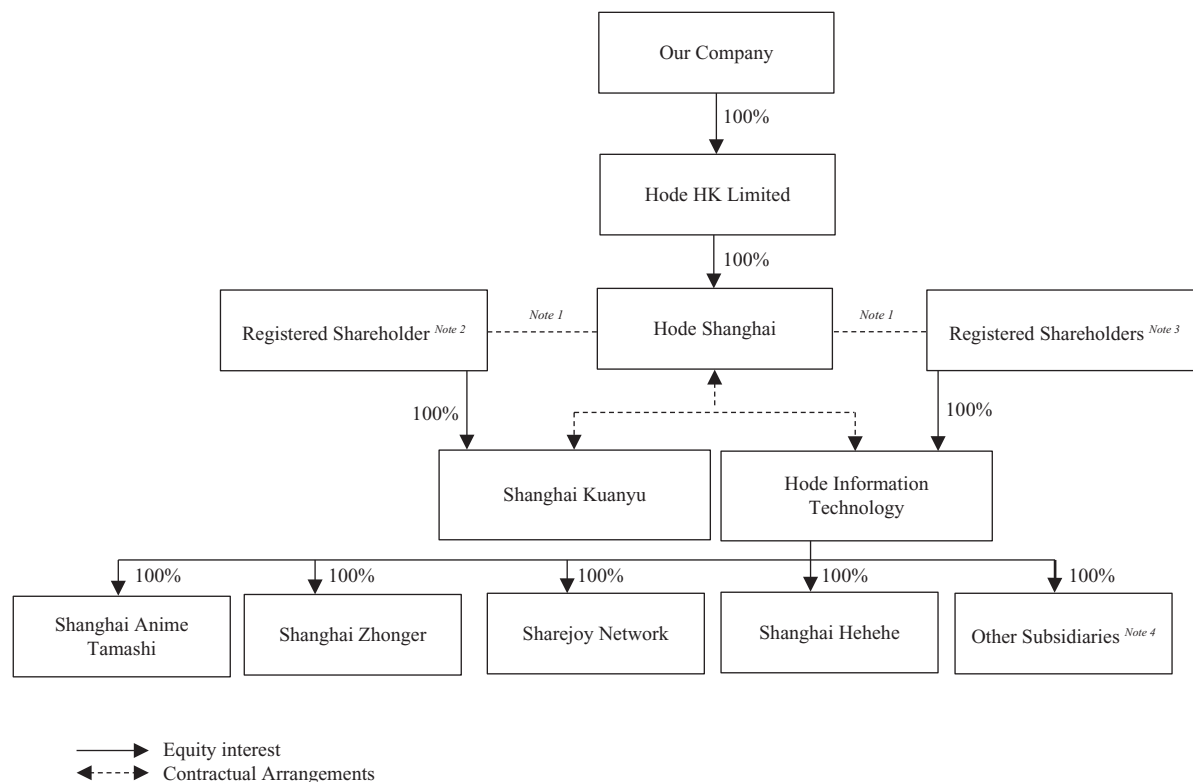
- i. we have incorporated a number of overseas entities for the purpose of expanding our business overseas;
- ii. we have commenced research on potential investments or acquisitions overseas in order to expand our business to overseas markets; and
- iii. we have obtained registered trademarks in overseas jurisdictions.

In November 2020, our PRC Legal Adviser verbally consulted the MIIT, which has provided oral confirmations that in practice, foreign investors who have direct or indirect operation experiences related to the telecommunication business, such as an overseas business related to a domestic telecommunication business, may be considered to have met the Qualification Requirements, but the final decision depends on the MIIT's substantive examination of the submitted application documents. Based on the foregoing, our PRC Legal Adviser is of the view that, subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirements, the above steps taken by us may be considered to be reasonable and appropriate in relation to the Qualification Requirements as such steps may enable our Group to have operation experiences related to the telecommunication business in overseas markets.

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OUR CONTRACTUAL ARRANGEMENTS

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

- (1) Rui Chen executed an exclusive option agreement, equity pledge agreement, power of attorney in favor of Shanghai Kuanyu. Rui Chen, Yi Xu, and Ni Li executed documents with substantially the same terms as the said documents in favor of Hode Information Technology. See the section headed “– Our Contractual Arrangements” for details.
- (2) Rui Chen holds 100% equity interests in Shanghai Kuanyu. He is also our controlling shareholder, the chairman of our board of directors and our chief executive officer.
- (3) Rui Chen, Yi Xu and Ni Li hold 52.3%, 44.3%, and 3.4% equity interests in Hode Information Technology, respectively. Mr. Chen is our controlling shareholder, the chairman of our board of directors and our chief executive officer. Mr. Xu is our founder, director and president. Ms. Li is the vice chairwoman of our board of directors and chief operating officer.
- (4) Certain of our subsidiaries have not yet commenced substantive business operations and are not expected to have commenced any substantive business operations by the Listing. The Company will not conduct any businesses within their respective business segments that are not subject to foreign investment restrictions or prohibitions through these entities, or it will only conduct such businesses that are subject to foreign investment restrictions or prohibitions after obtaining the relevant licenses. The Company will monitor the business developments of these subsidiaries of Hode Information Technology to ensure that the Contractual Arrangements remain narrowly tailored upon Listing. If any of these subsidiaries commences substantive business operations, the Company will also disclose them in the annual reports.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Shanghai Kuanyu and Hode Shanghai entered into an exclusive business cooperation agreement on December 23, 2020, pursuant to which Shanghai Kuanyu agreed to engage Hode

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Shanghai as its exclusive service provider of comprehensive business support, technical services and consultation services, including, but not limited to, the following services:

- research and development on relevant technologies required for Shanghai Kuanyu's business;
- technical application and implementation in relation to Shanghai Kuanyu's business operations;
- technical services including advertising design solutions, software design, page production, and management consulting advice in relation to Shanghai Kuanyu's advertising business operations;
- daily maintenance, monitoring, debugging and troubleshooting of computer network equipment;
- consultancy services for the procurement of relevant equipment and software and hardware systems required by Shanghai Kuanyu to carry out its network operations;
- providing appropriate training and technical support and assistance to Shanghai Kuanyu's employees;
- giving advice and solutions to technical questions raised by Shanghai Kuanyu; and
- other relevant services requested by Shanghai Kuanyu from time to time to the extent permitted under PRC laws and regulations.

Pursuant to the exclusive business cooperation agreement, the service fee shall be equivalent to the total consolidated net profit of Shanghai Kuanyu of each financial year, after offsetting the prior-year loss (if any), costs, expenses, taxes and other statutory contributions incurred in the corresponding financial year. Notwithstanding the foregoing, Hode Shanghai shall have the right to adjust the level of the service fee based on the (a) the complexity of the services provided; (b) the time required for providing the services; (c) the content and commercial value of the services provided; and (d) the market price of the same type of services. Shanghai Kuanyu has agreed to pay the service fee to the bank account designated by Hode Shanghai within five (5) business days after Hode Shanghai issues the payment notice, as amended by Hode Shanghai from time to time. In addition, pursuant to the exclusive business cooperation agreement, without the prior written approval from Hode Shanghai, Shanghai Kuanyu shall not, and/or shall procure the other consolidated affiliated entities not to, enter into any transactions (save as those transactions entered into in the ordinary course of business) that may materially affect its assets, obligations, rights or operation, including but not limited to:

- (1) the sale, transfer, mortgage or otherwise dispose of any assets (except for those of value less than RMB 1 million in the ordinary course of business of the consolidated affiliated entities), business, management right or beneficial interest of income or create any security interest on any assets, including but not limited to any mortgage, pledge, share options or other guarantee arrangements;
- (2) the provision of any guarantee or any fees to third parties or the occurrence of any indebtedness (except for those reasonable costs incurred in the ordinary course of business);
- (3) the entering into of any material contracts (except for those where contract amount is less than RMB1 million and those which are entered into within the ordinary course of business of the consolidated affiliated entities between Shanghai Kuanyu and Hode Shanghai and its related parties);
- (4) any merger, acquisition, restructuring or liquidation; and

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- (5) cause any conflict of interest between Shanghai Kuanyu and Hode Shanghai as well as its shareholders.

The exclusive business cooperation agreement also provides that Hode Shanghai has the exclusive proprietary rights in any and all intellectual property rights developed or created by the consolidated affiliated entities during the performance of the exclusive business cooperation agreement. Our directors consider that the above arrangements will ensure the economic benefits generated from the operations of the consolidated affiliated entities will flow to Hode Shanghai and hence, our Group as a whole. The exclusive business cooperation agreement has an indefinite term commencing from December 23, 2020, being the date of the exclusive business cooperation agreement. The exclusive business cooperation agreement may be terminated by Hode Shanghai (i) by giving Shanghai Kuanyu a thirty (30) days' prior written notice of termination; (ii) upon the transfer of the entire equity interests in or the transfer of all assets of Shanghai Kuanyu to Hode Shanghai or its designated person pursuant to the exclusive option agreement; (iii) when Shanghai Kuanyu ceases to operate any business, becomes insolvent, bankruptcy or subject to liquidation or dissolution procedures; (iv) when it is legally permissible for Hode Shanghai to hold equity interests directly in Shanghai Kuanyu and Hode Shanghai or its designated person is registered to be the shareholder of Shanghai Kuanyu; or (v) Shanghai Kuanyu breaches the exclusive business cooperation agreement. Shanghai Kuanyu is not contractually entitled to unilaterally terminate the exclusive business cooperation agreement with Hode Shanghai unless otherwise required by PRC laws and regulations.

On December 23, 2020, Hode Shanghai and Hode Information Technology entered into an exclusive business cooperation agreement, which contains terms substantially similar to the exclusive business cooperation agreement described above.

Exclusive Option Agreements

Hode Shanghai, Shanghai Kuanyu and Mr. Rui Chen, the shareholder of Shanghai Kuanyu, entered into an exclusive option agreement on December 23, 2020, pursuant to which Mr. Rui Chen granted irrevocably to Hode Shanghai the rights to require Mr. Rui Chen to transfer any or all his equity interests and to require Shanghai Kuanyu to transfer any or all of its assets to Hode Shanghai and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. If not explicitly specified in PRC laws and regulations or required by the relevant government authority, the transfer price shall be free or the nominal price. Mr. Rui Chen has also undertaken that, subject to the relevant PRC laws and regulations, he will return to Hode Shanghai any consideration he receives in the event that Hode Shanghai exercises the options under the exclusive option agreement to acquire the equity interests and/or assets in Shanghai Kuanyu.

Pursuant to the exclusive option agreement, Mr. Rui Chen and Shanghai Kuanyu have undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from Hode Shanghai, including but not limited to the following matters:

- (1) Shanghai Kuanyu shall not in any manner supplement, change or alter its constitutional documents or increase or decrease its registered capital or change the structure of its registered capital in other manner;
- (2) Shanghai Kuanyu shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards;

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- (3) Shanghai Kuanyu shall not sell, transfer, mortgage or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets except for those of value less than RMB 1 million required for normal business operations;
- (4) Shanghai Kuanyu shall not incur, inherit, guarantee or allow any indebtedness other than those having been disclosed to and consented by Hode Shanghai in writing or those made during the ordinary course of its business;
- (5) Shanghai Kuanyu shall not enter into any material contracts with an amount more than RMB1 million without Hode Shanghai's prior written consent, except the contracts executed in the ordinary course of business or contracts entered between Shanghai Kuanyu and our Company (or any of our subsidiaries);
- (6) Shanghai Kuanyu shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;
- (7) Shanghai Kuanyu shall immediately inform Hode Shanghai if its assets or business involved in any disputes, litigations, arbitrations or administrative proceedings;
- (8) Shanghai Kuanyu shall not distribute any dividend to its shareholder without Hode Shanghai's written consent. To the extent permitted under the relevant PRC laws and regulations, Mr. Rui Chen shall inform and transfer all distributable receivable by him to Hode Shanghai as soon as possible after receiving such interests;
- (9) Shanghai Kuanyu and its affiliates shall provide its operation and financial information to Hode Shanghai or its designated person upon Hode Shanghai's request;
- (10) Shanghai Kuanyu shall not separate, or merge, or enter into joint operation agreements with other entities, or acquire or be acquired by other entities, or invest in any entities without Hode Shanghai's written consent;
- (11) Shanghai Kuanyu shall sign all necessary and appropriate documents, take all necessary and proper acts, bring up all necessary and proper requests, or raise necessary and proper defenses against claims to maintain Shanghai Kuanyu and its affiliates' ownership for all the assets;
- (12) if Mr. Rui Chen or Shanghai Kuanyu fails to perform the tax obligations under applicable laws and results in obstacles for Hode Shanghai to exercise its exclusive option right, Shanghai Kuanyu or Mr. Rui Chen shall pay the taxes or pay the same amount to Hode Shanghai so Hode Shanghai may pay the taxes instead; and
- (13) Shanghai Kuanyu shall take all necessary and proper acts to ensure that all government permits, licenses, authorizations, and approvals required by Shanghai Kuanyu and its affiliates to conduct their businesses are valid and make all necessary changes as required by the relevant PRC laws and regulations.

The exclusive option agreement has an indefinite term commencing from December 23, 2020, being the date of the exclusive option agreement, until it is terminated (i) by Hode Shanghai through giving Shanghai Kuanyu and Mr. Rui Chen a prior written notice of termination; or (ii) upon the transfer of the entire equity interests held by the Mr. Rui Chen and/or the transfer of all the assets of Shanghai Kuanyu to Hode Shanghai or its designated person and the completion of registration with the relevant local branch of the SAMR. Neither Shanghai Kuanyu nor Mr. Rui Chen is contractually entitled to terminate the exclusive option agreement unless otherwise required by PRC laws and regulations.

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On December 23, 2020, Hode Shanghai, Hode Information Technology and each of the shareholders of Hode Information Technology entered into an exclusive option agreement, which contains terms substantially similar to the exclusive option agreement described above.

Equity Pledge Agreements

Hode Shanghai, Shanghai Kuanyu and Mr. Rui Chen entered into an equity pledge agreement on December 23, 2020, pursuant to which Mr. Rui Chen agreed to pledge all of his equity interests in Shanghai Kuanyu to Hode Shanghai as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the equity pledge agreement, Shanghai Kuanyu and Mr. Rui Chen represent and warrant to Hode Shanghai that appropriate arrangements have been made to protect Hode Shanghai's interests in the event of death, restricted capacity or incapacity, divorce of Mr. Rui Chen or any other event which causes his inability to exercise his rights as a shareholder of Shanghai Kuanyu to avoid any practical difficulties in enforcing the equity pledge agreement and shall procure or use its reasonable efforts to procure any successors of Mr. Rui Chen to comply with the same undertakings as if they were parties to the equity pledge agreement. If Shanghai Kuanyu declares any dividend during the term of the pledge, Hode Shanghai is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If Mr. Rui Chen or Shanghai Kuanyu breaches or fails to fulfill the obligations under any of the aforementioned agreements, Hode Shanghai, as the pledgee, will be entitled to escrow of the pledged equity interests, entirely or partially. In addition, pursuant to the equity pledge agreement, Mr. Rui Chen has undertaken to Hode Shanghai, among other things, not to transfer his equity interests in Shanghai Kuanyu and not to create or allow any pledge thereon that may affect the rights and interest of Hode Shanghai without its prior written consent.

The equity pledge under the equity pledge agreement takes effect upon the completion of registration with the relevant local branch of the SAMR and shall remain valid until (i) all the obligations under the Contractual Arrangements have been fulfilled; (ii) Mr. Rui Chen has transferred all of his equity interests in Shanghai Kuanyu in accordance with the exclusive option agreement and Hode Shanghai can legally conduct the businesses held by Shanghai Kuanyu; (iii) Shanghai Kuanyu has transferred all of its assets in accordance with the exclusive option agreement and Hode Shanghai can legally conduct the businesses held by Shanghai Kuanyu; (iv) the equity pledge agreement has been unilaterally terminated by Hode Shanghai; or (v) all of it is terminated as required by applicable PRC laws and regulations.

The registration of the equity pledge agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the equity pledge agreement and PRC laws and regulations.

On December 23, 2020, Hode Shanghai, Hode Information Technology and each of the shareholders of Hode Information Technology entered into an equity pledge agreement, which contains terms substantially similar to the equity pledge agreement described above.

Powers of Attorney

Mr. Rui Chen executed a power of attorney on December 23, 2020, pursuant to which, Mr. Rui Chen irrevocably appoints Hode Shanghai or its designated person (including but not limited to directors and their successors and liquidators replacing the directors but excluding those

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non-independent or who may give rise to conflict of interests), as his attorney-in-fact to exercise such shareholder's rights in Shanghai Kuanyu, including without limitation to, the rights to (i) convene and participate in shareholders' meeting pursuant to the articles of Shanghai Kuanyu in the capacity of a proxy of Mr. Rui Chen; (ii) exercise the voting rights pursuant to the relevant PRC laws and regulations and the articles of Shanghai Kuanyu, on behalf of Mr. Rui Chen, and adopt resolutions, on matters to be discussed and resolved at shareholders' meetings and the appointment and election of directors of Shanghai Kuanyu, and manage the company and exercise the rights of Mr. Rui Chen in the event of liquidation of Shanghai Kuanyu; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of Mr. Rui Chen; (iv) to nominate, elect, designate or appoint and remove the legal representative, directors, supervisors and other senior officers of Shanghai Kuanyu pursuant to the articles of association of Shanghai Kuanyu; (v) to raise lawsuits or other legal proceedings against the directors, supervisors and senior officers of Shanghai Kuanyu when their behaviors harm the interest of its shareholders; (vi) to sign and execute any related documents including but not limited to share transfer agreement, asset transfer agreement and board resolutions when Mr. Rui Chen exercises his right to transfer his equity in Shanghai Kuanyu in accordance with exclusive option agreement; and (vii) to instruct the directors and senior officers to act in accordance with our attention.

Mr. Rui Chen has undertaken that he will refrain from any action or omission that may cause any conflict of interest between himself and Hode Shanghai or its shareholders.

The powers of attorney has an indefinite term commencing from December 23, 2020 and will be terminated in the event that (i) the power of attorney is unilaterally terminated by Hode Shanghai; or (ii) it is legally permissible for Hode Shanghai, our Company or any of our subsidiaries to hold equity interests directly or indirectly in Shanghai Kuanyu and Hode Shanghai or its designated person is registered to be the sole shareholder of Shanghai Kuanyu.

On December 23, 2020, each of the shareholders of Hode Information Technology executed a power of attorney, which contains terms substantially similar to the power of attorney executed by Mr. Rui Chen as described above.

Other Key Terms of the Contractual Arrangements

A description of other key terms that apply to the applicable agreements under the Contractual Arrangements is set out below:

Arrangements to Protect our Group's Interests in the Event of Death, Bankruptcy or Divorce of the Shareholders of Shanghai Kuanyu and Hode Information Technology

The shareholders of the Shanghai Kuanyu and Hode Information Technology include Mr. Rui Chen, Mr. Yi Xu, and Ms. Ni Li (the "**Registered Shareholders**"). Each of the Registered Shareholders has confirmed and issued an undertaking to our Company that (i) he or she will sign all necessary documents and take all necessary acts to ensure the proper performance of the Contractual Arrangements, and (ii) he or she will take all necessary measures to ensure that, in the event of his or her death, restricted capacity or incapacity, divorce or any other event which causes his or her inability to exercise his or her rights as a shareholder of any of Shanghai Kuanyu or Hode Information Technology to perform the foregoing undertaking, his or her successors (including his or her spouse) and any other person/entity which may as a result of the above events obtain the equity interest or

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relevant rights in Shanghai Kuanyu or Hode Information Technology directly or indirectly will be bound by the undertaking to support and safeguard the enforcement of Contractual Arrangements.

The spouse of each of the Registered Shareholders, where applicable, has also signed an undertaking (the “**Spouse Undertakings**”) to the effect that (i) he or she will not claim any Registered Shareholders’ direct or indirect equity interests in Shanghai Kuanyu or Hode Information Technology and thus the enforcement, revision or termination of the Contractual Arrangements shall not subject to his or her authorization or consent, (ii) he or she will sign all necessary documents and take all necessary acts to ensure the proper performance of the Contractual Arrangements, and (iii) in the event that he or she obtains any direct or indirect equity interests in Shanghai Kuanyu or Hode Information Technology, he or she will be subject to and be abided by any obligations as the shareholders of Shanghai Kuanyu or Hode Information Technology regarding the Contractual Arrangements, and at the request of Hode Shanghai, he or she will sign any documents in the form and substance consistent with agreements under the Contractual Arrangements.

As advised by our PRC Legal Adviser, the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders; and the loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements against the successors of such Registered Shareholders.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Contractual Arrangements stipulates that:

- (a) the parties shall negotiate in good faith to resolve the dispute;
- (b) in the event the parties fail to settle the dispute within thirty (30) days of a negotiation request, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules of China International Economic and Trade Arbitration Commission. The arbitration shall be conducted in Beijing. The arbitration ruling shall be final and binding on all parties;
- (c) the arbitral tribunal may award remedies over the equity interest, assets and property interest of Shanghai Kuanyu or Hode Information Technology, injunctive relief or order the winding up of Shanghai Kuanyu or Hode Information Technology; and
- (d) upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of arbitration pending information of the arbitral tribunal or in appropriate cases. The courts of the PRC, Hong Kong, the Cayman Islands and other courts with jurisdiction, including but not limited to the place where the principal assets of our Company and Shanghai Kuanyu or Hode Information Technology are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Adviser that:

- (a) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shanghai Kuanyu or Hode Information Technology pursuant to current PRC laws and regulations; and

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- (b) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not to exert effective control over the Principal VIEs.

As a result of the above, in the event that Shanghai Kuanyu or Hode Information Technology or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the Principal VIEs and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to Our Contractual Arrangements — The shareholders and directors of the Principal VIEs may have conflicts of interest with us, which may materially and adversely affect our business” for details.

Conflict of Interest

Each of the Registered Shareholders has given his or her irrevocable undertakings in the powers of attorney which address potential conflicts of interests that may arise in connection the Contractual Arrangements. See “— Powers of Attorney.”

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company or Hode Shanghai is legally required to share the losses of, or provide financial support to, our consolidated affiliated entities. Further, our consolidated affiliated entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Hode Shanghai intends to continuously provide to or assist our consolidated affiliated entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our consolidated affiliated entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our consolidated affiliated entities suffer losses.

Liquidation

Pursuant to the exclusive option agreements, in the event of a mandatory liquidation required by the PRC laws and regulations, the Registered Shareholders have irrevocably undertaken that, in compliance with the PRC laws and regulations, Shanghai Kuanyu and Hode Information Technology shall transfer all remaining asset to Hode Shanghai or assignee, at the lowest price as permitted by the PRC laws and regulations. Shanghai Kuanyu or Hode Information Technology shall waive any payment obligation of Hode Shanghai or assignee arising thereon to the extent permitted by then applicable laws of the PRC in force; or shall return Hode Shanghai or assignee any income (if any) arising from such transaction to the extent permitted by then applicable laws of the PRC in force.

Pursuant to the exclusive option agreements, the Registered Shareholders have undertaken to appoint committees designated by Hode Shanghai as liquidation committees upon the winding up of Shanghai Kuanyu or Hode Information Technology to manage their respective assets. However, in the event of a mandatory liquidation required by PRC laws and regulations or bankruptcy liquidation, these provisions may not be enforceable under the PRC laws and regulations.

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Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our consolidated affiliated entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements are narrowly tailored and such arrangements are only used to enable our Group to combine the financial results of our consolidated affiliated entities which engage or will engage in the operation of our internet audio-visual program services, radio and television program production and operation business, internet cultural business, production of audio-visual products and/or electronic publications, value-added telecommunications services business, which are subject to foreign investment restriction and/or prohibition in accordance with applicable PRC laws and regulations.

Our PRC Legal Adviser is of the opinion that:

- (i) each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, enforceable under applicable PRC laws and regulations, except that (a) the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets or award injunctive relief and/or order the winding up of Shanghai Kuanyu or Hode Information Technology, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in appropriate cases, while under PRC laws and regulations, an arbitral body has no power to grant injunctive relief or to order an entity to wind up, and the aforesaid interim remedies granted by competent courts may not be recognizable or enforceable in the PRC; and (b) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint committees designated by Hode Shanghai as the liquidation committee upon the winding up of Shanghai Kuanyu or Hode Information Technology to manage their respective assets; however, in the event of a mandatory liquidation required by PRC laws and regulations, these provisions may not be enforceable;
- (ii) each of the agreements comprising the Contractual Arrangements does not violate the provisions of the articles of associations of Hode Shanghai and Shanghai Kuanyu or Hode Information Technology, respectively; and
- (iii) no approval or authorization from the PRC governmental authorities are required for entering into and the performance of the Contractual Arrangements except that (a) the pledge of any equity interest in Shanghai Kuanyu or Hode Information Technology for the benefit of Hode Shanghai is subject to registration requirements with the relevant governmental authority which has been duly completed; and (b) the exercise of any exclusive option rights by Hode Shanghai under the exclusive option agreements may subject to the approval, filing or registration requirements with the relevant authorities under the then prevailing PRC laws and regulations.

In November 2020, the respective PRC Legal Advisers of the Company and of the Joint Sponsors verbally consulted the senior officer of Information and Communication Administration

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Bureau of MIIT (工業和信息化部信息通信管理局) and the senior officer of the Market Management Department of MCT (文化和旅遊部市場管理司), which have provided oral confirmations that the Contractual Arrangements do not fall within the regulatory scope of the MIIT and the MCT, thus they will not raise objections or give regulatory opinions on such Contractual Arrangements.

In November 2020, the respective PRC Legal Advisers of the Company and of the Joint Sponsors verbally consulted the senior officer of the Media Agency Management Department of NRTA (國家廣播電視總局傳媒機構管理司) and the officer of Media Integration Development Department of NRTA (國家廣播電視總局媒體融合發展司), which have provided oral confirmations that the adoption of the Contractual Arrangements would not be challenged for any violation of relevant PRC laws and regulations nor would subject to any approval, consent or filing requirement from the NRTA.

Our PRC Legal Adviser has advised us that (i) the MIIT, the MCT and the NRTA are competent government authorities for the Company's principal business; and (ii) based on such verbal consultations, the adoption of the Contractual Arrangements is unlikely to be challenged or subject to penalty for any violation of relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Adviser and confirmation from relevant governmental authorities, our directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant clauses as described in the paragraph headed "Dispute Resolution" and "Liquidation" in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) and the General Principles of the PRC Civil Law (《中華人民共和國民法通則》). It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code (《中華人民共和國民法典》) came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed

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simultaneously. The PRC Civil Code no longer specifies the “concealing illegal intentions with a lawful form” as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of Our Consolidated Affiliated Entities

Under the exclusive business cooperation agreements, it was agreed that, in consideration of the services provided by Hode Shanghai, Shanghai Kuanyu or Hode Information Technology will pay services fees to Hode Shanghai. The services fees, subject to Hode Shanghai’s adjustment, are equal to the entirety of the respective total consolidated profit of Shanghai Kuanyu or Hode Information Technology (net of accumulated deficit of the consolidated affiliated entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Hode Shanghai may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our consolidated affiliated entities. Hode Shanghai also has the right to periodically receive or inspect the accounts of our consolidated affiliated entities. Accordingly, Hode Shanghai has the ability, at its sole discretion, to extract all of the economic benefit of Shanghai Kuanyu or Hode Information Technology through the exclusive business cooperation agreements.

In addition, under the exclusive business cooperation agreements and the exclusive option agreements, Hode Shanghai has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our consolidated affiliated entities as Hode Shanghai’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our consolidated affiliated entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our consolidated affiliated entities through Hode Shanghai and, at our Company’s sole discretion, can receive all of the economic interest returns generated by our consolidated affiliated entities. Accordingly, the results of operations, assets and liabilities, and cash flows of our consolidated affiliated entities are consolidated into our Company’s financial statements.

Our directors consider that our Company can consolidate the financial results of our consolidated affiliated entities into our Group’s financial information as if they were our Company’s subsidiaries. Our Reporting Accountant, has issued an unqualified opinion on our Group’s combined financial information as of and for the years ended December 31, 2018 and 2019 as included in the Accountant’s Report set out in Appendix I to this document.

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FOREIGN INVESTMENT LAW

Background

On March 15, 2019, the 2019 FIL was formally passed by the thirteenth NPC and took effect on January 1, 2020. The 2019 FIL stipulates forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The 2019 FIL stipulates that the negative list is applied in certain industry sectors. The negative list set out in the 2019 FIL classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively, according to which, the foreign investors are not allowed to invest in the areas in which the foreign investment is prohibited. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to the satisfaction of certain conditions. Foreign investors are allowed to invest in any sector beyond the negative list and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures; where the offender refuses to make corrections, punishments are implemented according to the aforementioned provisions.

Impact and potential consequences of the 2019 FIL on the Contractual Arrangements

Our PRC Legal Adviser has advised that, since contractual arrangements are not specified as foreign investments under the 2019 FIL, and no relevant laws, administrative regulations or provisions of the State Council have incorporated contractual arrangements as a form of foreign investment, the 2019 FIL does not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements. Therefore, each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties if there are no changes to relevant laws and regulations in this respect. Notwithstanding the above, the 2019 FIL stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of

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foreign investment. However, as of the Latest Practicable Date, it was uncertain as to how our Contractual Arrangements will be handled.

If the Relevant Business is no longer falling within the catalog of prohibitions or certain conditions and permission of foreign investment access required under the Negative List (2020) and we can legally operate our business under PRC laws and regulations, Hode Shanghai will exercise the option under the exclusive option agreements to acquire the equity interest/assets of the Shanghai Kuanyu and Hode Information Technology and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisors or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Hode Shanghai and our consolidated affiliated entities to deal with specific issues or matters arising from the Contractual Arrangements.

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The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by iResearch, which was commissioned by us. We believe that the information has been derived from appropriate sources such as iResearch's database, publicly available information sources, industry reports, as well as data obtained from surveys and other sources. We believe that we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters or any of our or their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party (except iResearch) involved in the Global Offering, and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

Founded in 2002, iResearch is an independent and a PRC-based market research institution that provides consumer insights and market data to companies in various industries, including mobile internet, big data, information technology, e-commerce, advertising, etc.

iResearch has agreed to be paid a commission fee of approximately RMB550,000 to issue a report (the “**iResearch Report**”) on China’s video-based industry. The iResearch Report was compiled using both primary and secondary research conducted in China. The primary research involved two rounds of online user surveys conducted in October 2020 and November 2020. Each round of online surveys was completed by a statistically significant random sample of more than 2,000 individuals living in China. The secondary research utilized relevant economic data, industry data, information and statistics published by government departments, publications and studies by industry experts, public company annual and quarterly reports, iResearch’s other research reports, online resources and data from iResearch’s research database.

iResearch’s projection on the size of the related markets in China takes into consideration various factors, including (i) historical market size data, (ii) the public filings of, and other publicly available information regarding video-based content providers, and (iii) iResearch’s views and estimates of industry developments. iResearch has prepared the iResearch Report on the assumptions that (i) the social, economic and political environments of China will remain stable during the forecast period, which ensures a sustainable and steady development of China’s video-based industry, (ii) the data quoted from authoritative agencies remain unchanged, (iii) related key industry drivers remain relevant and applicable in the forecast period, and (iv) there will be no subversive changes to the related industries. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are factual, correct and not misleading. iResearch has independently analyzed the information, but the reliability of this report may be affected by the accuracy of the foregoing assumptions and factors.

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ACCELERATING CONTENT VIDEOLIZATION TREND IN CHINA

Video is an intuitive, vivid and informative way to connect people with the world and has increasingly become a key pathway to content, information and communication. We refer to the trend of video integrating into the scenarios of everyday life as “videolization”. Compared to traditional content formats such as image, text and audio, video combines visual, sound and motion to facilitate interactive and real-time engagement, and encompasses broad categories of content to meet users’ various demand. As such, video is becoming pervasive across many scenarios in everyday life and a dominant content format that is gradually taking up market share from traditional formats. There is also a clear trend of online and offline integration driven by the wide application of IoT, the increasing prevalence of large screen and the advancement of video display technologies.

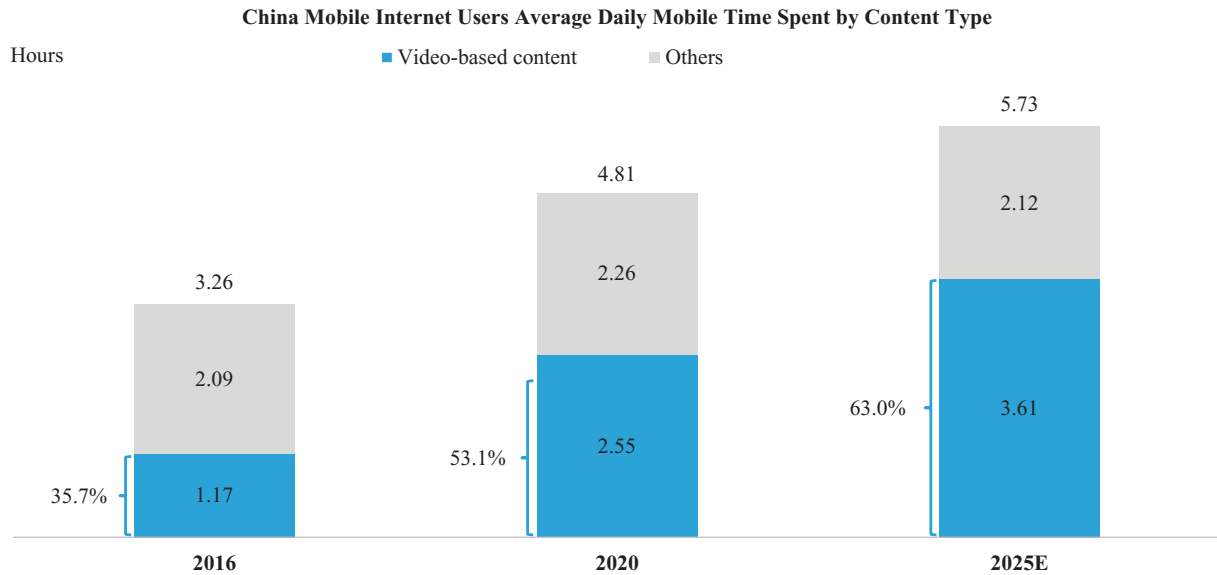
We operate in a massive and fast-growing video-based industry in China. Video-based content includes video content and mobile games. Driven by the increasing demand for a diverse range of video-based content, China’s video-based industry reached RMB582.9 billion in 2019 and is expected to grow to RMB1,802.5 billion in 2025, at a CAGR of 20.7%. The following chart presents the historical and projected market size in terms of revenue of China’s video-based industry from 2016 to 2025:



Source: iResearch

The videolization trend continues to drive the fast expansion of user base, consumption and application scenarios. Users of China’s video-based industry are expected to increase from 930.1 million in 2020 to 1,180.2 million in 2025. The penetration rate, as measured by the number of users of video-based content as a percentage of total internet users in China, is expected to increase from 94.0% in 2020 to 98.4% in 2025. Chinese users are also spending more time on video-based content, which accounts for 53.1% of total average daily time spent by China’s mobile internet users on mobile in 2020, up from 35.7% in 2016 and is expected to further increase to 63.0% in 2025.

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Source: iResearch

Note: Time spent on video-based content comprises of (i) time spent on video content of video-centric platforms, (ii) time spent on video content of non-video-centric platforms, and (iii) time spent on mobile games.

The tremendous upside of China's video-based market is supported by the following key drivers:

- **Advancement of 5G and video production technologies.** 5G adaption and advancement in video production technologies are expected to revolutionize how people produce and consume content, unleashing tremendous growth potential in the video-based industry with rapidly growing demand and supply of data-heavy video-based content. 5G users in China are expected to grow exponentially from 3 million in 2019 to 816 million in 2025, representing a CAGR of 154.5%. Technology breakthroughs will also enable high bandwidth, low latency and a wide variety of video production tools, significantly improving video production and distribution efficiencies.
- **Rising spending power and demand for video-based content.** With rising income, Chinese consumers are expanding their consumption for various forms of video-based content. The innovative content consumption scenarios for users to engage and interact create huge commercialization potential for China's video-based industry. The per capita value of China's video-based industry is expected to more than double between 2019 and 2025. While the income level of China grew faster than that of major developed countries, it is still much lower in terms of absolute value, implying a long runway for future growth. China's income per capita reached US\$10,410 in 2019 and is expected to grow at a CAGR of 5.6% to US\$14,435 in 2025, whereas the average of that for major developed countries is US\$54,439 in 2019 and US\$60,557 in 2025, representing a CAGR of 1.8% from 2019 to 2025.
- **A growing number of video content creators.** Utilizing a variety of user-friendly video creation tools, such as live broadcasting and video editing tools on smartphones, more and more viewers are becoming video-based content creators. Moreover, to better express themselves, interact closely with the audience and achieve commercialization, content creators who previously focus on traditional content formats such as text and graphics are gradually pivoting towards video production. Content creators have increasingly become the trend setters. Through the self-created videos, content creators closely engage with

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viewers by inspiring and igniting the passions and interests of their viewers. Moreover, big data and AI insights enable more efficient matching between users and the content they are most interested in, and help content providers better understand and interact with users, contributing to a highly personalized and fulfilling user experience.

- **Diversification of content themes.** As video-based industry develops, content of video-based platforms naturally extends beyond pan-entertainment categories to include technology, knowledge, lifestyle and others, which appeal to broader user demographics. As more users demand for high-quality content, quality content and talented content creators become more valuable. The breadth of the themes and formats, the quality of the content and alignment to user interests will become increasingly important for user attraction and retention of the video-based platforms.

For the major challenges faced by our company and the video-based industry in China, see “Business—Major challenges faced by the video-based industry.”

GENERATION Z+ IN CHINA’S VIDEO-BASED INDUSTRY – GOLDEN COHORT IN A GOLDEN INDUSTRY

Young generation is the key driving force of the evolution of China’s video-based industry. “Generation Z+”, refers to the demographic cohort of individuals born from 1985 to 2009, and is a natural extension of Generation Z, the demographic cohort of individuals born from 1990 to 2009, who have grown up in a unique socio-environment that cultivates sense of belonging to a community and a strong desire for self-expression via digital tools and technology.

Video-based content has become a crucial means of connection and interaction for Generation Z+. The population of Generation Z+ reached 452.5 million in 2020, among them 74.3% or 336.3 million of the population view video-based content in various forms, and this penetration rate is expected to further increase to 99.1% in 2025. Generation Z+ on average spent 3.71 hours per day on video-based content on mobile in 2020, 1.16 hours more than the overall population on average in 2020.

Generation Z+ have become the most important pillar of China’s video-based industry, contributing to 64.8% of the market size of the video-based industry in 2019, with per capita value increasing from RMB516 in 2016, to RMB1,280 in 2019 and further to RMB3,042 in 2025.

Driven by their increasing spending power and strong paying willingness, Generation Z+’s average monthly budget on video-based content is expected to increase from RMB597.3 in 2020 to RMB843.8 in 2025, with contribution to their total average monthly personal consumption budget increasing from 16.8% in 2020 to 18.9% in 2025, outpacing the growth of the overall video-based market. 11.11 Global Shopping Festival statistics of Alibaba show that video commerce expenditure of the population born in 1990s and 2000s has increased 230% and 389%, respectively, compared to that in last year’s event.

Generation Z+ are a unique group among users of video-based industry as a large number of them are actively involved in content creation and promotion, rather than passive content viewing and consumption. Their above-average consumption and participation in video-based industry are mainly demonstrated in the following aspects:

- **More self-expression via content generation.** Generation Z+ tend to have a strong and evolving desire to express themselves and showcase their talents by creating content. They

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are a booming group of content contributors that have access to a variety of technologies and tools.

- **More interaction through content.** Users, especially the Generation Z+, have an increasing demand for interaction. Video-based platforms allow users to socialize and exchange opinions with content creators and other audiences through sharing, commenting and features such as “liking”. User interactions have become more frequent and diversified, which in turn enhance the breadth and depth of the content offered. PUGV continues to gain popularity among the Generation Z+ due to its originality and interactivity, and has been a key growing component of video-based industry.
- **More interest-driven content consumption and social connections.** A large portion of the Generation Z+ are still developing their cultural tastes and brand awareness and more likely to be influenced by content and trends. Content consumption, peer preferences and social trends significantly impact the Generation Z+’s consumption choices, as evidenced in their strong common interests. These common interests create strong emotional connections underlying the virtuous interactions between content creators and users, which further optimizes user experience, cultivates brand recognition and incentives content creations.

MONETIZATION OPPORTUNITIES OF CHINA’S VIDEO-BASED INDUSTRY

Video-based platforms in China mainly monetize through advertisement, mobile games, live broadcasting, membership and paid content, and others. As the industry continues to expand and evolve, these platforms are expected to maintain a diversified revenue generation model and grow in various monetization channels. The various monetization channels of China’s video-based industry have experienced significant growth in 2016 and are expected to continue to expand at a relatively high pace going forward. In particular, Generation Z+ are viewed as the golden cohort in the video-based industry as they are the driving force and trend-setter of all kinds of online consumption in China.

China’s Video-based Industry by Monetization Channels

<i>RMB billions except for %</i>	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	16-19 CAGR	19-25 CAGR
Advertisement	42.6	53.9	83.2	146.4	206.9	279.2	361.0	441.9	516.8	598.5	50.9%	26.5%
Mobile games	102.3	148.9	164.6	209.2	249.7	287.7	322.1	356.0	390.7	425.6	26.9%	12.6%
Live broadcasting virtual gifting	24.5	52.9	86.6	140.0	182.6	223.9	269.2	317.7	367.2	416.6	78.8%	19.9%
Membership and paid content ⁽¹⁾	13.2	22.4	33.5	47.9	62.3	73.9	86.3	97.9	109.8	123.0	53.7%	17.0%
Others ⁽²⁾	21.1	17.9	23.1	39.4	56.5	82.1	113.3	149.0	191.4	238.8	23.1%	35.0%
Total	203.7	296.0	391.0	582.9	757.9	946.8	1,151.9	1,362.6	1,575.8	1,802.5	42.0%	20.7%

Notes:

(1) Membership and paid content include payments from users for video-related content, including membership package and on-demand payments on video-centric platforms, as well as video-based content on non-video-centric platforms.

(2) Other monetization channels include video commerce, video copyright distribution, IP licensing and other services.

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Advertisement

Video-based platforms with a large and engaged user base, diversified and high-quality content as well as efficiency in matching advertisers with users' needs offer an especially compelling value proposition to advertisers. Video advertisement in China has experienced rapid growth and is expected to continue its growth momentum. China's video advertisement market is expected to grow from RMB146.4 billion in 2019 to RMB598.5 billion in 2025, representing a CAGR of 26.5%. As video-based platforms are naturally suitable for content generation and display, advertising formats on these platforms will continue to diversify, from innovative display advertisements to those customized and well-integrated into the native content of the platforms.

Mobile Games

The rapid development of mobile technology and users' growing demand for high quality game content enabled mobile games to achieve a higher growth in market size than PC games and console games in China. As part of the game experience, there are various in-game virtual items for players, which can either be functional to help players upgrade or advance in games, or decorative, such as different skins and styles, or even collectable, such as rare or limited-edition items, to fulfill players' different demands. As a result, in-game sale of virtual items has become an important revenue source for mobile games. China's mobile games market reached RMB209.2 billion in 2019, and is expected to further grow to RMB425.6 billion in 2025, representing a CAGR of 12.6%. Generation Z+ users on average spend 31.8 minutes on mobile games every day in 2020.

The market of mobile games with anime and comics themes emerged in China in 2014 with a series of popular titles launched over the years, such as *Fate/Grand Order* (命運/冠位指定), *Princess Connect! Re:Dive* (公主連結 Re:Dive), *Azur lane* (碧藍航綫), *Arknights* (明日方舟), *Genshin Impact* (原神) and *Onmyoji* (陰陽師). The market size of anime and comics themed mobile games reached RMB31.8 billion in 2019, and is expected to reach RMB90.2 billion by 2025, representing a CAGR of 19.0%. It has significantly outgrown the overall mobile games market, driven by the strong demand from a large young user base with a high propensity to spend. The number of players for anime and comics themed mobile games in China was 146.3 million as of 2020 and is expected to increase to 260.1 million in 2025, 88.5% of whom are Generation Z+.

Live broadcasting

Live broadcasting fosters a highly enjoyable, real-time and interactive experience for users. Live broadcasting business mainly monetizes via virtual gifting. China's live broadcasting market reached RMB140.0 billion in 2019 and is expected to grow to RMB416.6 billion in 2025, representing a CAGR of 19.9%. Platforms with differentiated content can appeal to wider user base and effectively utilize user traffic.

Membership and paid content

Video-based platforms also generate revenues through membership and paid content where users subscribe to a membership program or make on-demand payment to obtain access to premium video-based content. Generation Z+ have grown up during the high growth period of the video-based industry in China. They value quality content, have strong propensity to pay for it and are also more accustomed to premium services, compared to previous generations. China's video membership and paid content market is expected to grow from RMB47.9 billion in 2019 to RMB123.0 billion in 2025, representing a CAGR of 17.0%.

INDUSTRY OVERVIEW

Others

Other monetization channels include video commerce, video copyright distribution, IP licensing and other services. Due to the significant growth potential of video commerce, this segment is expected to grow from RMB39.4 billion in 2019 to RMB238.8 billion in 2025, representing a CAGR of 35.0%. Video commerce refers to promoting commercial products or services via video or live broadcasting, which has gained popularity for its interactive nature and highly-engaged shopping experience.

OUR MISSION

Our mission is to enrich the everyday life of young generations in China.

OVERVIEW

We are an iconic brand and a leading video community for young generations in China. Over 86% of the Company's MAU were aged 35 and below in 2020, which is the highest among the major video-centric platforms in China, according to the iResearch report. Video is an intuitive, vivid and informative way to connect people with the world and has become a dominant medium for communication, entertainment and information. We refer to the trend of video integrating into the scenarios of everyday life as "videolization", which is creating a massive video-based industry in China with approximately 1,180.2 million video users and over RMB1.8 trillion in revenue by 2025, according to the iResearch Report. As a go-to video community for young generations in China, we believe we are well positioned to capture the attractive opportunities created by videolization.

We are a full-spectrum video community that offers a wide array of content serving young generations' diverse interests. We provide users with "*All the Videos You Like*" as our brand proposition. We have built our community around aspiring users, high-quality content, talented content creators and the strong emotional bond among them. In our community, users and content creators discover and interact with diverse content encompassing different interests, from lifestyle, game, entertainment, anime, technology and knowledge to many more. We also enable broad video-based content consumption scenarios centered around professional user generated videos, or PUGV, supplemented with live broadcasting, occupationally generated videos, or OGV, and more. We have become the welcoming home of diverse cultures and interests and the destination to discover cultural trends and phenomena of young generations in China.

We have a large and fast-growing user base. In the fourth quarter of 2020, we had an average of 202.0 million MAU, an increase of 55% over the same period in 2019. The mobile MAU of our Bilibili mobile app grew by 49% from 2019 to 2020, which makes us No.1 in terms of mobile MAU growth in 2020 among top 10 video-centric mobile apps in China, higher than the 11.9% growth on average of the rest 9 players during the same period, according to the iResearch Report. Our users are young and culturally aspiring. They are looking for and are willing to pay for high-quality content and engaging experiences. With our vibrant community and high-quality content, Generation Z+, or Gen Z+, constitute the core of our user base. According to the iResearch Report, over 86% of our MAU were aged 35 and below in 2020. According to the iResearch Report, we ranked No. 1 in terms of the proportion of users aged 35 and below among top 10 video-centric mobile apps in China in 2020. With the total population exceeding 452.5 million in 2020, according to the iResearch Report, Gen Z+ are the driving force and trend-setter of all kinds of consumptions in China. They are leading the way in videolization and contributed to over 64.8% of the video-based market in terms of revenue in 2019, according to the iResearch Report.

Cultivating an engaging community where every user feels a sense of belonging has always been our top priority. Our community is comprised of a great number of interest-based sub-communities with passionate users bonding with each other over shared interests. We have thoughtfully designed various interactive features and pioneered a signature commenting function called "bullet chatting" to foster engagement. The average daily time spent per active user on our mobile app remained above 80 minutes in 2020, among the highest in mobile apps in China, which was higher than industry average of 29.8 minutes in 2020, according to iResearch. During the same period,

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our users generated 5.1 billion average monthly interactions on our platform, as compared to 2.1 billion in 2019. We also designed a unique official membership examination system to ensure strong interests and affinity to enhance user loyalty. For official members who visited our platform in each month since 2018, our 12th-month retention rate remained above 80%. We believe that our community, together with over a decade of experience in building it, forms one of our strongest competitive advantages.

We have built an ever-growing content ecosystem fueling creative video-based content centered around PUGV, which contributed to 91% of the total video views on our platform in the fourth quarter of 2020. Our PUGV are known as high quality and fulfilling. The quality and usefulness of our PUGV creates strong content mindshare among our users. We have developed a robust mechanism that attracts content creators through an encouraging community culture, effective traffic allocation and comprehensive creator support. We have also taken a number of initiatives to encourage and facilitate production of creative PUGV by content creators, including various incentive mechanisms such as customized premium services, cash incentive program, and online and offline tutorials to realize their commercialization potential. This healthy mechanism respects, motivates and rewards talented content creators and high-quality content and drives the virtuous cycle of our ecosystem. The more talented content creators gather on our platform, the more inspiring content is created, leading to more users, more engagement, and more followers and feedback for our content creators, which in turn encourages more content creators to join. In the fourth quarter of 2020, we had approximately 1.9 million average monthly active content creators, representing an increase of 88% over the same period in 2019.

We are focused on fulfilling the diverse and expanding interests of our users. We attract users with engaging content, retain them with our vibrant community, and curate the right content to satisfy their consumption needs. We have achieved diversified commercialization, primarily generating revenue from mobile games, value-added services, advertising, e-commerce and others.

- **Mobile games:** We publish mobile games on our platform primarily for third-party game developers. The mobile games are generally free to download and play with Bilibili accounts and users can purchase in-game virtual items that enhance their playing experience, which is the primary source of our mobile games revenues.
- **VAS:** We generate VAS revenue from (i) subscription fee of premium membership program which grants paying members exclusive or advance access to our original or licensed content, (ii) sales of in-channel virtual items for use in our live broadcasting program, and (iii) sales of paid content and virtual items on our video, audio and comic platforms.
- **Advertising:** We generate revenue from advertising services in various formats, including brand advertising that primarily appear on the opening page or top banner of the mobile apps and website home page, and performance-based feed advertisements which primarily appear as inline video feeds with organic feeds.
- **E-commerce and others:** We generate revenue from online sales of ACG-related merchandise and offline performance events and activities.

Capitalizing on the videolization trend and our in-depth understanding of highly engaged users, we believe we will capture more of the growing consumption needs of young generations in China. Our net revenues grew from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019, and further

to RMB11,999.0 million (US\$1,838.9 million) in 2020, increasing year over year by 67%, 64% and 77%, respectively. The strong growth in our net revenues was due to the popularity of our premium membership program driven by high-quality content offerings, the expansion of our mobile games operations, diversification of other value-added service offerings and increased advertising revenues. Along with our strong revenue growth, our gross profit margin increased from 20.7% in 2018 to 23.7% in 2020, mainly due to the improved efficiency and lower shared platform costs as a percentage of our revenues including server and bandwidth costs. Our sales and marketing expenses increased as we strategically invested in our brand awareness, content ecosystem and user community to capture the opportunities in the industry, and attract a larger user base that can result in greater profitability in the future. We also incurred greater research and development expenses as we invested in our research and development capabilities and other areas to offer new and innovative products and services that create more exciting user experience, which also enhanced our technology-enabled commercialization capabilities.

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success:

Iconic brand and leading video community for young generations in China

We are an iconic brand and a leading video community for young generations in China. Our users have strong emotional connections to our community – our “Bilibili” brand elicits deep emotional connection and a strong sense of belonging among users. We ranked No.1 in terms of Net Promoter Score and top 5 in terms of brand awareness in Gen Z+ users among video-centric platforms in China in 2020, according to the iResearch Report. We were also ranked as the most searched video platform in terms of average Baidu Search Index for 2019 and 2020. As a go-to video community for young generations in China, we believe we are well positioned to capture the massive opportunities created by the videolization trend.

We are a full-spectrum video community offering a wide array of content categories serving users’ diverse interests, and broad content consumption scenarios including videos, live broadcasting and more. Our leading video community is comprised of a great many interest-based sub-communities. In our community, users and content creators discover and interact with diverse video-based content encompassing different interests, from lifestyle, game, entertainment, anime, technology and knowledge to many more. We have become the welcoming home of diverse cultures and interests and the destination to discover cultural trends and phenomena of young generations in China.

Aspiring and fast growing user base

We have developed a young and culturally aspiring user base, who are looking for and willing to pay for high-quality content and engaging experiences. We have established leadership among Gen Z+. According to the iResearch Report, we ranked No. 1 in terms of the proportion of users aged 35 and below among top 10 video-centric mobile apps in China in 2020. According to the iResearch Report, it is estimated that Gen Z+ exceeded 452.5 million in 2020. They are internet natives, typically well educated, and with strong demand for high-quality content and keen desire for self-expression. A large and growing number of Gen Z+ also actively participate in creating, sharing and promoting content. As the driving force and consumption trend-setters in China, Gen Z+ become a greater driver of the total consumption in China, and they are also leading the way in videolization and contributed to 64.8% of the video-based market in terms of dollar value in 2019, according to the iResearch Report.

Benefiting from our high-quality content offerings, strong brand and happy users, we continue to attract more Gen Z+ users as well as a broader audience across different demographics. In the fourth quarter of 2020, we had an average of 202.0 million MAU, an increase of 55% from the same period in 2019. We also ranked No. 1 in terms of mobile MAU growth in 2020 among top 10 video-centric mobile apps in China, according to the iResearch Report. Our user growth strategy focuses on sustainable and high-quality growth, which is evidenced by high level of user engagement and stickiness.

Highly engaged, interactive and sticky community with a strong sense of belonging

We are committed to our “community-first” philosophy and have built a highly engaged, interactive and sticky community. Through our robust AI-powered content curation based on user interests and content quality, we create a great number of sub-categories and enable our users to find videos that match their interests and bond with other like-minded users. We continuously refine our capability of operating community with over a decade of experience. The average daily time spent per active user on our mobile app remained above 80 minutes in 2020. In the fourth quarter of 2020, we had approximately 1.2 billion average daily video views, representing a 70.1% year-over-year growth.

We pioneered a signature interactive feature called “bullet chatting”, a commenting function that has transformed viewing experience and created shared feeling by displaying audience’s thoughts and feelings on the same screen. We also offered an array of purpose-built interactive features such as like, follow, coin-casting and virtual gifting. These features embed robust social components, contribute to our enjoyable user experience, foster our highly engaged community and lead to our users spending more time on our platform. In 2020, our users generated 5.1 billion average monthly interactions on the platform, representing a year-over-year increase of 143%.

We have also designed a unique official membership system that can only be obtained by passing examination, to offer privileged identity and more interactive features. This fosters a strong sense of belonging and ownership among our users and our official members have demonstrated even stronger engagement and loyalty. As of December 31, 2020, we had approximately 102.6 million official members, representing a year-over-year increase of 51%. For official members who visited our platform in each month since 2018, our 12th-month retention rate remained above 80%.

Ever-growing ecosystem of creative content

We have built an ever-growing content ecosystem that is centered on video-based content including PUGV, live broadcasting, OGV and more. Our full-spectrum content ecosystem enables us to become a one-stop platform for users to find a wide variety of content that matches their interests, and for content creators to fully showcase their talent. 91% of the total video views on our platform were contributed by PUGV in the fourth quarter of 2020.

To fuel the continuous generation of creative PUGV, we have developed a robust mechanism that attracts content creators through an encouraging community culture, effective traffic allocation and comprehensive creator support. We cultivate an encouraging community culture that rewards talented content creators and high-quality content. Our algorithms promote and enable high-quality content to quickly gain attention and enable content creators to effectively build their fan base and increase their influence. We provide comprehensive support with resources and infrastructure, customized to content creators at different stages to better facilitate their growth. We also help our content creators to realize

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better commercial value through our incentive program and advertising platform. Our content ecosystem generates strong virtuous cycle. The more talented content creators gather on our platform, the more inspiring and high-quality content is created, leading to more users, more engagement, and more followers and feedback for our content creators, which in turn encourages more content creators to join. In the fourth quarter of 2020, we had 1.9 million average monthly active content creators and received 5.9 million average monthly video submissions, compared to 1.0 million and 2.8 million, respectively, in the fourth quarter of 2019.

Building on our vast PUGV content offering, we have curated a series of high quality live broadcasting and OGV content that caters to the diverse interests of our users. This broad offering of video-based content generates great synergies and contributes to the virtuous cycle of our content ecosystem.

User-centric commercialization with massive opportunities

We have built a highly engaged and loyal user base, and our ever-growing content ecosystem continues to satisfy their evolving needs, providing us with multiple levers for user-centric commercialization. Therefore, we are well positioned to create and grow lifetime value for our users and capture such value. Our focus on Gen Z+ also allows us to benefit from our users' growing consumption needs alongside their increasing spending power. Our premium content and VAS effectively convert our existing users into paying users. In the fourth quarter of 2020, our average monthly paying users was approximately 17.9 million, representing a year-over-year increase of 103%. Over the same period, our revenues from mobile games and VAS grew significantly by 30% and 118%, respectively. Our engaged and young user base is highly attractive to advertisers across different industries. Our strong brand name and the effective reach of young users have made us a go-to platform for advertisers. In the fourth quarter of 2020, our revenues from advertising increased by 149% year over year.

Our commercialization capabilities continue to strengthen as our user base expands, and as their engagement level and consumption needs grow. These data insights will also deepen our understanding of users and allow us to enhance commercialization. Capitalizing on the videolization trend and our market leadership, we expect to realize the tremendous upside of our commercialization.

Visionary, experienced and passionate management team

We benefit from the vision and experience of our senior management team. Our chairman and Chief Executive Officer, Mr. Rui Chen, is a serial entrepreneur and has over 20 years of experience in the internet and technology-related industries in China. He co-founded Cheetah Mobile (NYSE: CMCM) and served in senior management capacity at Kingsoft (SEHK: 3888), before he led the transformation of our company. The rest of our senior management team are all industry experts joining from leading internet companies in China, with extensive expertise across technology, product design, operations, and financial management.

Our management team integrates their passion with insights into the evolving user demand that is driving China's video-based consumption. Our management team members are cultural enthusiasts and advocates themselves, and possess deep understanding of young generations' passion and interests. These insights have guided our business expansion in the rapidly evolving internet industry. They have established our user-centric and community-first corporate culture that has reinforced our market leadership and brand recognition among our users.

OUR STRATEGIES

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

Pursue healthy and high-quality user growth

We see substantial opportunities for user growth under the rapid videolization trend. We will continue to support PUGV creators to broaden our content categories and expand premium content offerings to further grow our user base. We will continue to invest in branding and user acquisition to attract users across wider demographics. We will also focus on the quality of user growth to maintain our engaging community and achieve greater commercialization potential.

Putting our community first

Our community is our top priority. We will continue to build a friendly and engaging community that fosters strong emotional connections and a sense of belonging among our users and content creators. We will continue to improve user experience by offering high-quality content, respect and reward quality content creation, and connect like-minded individuals. We believe these propositions create a unique experience that stimulates high engagement and high retention, which will form higher entry barriers and differentiate us from other platforms.

Reinforce our ever-growing content ecosystem

We believe our thriving content ecosystem is the cornerstone of our business and the main engine that powers our growth. Committed to our “community first” strategy, we will continue to broaden and enrich our content offerings, provide support and infrastructure to incentivize and reward our content creators, and help their creations reach broader audiences. This will further bind users and content creators within our community, as quality content attracts fans, and fans motivate more content creations, which creates a virtuous cycle to ensure an ever-growing content ecosystem.

Strengthen our user-centric commercialization capabilities

We have accumulated a large and highly engaged user base that builds the foundation for commercialization at scale. We attract our users with engaging content, retain users with our vibrant community, and achieve commercialization through continuously satisfying our users’ consumption needs. By providing premium content and services, we plan to increase the number of our paying users and provide compelling value for our business partners. We will continue to leverage AI and big data analytics to develop deeper understanding of our users, which will increase our commercialization capabilities.

OUR DEVELOPMENT

The “Bilibili” website was founded in 2009 and we commenced operations in 2011, starting as a content community inspired by ACG. We have experienced rapid user growth since our inception in 2011 and successfully cultivated a highly engaged, interactive and sticky community with a strong sense of belonging, gradually building the foundation for commercialization at scale. By offering interest-based paying content and services, we convert more users to paying users and increase the spending of our paying users. For example, we select and adapt mobile games based on content,

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themes, cultural characteristics and features that appeal to the existing users of our communities. Recognizing the favorable videolization trend and the increasingly diverse interests of our expanding user base, since around 2016, we have gradually expanded beyond ACG-related content and pivoted towards building a full-spectrum video community that offers diverse content formats and themes. Our net revenues initially experienced significant growth in 2016, mainly attributable to our enhanced mobile game operation. We also gradually diversified our commercialization avenues to include paying premium membership, live broadcasting and other VAS, advertising and E-commerce, contributing to our continuous revenue growth.

From 2017 to 2018, we continued to diversify our revenue sources by expanding our VAS and advertising business. In December 2017, we launched performance-based feed advertising services, which is a new advertising solution primarily appearing as inline video feeds alongside organic feeds. As a result, advertising revenue achieved a 191.2% growth year over year in 2018. In January 2018, we launched a premium membership program allowing paying members to enjoy an exclusive or advance access to certain high-quality OGV. As a result, VAS stream revenue achieved a 231.9% growth year over year in 2018. From 2019 to 2020, we expanded our content library by establishing or deepening partnership with a number of content partners including Tencent, Sony, and other media and broadcasting companies to enrich high-quality OGV offerings on our platform to further enhance user experience. We set forth below our key operating metrics.

	<u>For the Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	(in millions, except as otherwise indicated)		
Average MAU	87.0	117.5	185.8
Average monthly paying user	3.4	7.2	14.8
Paying ratio % (Average monthly paying user / MAU)	3.9%	6.1%	8.0%
Average monthly paying user for mobile games	0.9	1.2	1.8
Average monthly paying user for VAS ⁽¹⁾	2.5	6.0	13.0
Daily time spending per active user (minutes)	over 75 minutes	over 80 minutes	over 80 minutes

Note:

(1) Average monthly paying user for VAS excludes the duplicative average monthly paying user for mobile games.

	<u>For the Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Average monthly revenue per MAU ⁽¹⁾	4.0	4.8	5.4
Average monthly revenue per paying user ⁽²⁾	87.6	60.7	48.7
Average monthly revenue per paying user for mobile games	284.5	254.6	223.6
Average monthly revenue per paying user for VAS	19.6	22.7	24.6

Notes:

(1) Numerator is the total net revenues. See “Glossary of Technical Terms.”

(2) Numerator includes only revenues from mobile games and VAS. See “Glossary of Technical Terms.”

Our average MAU increased significantly from 87.0 million in 2018, to 117.5 million in 2019 and further to 185.8 million in 2020, due to the strong growth in our mobile MAU. Our mobile MAU increased significantly from 73.7 million in 2018, to 103.8 million in 2019 and further to 169.8 million in 2020, due to the continued growing supply of content in various forms and themes, as well as the vibrant community and immersive experience accessible on our mobile apps. In the fourth quarter of 2020, we had 1.9 million average monthly active content creators, compared to 1.0 million in the fourth quarter of 2019 and 0.6 million in the fourth quarter of 2018.

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Our average monthly revenue per MAU increased from RMB4.0 in 2018 to RMB4.8 in 2019, and further to RMB5.4 in 2020, due to the successful execution of our monetization strategies to diversify our revenue sources by expanding our VAS and advertising business.

Our average monthly paying users increased significantly from 3.4 million in 2018 to 7.2 million in 2019, and further increased to 14.8 million in 2020, contributing to the significant increases in mobile game and VAS revenues. Our net revenues and the number of average monthly paying users have generally been increasing primarily due to the popularity of our premium membership program driven by the high-quality content that we offered, the expansion of our mobile games operations and diversification of other value-added services offerings. The occasional decrease of our average monthly revenue per paying user was mainly due to the substantial increase in the number of paying users attributable to our premium membership program, who on average make lower payments than other paying users such as those for the mobile games. Our average monthly revenue per paying user for mobile games decreased during the Track Record Period because the growth of our number of paying users for mobile games out-paced the growth of the revenue from mobile games during the same period, as (i) we launched more mobile games with diversified monetization strategies and (ii) we initiated a series of promotions and discounts of in-game purchases for these new games at their early operation stages to promote them, leading to an increase in the number our average monthly paying users for mobile games, which doubled from 2018 to 2020. As of December 31, 2020, we operated 43 exclusively distributed mobile games and hundreds of jointly operated mobile games, while we operated 11 exclusively distributed mobile games and 29 exclusively distributed mobile games as of December 31, 2018 and 2019, respectively. Our net revenues from mobile games increased from RMB2,936.3 million in 2018 to RMB3,597.8 million in 2019, and further to RMB4,803.4 million (US\$736.2 million) in 2020. For a detailed discussion of our net revenues from mobile games, see “Financial Information—Key Components of Results of Operations—Net Revenues—Mobile games.” We plan to sustain the growth momentum of net revenues and number of paying users with expanding diversified product and service offerings.

OUR USERS

We have a young and culturally aspirational user base who are willing to invest in high-quality content and engaging user experience. Gen Z+ constitutes the core of our user base. According to the iResearch Report, over 86% of our MAU aged 35 and below in 2020. Our user base is quickly broadening to include users across different age groups and locations, who take interest in a full spectrum of content. We encourage users to not only discover and view, but also share and create quality content on our platform. We are dedicated to providing a wide variety of high-quality content to retain our existing users and attract new users with diverse interests and backgrounds.

Our user base is growing rapidly. In the fourth quarter of 2020, we had an average of 202.0 million MAU, as compared to 130.3 million average MAU for the same period in 2019. Our users have demonstrated high level of engagement on our platform.

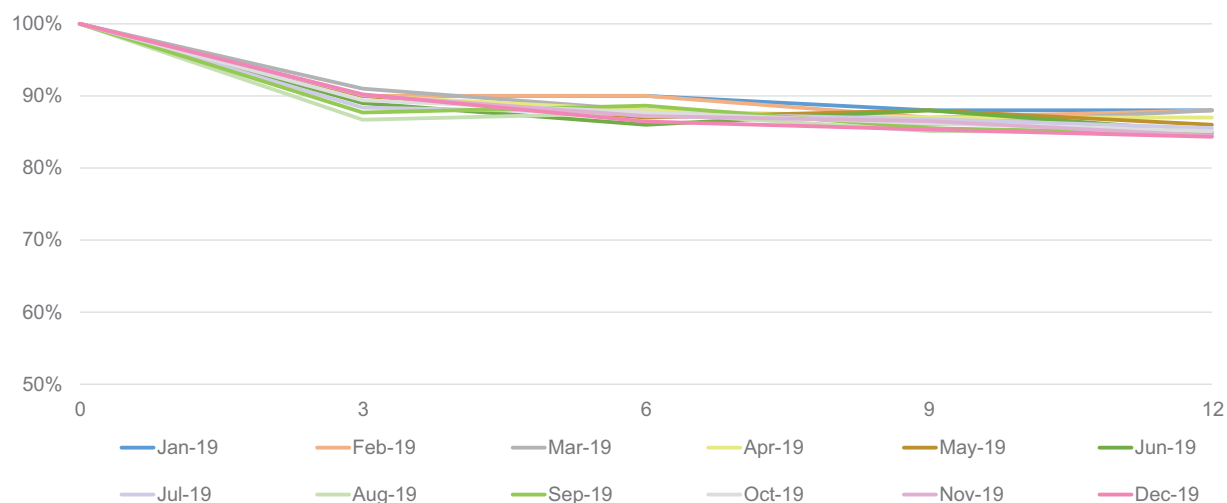
Our official members who have passed our 100-question multiple-choice membership exam are even more engaged. As of December 31, 2020, we had approximately 102.6 million official members, representing a 51.1% increase year-over-year. We offer certain major interactive features on our platform exclusively to official members, as we believe the users who take and pass our membership exam are tuned to our community culture and values, hence contributing to our sticky user community. Our official members actively engage in a variety of social and interactive features offered on our

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platform, such as sending bullet chats, commenting and messaging. In 2020, our users generated 5.1 billion average monthly interactions on our platform, as compared to 2.1 billion in 2019 and 766.7 million in 2018. For official members who visited our platform in each month since 2018, our 12th-month retention rate remained above 80%.

The chart below sets forth the 3rd-month, 6th-month, 9th-month and 12th-month retention rates of officials members who visited our platform in each month between January 2019 and December 2019.

Highly Sticky Community



OUR CONTENT ECOSYSTEM

We have built an ever-growing content ecosystem that is centered on video-based content including PUGV, live broadcasting, OGV and more. Our full-spectrum content ecosystem enables us to become a one-stop platform for users to find a wide variety of content that matches their interests, and for content creators to fully showcase their talent. The more talented content creators gather on our platform, the more inspiring and high-quality content is created, leading to more users, more engagement, and more followers and feedback for our content creators, which in turn encourages more content creators to join.

Our Content

We offer a full spectrum of engaging content, including video services, mobile games and value-added services, or VAS. Our content offerings cover a wide variety of categories. We have become the welcoming home of diverse interests. In the fourth quarter of 2020, we had approximately 1.2 billion average daily video views, representing a 70.1% year-over-year growth.

We offer a comprehensive suite of video services, with PUGV as the cornerstone of our content ecosystem, and live broadcasting and OGV as major attractions of our platform.

PUGV

PUGV are the cornerstone of our content ecosystem and the main engine that powers our growth. PUGV contributed to 91% of the total video views on our platform in the fourth quarter of

2020. With the development of affordable and easy-to-use hardware including digital camcorders and mobile devices with high-resolution video cameras, as well as 5G technologies, the barrier for producing quality video content is gradually vanishing. Video production is now done by a wide range of participants, from amateurs, to semi-professional individuals with certain levels of production and editing skills and to professional production studios or workshops, with the lines between each category of content creators becoming increasingly blurred.

We have a deep and diverse repository of PUGV on our platform. The PUGV on our platform typically showcase the content creators' knowledge and expertise in the relevant field, providing viewers with a fulfilling experience and creating positive word-of-mouth. PUGV are popular among our users due to their originality and creativity as well as their interactive characteristics. Since our inception in 2011, our PUGV experienced strong growth in terms of not only the number of active content creators, but also the number and varieties of videos uploaded. In 2020, we received an average of approximately 5.6 million monthly videos submissions, as compared to 2.6 million in 2019. These videos were submitted by an average of approximately 1.8 million monthly active content creators in 2020, as compared to an average of approximately 0.9 million in 2019.

With a growing number of content creators and the effective incentive mechanisms we provide to the content creators, we receive increasingly diverse and innovative content submissions, which we believe contribute to our mass market appeal. Our most popular PUGV categories were lifestyle, game, entertainment, anime and technology and knowledge in terms of number of video views in 2020. While we enhance content offerings in our leading categories, we are actively expanding our content reach to new categories to cater to the evolving consumption needs of our users.

Live broadcasting

We view live broadcasting as a natural extension to the video services, which allows users to interact and engage in real time, integrated with various content categories and user interests. Content creators who have accumulated a considerable fan base through PUGV get to further solidify their relationship with their fans by hosting live broadcastings to interact on a real-time basis. Many live broadcasting hosts come from the PUGV content creators on our platform.

Games are the most popular category of the live broadcasting content on our platform. For example, in 2018, we started expanding our live broadcasting content to e-sports games to appeal to our users who are game enthusiasts, including top-level matches in *League of Legends* (英雄联盟) and the *Overwatch League Championships* (守望先锋联赛). In September 2020, we entered into a strategic partnership with Riot Games, the developer of leading MOBA League of Legends, pursuant to which we were granted a three-year exclusive license for live broadcasting the League of Legends E-sports global events in China including the world-renowned League of Legends World Championship, Mid-Season Invitational, and All-Star Event in China beginning in 2020 through the 2023 Mid-Season Invitational. For the entire season of S10 2020 League of Legends Pro League, total live broadcasting page views related to the game increased by over 300% as compared with League of Legends Pro League S9 in 2019.

In addition to live broadcasting of games, we also provide entertainment live broadcasting consisting of audio-related live broadcasting where hosts sing or chat with audiences on a variety of topics, virtual host live broadcasting and other live broadcasting. We are continuously enriching our live broadcasting content and increasing user penetration. We are dedicated to attracting more talents

and hosts to introduce more live broadcasting channels and provide diversified content. We believe the diverse live broadcasting content provides an interactive user experience and contributes to our user growth.

OGV

Our OGV offering consists of Bilibili-produced or jointly produced content and licensed content procured from third-party production companies. We leverage our rich OGV offering to accumulate IP assets, attract more users and convert them into paying users, inspire the creation of PUGV content creators and to expand content categories to supplement the PUGV content. Our investment in OGV has contributed to the growth in our user base and the amount of our paying users, and we expect the momentum to continue as we roll out more quality OGV content.

Our original content includes both Bilibili produced and co-produced content with quality domestic and international third-party partners. We produced and co-produced over 100 titles during the Track Record Period. We typically leveraged our insights of users' preferences and collaborated with professional production companies to produce OGVs. Our OGV cover Chinese and overseas anime, documentaries, variety shows, selected TV shows and movies.

In the anime field, we are the main leader with one of China's largest anime libraries, according to the iResearch Report. For example, in early 2020, we launched *The Daily Life of Immortal King* (仙王的日常生活), a Bilibili-produced Chinese anime series. The series quickly gained over 100 million video views in less than 30 days, setting a new record for our OGV content. Subsequently, *Carp Reborn* (元龍), another Bilibili-produced Chinese anime, generated over 240 million views within three months since its launch. We announced our plan of releasing 33 Bilibili-produced Chinese anime titles on our 3rd annual *Made By Bilibili* press conference in November 2020, further enhancing our dominant role in the field. These OGVs are scheduled to be released in the next one or two years. As our net revenues continue to grow, we do not expect our total content costs as a percentage of total revenue to substantially increase.

Our OGV also cover documentaries, selected TV shows, movies and variety shows. We provided over 3,000 documentaries on our platform in 2020, making us one of the largest documentary repositories in China, according to the iResearch Report. We released a number of well-received documentary titles in 2019 and 2020 catering to various interests of our users, including Bilibili-produced *And Yet The Books* (但是還有書籍) and *Police Stories 2019-Guardians on the Move* (大城無小事—派出所的故事2019). In the variety show department, we produced *Rap for Youth* (說唱新世代) in 2020, which was highly recognized even beyond our community.

In addition, we have partnered with reputable content providers for licensed videos, including leading PRC and overseas television networks and studios. See “—Our Content Partners” for more information.

Mobile games

There is a large population of online games enthusiasts among our users. Game is the second most popular category of our PUGV and the most popular category of our live broadcasting content in 2020. We view mobile games as an adaptive form of video-based content that share many commonalities. Leveraging our deep understanding of users' preference in online games and rich experience in games operation and distribution, we select mobile games compatible with our users'

interest, such as animation and comics themed mobile games where we hold advantages. We are also expanding our game offerings to other genres, such as console games and massively popular multiplayer online role-playing games. As of December 31, 2020, we operated 43 exclusively distributed mobile games, and hundreds of jointly operated mobile games.

We have obtained the exclusive distribution rights of various mobile games from leading global and domestic mobile game developers. The most popular exclusively distributed mobile games on our platform include *Fate/Grand Order* (命運/冠位指定), *Princess Connect! Re: Dive* (公主連結 Re: Dive) and *Azur Lane* (碧藍航綫). In April 2020, we launched the highly anticipated Japanese role playing game *Princess Connect! Re:Dive* after noticing the popularity of relevant derivative videos, an anime-based role-playing mobile game developed by Cygames. This exclusively licensed game was an immediate hit, attracting millions of players and topping China's iOS download and grossing charts within a week after its release.

Similarly, noticing the popularity of the *Fate* series on our platform, we strategically localized and launched *Fate/Grand Order* (命運/冠位指定), a Japanese role playing game developed by Aniplex Inc., on an exclusive basis in China in September 2016. We have identified *Fate* fans for *Fate/Grand Order* (命運/冠位指定), and encouraged content creators to produce *Fate/Grand Order* (命運/冠位指定) related videos to promote the game. The game attracted 4.5 million players within the first 30 days after its launch. It ranked within top three multiple times each year from 2016 to 2020 on the China iOS appstore under the top grossing games category. This legacy game just celebrated its fourth anniversary in 2020, showcasing the long lifecycle of ACG games. We believe the multiple phenomenal successes we have achieved showcase our strong operation and distribution capabilities and deep understanding of the ACG game market, making us the most popular channel in China to launch ACG-related titles, according to the iResearch Report. In 2020, we operated all of the ACG-related mobile games among the top 100 mobile games by grossing in China's iOS appstore, according to iResearch.

In addition to exclusively licensed mobile games, we also jointly operate a large number of mobile games with well-known domestic developers. Popular jointly operated mobile games on our platform include *Genshin Impact* (原神) and *Arknights* (明日方舟).

Maoer and Bilibili Comic

Leveraging our mass user base of ACG enthusiasts, we expanded our offering to ACG-related comic and audio content and efficiently converted a large number of our existing ACG enthusiast users to audiences of the new offerings. In December 2018, we entered into an agreement with affiliates of NetEase, Inc. to acquire NetEase Comics business, including copyrights of storylines from leading publishers and comic artists, to further enrich our offerings of anime and comics and to upgrade our suite of premium-licensed content, and we launched the Bilibili Comic, a mobile app offering anime and comic content thereafter. Bilibili Comic has become one of the top three comic platforms in China since its inception in terms of subscription revenue in 2020, according to the iResearch Report. In December 2018, we increased our shareholding and acquired majority equity interests in Maoer Inc., an audio platform offering audio drama such as audio books and music mainly contributed by professional and amateur content creators that can be accessed through both its website and mobile app, to expand our content offerings. As a natural extension from our core ACG content offerings, we see great synergy effects between our main platform and each of the Bilibili Comic and Maoer platform and their significant growth potential.

Our Content Creators

The creation of PUGV by our content creators has been the primary source of user traffic and the key driver for the growth of our user base and communities. We have cultivated a nourishing environment to allow content creators to grow and flourish on our platform, empowering them to easily upload content, actively interact with users and effectively accumulate broader fan bases. We respect original creation and work to ensure that our content creators will stay and grow with our platform. In the fourth quarter of 2020, we had 1.9 million average monthly active content creators and received 5.9 million average monthly video submissions, compared to 1.0 million and 2.8 million, respectively, in the fourth quarter of 2019. Approximately 91% of the total video views are contributed by PUGV in the fourth quarter of 2020.

Retaining and expanding our network of content creators who upload and contribute quality content to our platform is essential to us. We have taken a number of initiatives to encourage and facilitate production of creative PUGV by content creators, including various incentive mechanisms to unlock their commercialization potential. In 2018, we launched a cash incentive program to grant content creators with over 100,000 views or 1,000 followers monetary rewards. As of December 31, 2020, approximately 340,000 content creators participated in the cash incentive program.

Content creators of different levels are encouraged and incentivized by various measures. For top-level content creators, we offer them customized premium services to maximize their influence and unlock their commercial value. Certain top-level content creators are recognized as Bilibili Top 100 Content Creators for their outstanding achievements. For middle-level content creators, we reward them mainly through our cash incentive program. For newly joined content creators and amateur content creators, we provide online and offline tutorials to improve their video quality, and video editing tools to make creation process easier and more accessible. For example, our UP Academy offers various tutorial videos prepared by seasoned content creators on various aspects of content creation and the tips of being a skillful content creator, including video shooting techniques, software, marketing and branding strategies, and many other subjects.

We also offer analytic tools to allow content creators to see a range of backstage data, such as demographics of followers and viewers, and data on user behavior, such as following/un-following, viewing, commenting and bullet chatting. Such information gives content creators insights into current trends and user preferences and help content creators improve and make their creative work more relevant. In addition, we hold seminars to share experience and techniques, and reward those content of high-quality, reputation and popularity. These programs help content creators improve their techniques, deepen their bond in this community, and incentivize them to create better content. In 2020, the average number of monthly active content creators was 1.8 million, as compared to 0.9 million in 2019. These creative minds open our platform up to expanded content categories and in turn, increase user traffic and expand user demographics.

All of our live broadcasting hosts and content creators are bound by our community regulations and standard terms of service, which set forth various policies of conduct, content, privacy and the intellectual property right ownership, also the revenue sharing arrangements between hosts and content creators and us. Most live broadcasting hosts and content creators are not professional or full time. We do identify certain talent and content creators that create popular content and represents our values and beliefs and execute customized contracts with them. We also cooperate with talent agencies which recruit, manage, train, support and promote hosts and content creators. Customized host contracts are

negotiated on a case-by-case basis and generally contain revenue sharing arrangements and exclusivity clauses.

Except as disclosed above, we do not have other material transactions, agreements or understanding with our content creators or live broadcasting hosts, other than in their capacity as our content creators or live broadcasting hosts.

Our Community

The vitality and integrity of our communities are cornerstones of our business and a priority of our business development strategy. Our users are attracted to our platform because of our creative content and become attached to our diverse, inclusive and vibrant community. To preserve our culture and community values, we have employed the following features in operating our communities.

Membership exam. Users need to pass our multiple-choice membership exam consisting of 100 questions in order to become our “official members,” after which additional interactive and community features, such as bullet chatting and commenting, will become available to them. The membership exam includes questions on community etiquette regarding uploading videos and sending bullet chats, and a set of interest-based questions from a range of topics, such as anime, music, fashion and technology. Users need to answer a total of 60 questions correctly to pass the membership exam. As of December 31, 2020, we had approximately 102.6 million official members who had passed our membership exam, representing a 51.1% increase year-over-year.

Membership Exam for Official Membership



Signature community management. We believe official members who have passed the membership exam tend to develop a strong sense of belonging and ownership to our platform. To protect the community values and contribute to a more harmonious community, our veteran users have voluntarily formed a community discipline committee to monitor and report any inappropriate content that has been posted on our platform, which has proven to be an effective means to regulate our users’ behavior in our communities. To support their efforts, we have worked with and provided them with technical means to help them carry out their activities more effectively and enforce their disciplinary decisions. If we confirm that a user has uploaded content that contains provocative and hate speech, personal attacks, fraudulent information or other offensive information, we may temporarily suspend or permanently terminate such user’s account, and display such user’s account information and reason for

the disciplinary action under the “Dark Chamber” tab, which is open to all users on our platform. This measure also allows users to participate in the management of our communities and helps us educate users and foster a self-regulating environment to protect and strengthen the community values that we hold dear. See “—Content Management and Review.”

Community events. Every year, we hold large festivals and community events for our users, including New Year’s Eve Gala, Chinese New Year Gala, Bilibili Macro Link and Bilibili World. We also invite content creators to participate in these events. Chinese New Year Gala is our signature community event that we started in 2010 where we invite all content creators to create and upload ACG-inspired videos and select the best among them to produce an extended program according to each year’s theme to celebrate Chinese New Year with our users. In January 2020, we hosted the Bilibili Top 100 Content Creators Award Ceremony to celebrate and award the outstanding achievements of leading content creators in various categories. We marked the end of the year with our second successful New Year’s Eve Gala, The Most Beautiful Night of 2020. The popularity index during the 2020 broadcasting night more than tripled its size in the 2019 broadcasting night, achieving 120 million playbacks within 48 hours.

New Year’s Eve Gala—The Most Beautiful Night of 2020

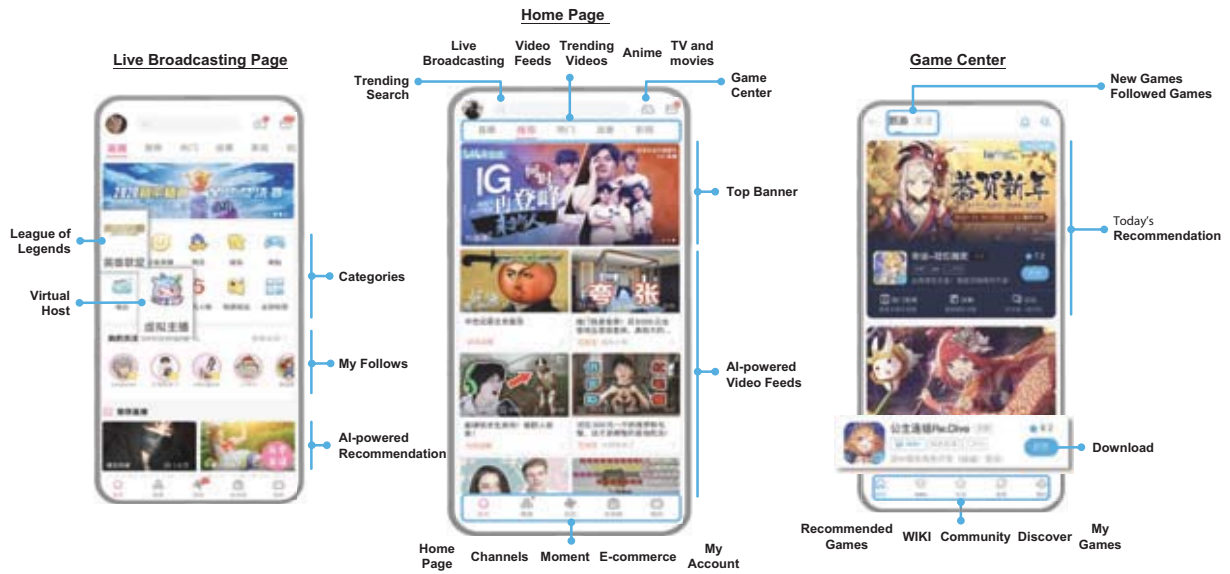


OUR PLATFORM

Access to our platform

Our platform includes our “Bilibili” mobile apps, PC websites, Smart TV, Bilibili Comic, Maoer and a variety of related features, functionalities, tools and services that we provide to users and content creators. For mobile devices, users typically access our content through our dedicated “Bilibili” mobile apps, or a mobile website that is largely similar in terms of functionality and appearance to our mobile apps. Our mobile apps are available for user download from the Apple and Android app stores. We also provide a PC website at www.bilibili.com and offer quality content across on smart TV devices. The majority of our active users are on mobile, and our mobile products continue to grow faster than our PC products. In 2020, MAU from our mobile products accounted for over 90% of our MAU on average.

User Interface of Bilibili Mobile App

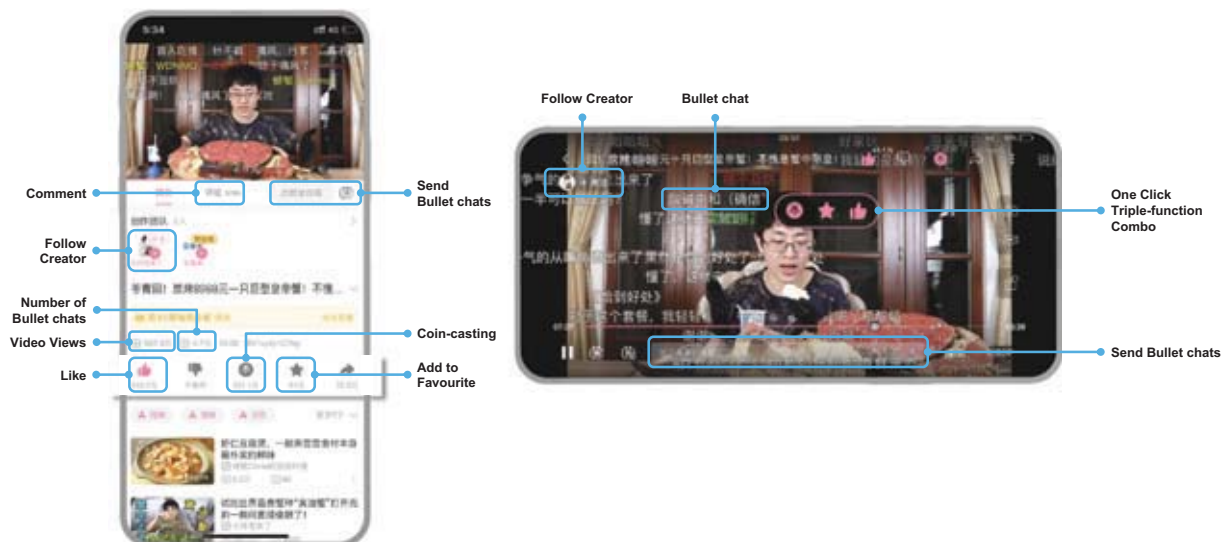


We utilize our big data analytical capabilities in our feed system to categorize and recommend content based on user data captured on our platform and analytics produced by our deep learning algorithms. The basic features we offer on our platform include content uploading, viewing and commenting. Our platform also can categorize, rank, search for, curate and recommend content uploaded and viewed to simplify the content discovery process.

Our social and interactive features

Our communities are built on creative content as well as vibrant interactions among users. Users' interactions on our platform revolve around content, and the social and interactive features of our platform allow users who share similar interests and hobbies to find, engage with and bond with each other to establish a common bond. We provide the following social and interactive features for our users.

Social and Interactive Features



Bullet chatting. Bullet chatting is a commenting function that we pioneered, which enables content viewers to send comments that fly across the screen like bullets, and has become very popular among young internet users in China. Only official member who passed our membership exam can send bullet chats on our platform. Bullet chats are context-based and can be viewed by the audiences who watch the same content, and therefore can intrigue interactive commenting among content viewers. The bullet chatting feature has transformed the video-viewing experience from one-way content display to a brand new interactive experience by sharing with other enthusiasts who empathize with each other.

Liking and following. Users can show appreciation in various ways to encourage content creators, such as liking, voting, adding to favorites and casting coin. Users can also opt to follow a content creator so they can see the content creator's newly posted activities promptly on their own timeline. In addition, we invented a unique interaction feature, "one click triple-function combo" (一鍵三連). Through one long pressing on the screen, users can complete liking, coin casting and adding to favourite library in a roll to show their special appreciation.

Interacting with fans. Content creators can use moment, fans group, live broadcasting and interactive video to interact with their fans. Bilibili moment enables users to express and share their interests and stories in multimedia content such as text, pictures and video. Content creators can utilize this feature to notify their followers when they upload new content on our platform. In addition, users can join fans group to interact with content creators. In addition, live broadcasting allows content creators to set up channels to interact with fans on a real-time basis. Furthermore, we launched the interactive video function in July 2019, where users are involved in making choices for the characters in the videos and change the plot as the story develops.

Gifting and rewarding. Users can send free or paid virtual items to live broadcasting hosts and content creators to show their support and appreciation.

Sharing and communicating. Users can share and repost content uploaded by other users, add comments, send instant messages and view their history of interactions with other users.

OUR COMMERCIALIZATION MODEL

Capitalizing our engaged user base, expanding content ecosystem, and vibrant community, we are well positioned to capture users' evolving demand and increase lifetime value of our users by satisfying such demand. As we develop deep insights into user interests and behavior, we curate the right content and service offerings compatible with user demand, achieving efficient user-centric commercialization. Our commercialization efforts are based on the integrated goals of offering quality content catering to user preference to attract users, building vibrant communities to retain users, and stimulating content consumption to achieve commercialization. We generate revenues primarily from mobile games, VAS, advertising, e-commerce and others. In the fourth quarter of 2020, our average number of monthly paying users was 17.9 million, as compared to 8.8 million in the same period of 2019.

Mobile games

Games is the second most popular genre category of our PUGV based on video views in 2020. A substantial portion of our users are game lovers. We started to publish mobile games on our platform for third-party developers in January 2014, and launched our first self-developed game in August 2017.

BUSINESS

Our significant growth in net revenues initially around 2016 was primarily attributable to our mobile games operations. As a key component of ACG culture, game related content remained one of the most popular genres on our platform based on video views since our inception. Recognizing the large population of game lovers among our users and a strong propensity to spend on mobile games of our typical users, we started to introduce animation and comics themed mobile games that resonate well with our communities and user preferences. Some of these games are sourced taking into consideration of the popularity of related video content on our platform. Mobile games have thus become a natural extension of our video content offerings through which we achieve efficient monetization. In addition, our sticky user community with strong preference for ACG-related content enables us to obtain exclusive distribution rights of various popular, high-quality mobile games in China from leading global and domestic game developers, particularly with regards to ACG-themed mobile games.

As our user base and user demand expand, we continue to launch new service offerings and diversify our monetization channels beyond mobile games. As a result, while our net revenues continued to grow substantially, mobile games revenues contribution as a percentage of total net revenues decreased over the past few years, with the rise of other revenue streams. We derived 71.1%, 53.1% and 40.0% of our revenues from mobile games in 2018, 2019 and 2020, respectively. The top 10 mobile games contributed to 67%, 46% and 33% of our revenues in 2018, 2019 and 2020, respectively. Our top 3 mobile games: Fate/Grand Order, Princess Connect! Re: Dive, and Azur Lane, in aggregate contributed 61%, 36% and 24% of our total net revenues in 2018, 2019 and 2020, respectively.

<u>Name</u>	<u>Initial Launch Date</u>	<u>Region</u>	<u>Genre</u>
Fate/Grand Order	September 2016	China	ACG-related game
Azur Lane	May 2017	China	ACG-related game
Princess Connect! Re: Dive	April 2020	China	ACG-related game

Substantially all mobile games on our platform are developed by third-party developers and we select and curate mobile games on our platform based on content, themes, cultural characteristics and features that appeal to our users. Our users access the mobile games on our platform, and log into and play with their Bilibili accounts. They purchase in-game virtual items that enhance their game-playing experience, which is the primary source of our revenue generated from mobile games. As of December 31, 2020, we operated 43 exclusively distributed mobile games and hundreds of jointly operated mobile games. For our exclusively distributed mobile games, we generally were granted royalty bearing license with the exclusive right to market and distribute mobile games in China and other countries and regions in Asia. We also entered into joint operating agreements with game developers and distributors pursuant to which we were granted non-exclusive licenses to promote and distribute games on our platform. We negotiate revenue sharing arrangements or licensing fees with mobile game developers on a case-by-case basis and such arrangements are generally consistent with industry norms. Our exclusively distributed mobile games contributed to 88%, 79% and 75% of our mobile games revenues during 2018, 2019 and 2020, respectively.

We routinely customize our exclusively distributed mobile games and adapt them to our users' preferences and provide operation and servicing support with our own servers to optimize the game experience for our users. For jointly operated mobile games, we generally provide distribution, payment solutions and market promotion services, while game developers are responsible for providing game products, hosting and maintenance of game servers and determining the pricing of in-game virtual items.

BUSINESS

To further explore opportunities in this business sector, we entered into a strategic collaboration agreement with Tencent in October 2018, pursuant to which we would jointly operate more Tencent games on our platform. In 2020, we entered into business collaboration with Sony to bring more high-quality anime content and mobile games to our users.

VAS

We also achieve commercialization through the various types of VAS we offer, including our premium membership program, live broadcasting and other value-added services, including Bilibili Comic and Maoer audio program. We derived 42%, 44% and 43% of our VAS revenues from premium membership in 2018, 2019 and 2020, respectively. We derived 55%, 36% and 34% of our VAS revenues from live broadcasting in 2018, 2019 and 2020, respectively. We derived the rest of the VAS revenues from comics and other paid contents.

In January 2018, we launched a premium membership program allowing paying members to enjoy an exclusive or advance access to certain high-quality OGV. We charge our premium members membership fees monthly, quarterly or annually, based on the service package they select. As of December 31, 2020, we had 14.5 million premium members. We plan to continue to roll out more high-quality OGV content and convert more paying users.

We extend diversified live broadcasting content covering a broad range of interests. We offer various virtual items for sale on our live broadcasting. Users can purchase in-app virtual items and send them as virtual gifts to their favorite hosts to show appreciation and provide them with monetary rewards. These virtual items can produce special effects on the screen, such as storms and fireworks. As we attract a growing number of hosts and talent agencies to hold live broadcasting on our platform, and encourage more content creators to become hosts, the revenue generated from sales of virtual items increases.

We share revenues from the sales of virtual items generated on our live broadcasting with our hosts and talent agencies. We encourage our content creators to host live broadcasting on our platform to interact with their fans on a real time basis, enhance their popularity and in turn attract and retain users. We have entered into exclusive cooperation agreements with certain hosts with top popularity on our platform, pursuant to which we offer these hosts more attractive rewards in addition to the revenue-sharing arrangements. We plan to enter into cooperation agreements with more hosts in the future to secure popular hosts and further expand our live broadcasting. The top 10 content creators and live broadcasting hosts contributed to less than 1% of our total revenues during 2018, 2019 and 2020, respectively.

In December 2018, we acquired NetEase Comics business, to further enrich our offerings of anime and comics and to upgrade our suite of premium-licensed content, and we launched the Bilibili Comic, a mobile app offering anime and comic content thereafter. Bilibili Comic has become one of the top three comic platforms in China since its inception in terms of subscription revenue in 2020, according to the iResearch Report. In December 2018, we increased our shareholdings to acquire majority equity interests in Maoer Inc., an audio platform offering audio drama. We currently hold 80.5% equity interests of Maoer Inc.

Advertising

Our typical users, the Gen Z+ with high educational backgrounds and increasing disposable income who spend time on quality content, are well-chased by advertisers. Advertisers are also seeking

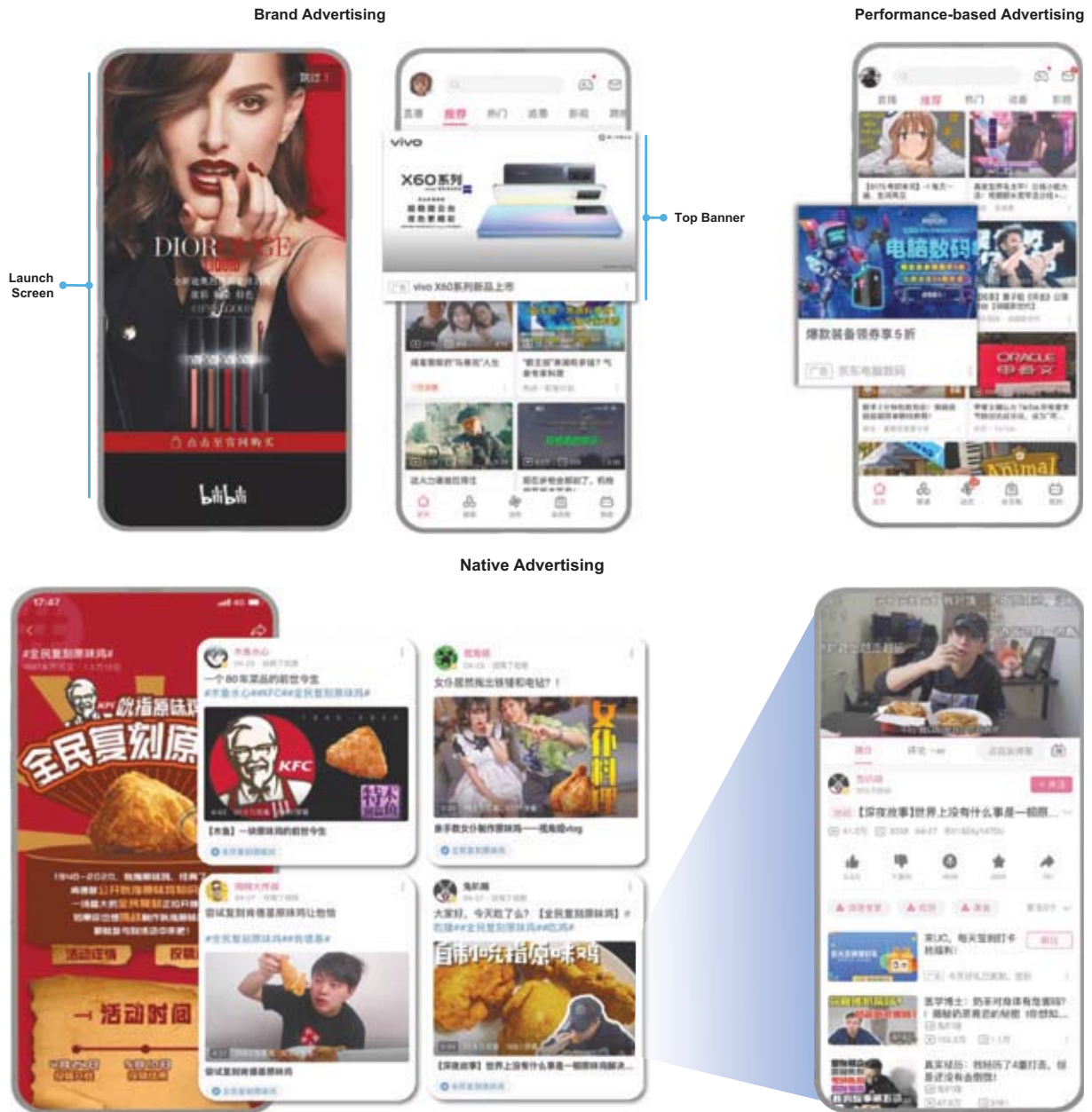
BUSINESS

out innovative platforms with abundant user traffic to enhance their visibility. Our rapidly growing community and increasing brand awareness makes Bilibili a preferred platform for advertisers.

We offer various advertising formats including brand advertising, performance-based advertising and native advertising. Brand advertisements primarily appear on the app opening page, the top banner, the website home page banner and the inline video feed alongside organic feeds. Brand advertisements can also be customized according to advertisers' need and appeared in Bilibili-produced OGV or events. Performance-based advertisements primarily appear as inline video feeds alongside with organic feeds. This format allows us to push personalized feed advertisements to users throughout our platform. Native advertising are customized according to advertisers' needs, produced by our content creators and embedded naturally in their video creations. As the native advertisements are usually cohesive with the content of our platform, assimilated into the design and consistent with the form of content presentation on our platform, our users tend to view them as regular video content.

In addition, we offer integrated marketing campaigns to provide a one-stop marketing solution for our advertisers. Advertisers can leverage our brand advertising to raise their brand awareness, use native advertisements to influence user's purchase decision and convert sales through our performance-based advertisements. The all-around marketing campaigns were well-received by the users and brought satisfactory results for our advertisers. The price of our advertising service is determined on a case-by-case basis and depends upon various factors, including the format and duration of the advertisement, targeting scope, display location and so on. We provide various sales incentives to our advertising service customers, including cash incentives in the form of commissions to certain third-party advertising agencies and noncash incentives such as discounts and advertising services provided free of charge in certain bundled arrangements, which are negotiated on a contract by contract basis with customers. The incentives are based on revenue volume and incentive rate, which are negotiated on a contract by contract basis. We account for these incentives granted to customers as variable consideration in accordance with ASC 606 that is net of our revenues. The amount of variable consideration is measured based on the most likely amount of incentive to be provided to customers. We do not have other material transactions, agreements or understanding with our advertising customers, other than in their capacity as our advertising customers.

Various Ad Formats



E-commerce and others

Our e-commerce initiatives are focused around the IP value of ACG-related content. We offer ACG-related merchandise and generate revenue from sales of these products. For example, for users who are particularly interested in a certain anime, we recommend to them merchandise of the same theme and encourage them to place orders on our platform. We also generate revenue from certain offline activities we hold, including selling events tickets and peripheral products.

BUSINESS SUSTAINABILITY

Our business model attracts users with diversified content centered around PUGV, retains users with vibrant community, and curates the right content to satisfy their consumption needs. We have

BUSINESS

built a highly engaged and loyal user base, and our ever-growing content ecosystem continues to satisfy our users' evolving needs, providing us with multiple levers and avenues for user-centric commercialization.

We witnessed strong robust growth in our business operation and financial conditions during the Track Record Period. Our average MAU increased significantly from 87.0 million in 2018, to 117.5 million in 2019 and further to 185.8 million in 2020, attributable to the strong growth in our mobile MAU, due to the continued growing supply of content in various forms and themes, as well as the vibrant community and immersive experience accessible on our mobile apps. Our net revenues increased by 64.2% from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019, and increased by 77.0% from RMB6,777.9 million in 2019 to RMB11,999.0 million (US\$1,838.9 million) in 2020. Our average monthly revenue per MAU increased from RMB4.0 in 2018 to RMB4.8 in 2019, and further to RMB5.4 in 2020, due to the successful execution of our monetization strategies to diversify our revenue sources by expanding our VAS and advertising business. Further, we recorded positive operating cash flow during the Track Record Period.

We are focused on building scale and offering the right services to the users, which incurs higher expenses in the short term, but we believe this is crucial to lay a solid foundation for long term success. We intend to achieve profitability through rapid revenue growth and ongoing margin improvement driven by (i) growing our user base and revenue by further diversifying our product and content offerings; (ii) increasing our operating leverage; and (iii) continuously improving our gross margin.

Leveraging our deep understanding of users' interests and preferences from their engagement on our platform, we are well positioned to create more consumption scenarios around users' evolving demands. We believe it would naturally lead to higher paying conversion from active users, an expanding paying user base, and increased per user spending. In addition, we expect revenues from our advertising business to increase with the expansion of our user base. We therefore expect our revenue to grow without having to keep investing aggressively in marketing efforts on new user acquisition in the future.

In addition, we expect to improve our profitability with enlarged user base and expanded economy of scale. We intend to efficiently manage our costs and expenses as a percentage of our total revenues and see margins improve from scale effect and operating leverage continue to build up. The rapid revenue growth attributable to the increasingly diverse consumption scenarios and expanding user base would collectively share the content costs, overhead expenses, and eventually the costs and expenses collectively as a percentage of our revenues shall decrease, leading to profitability.

The net losses incurred during the Track Record Period was mainly due to the increase in sales and marketing expenses incurred as we strategically invested in our brand awareness, content ecosystem and user community to capture the opportunities in the industry, and attracted a broader user base that could result in greater profitability in the future. Our sales and marketing expenses as a percentage of our total net revenues continuously increased throughout the Track Record Period, from 14.2% in 2018, to 17.7% in 2019 and further to 29.1% in 2020. The significant increase was partly due to a series of specific branding campaigns launched in 2020 to spread the Bilibili brand name among our existing users and potential Generation Z+ users.

BUSINESS

Grow our user base and revenue by further diversifying our product and content offerings

As the videolization trend continues to drive the fast expansion of user base, consumption and application scenarios in China, tremendous market opportunities emerge with the young generations acting as the driving force. Our average MAU in 2020 represented just approximately 20% of China's video-based industry users in 2020, according to iResearch Report, which we believe implies great potential in user penetration. With our unique proposition as the go-to video community for young generations in China, we believe we are well positioned to capture the attractive opportunities for continued growth and value creation in the video-based industry.

Over the past few years, we have strategically expanded our content offerings and services available on the platform with a goal to appeal to broader user base and convert them into paying users. We are committed to pursuing healthy and high-quality user growth and we believe the investments made would yield considerable returns in the long run. Our efforts include: (i) offering more mobile games and in-game virtual items, (ii) enriching the VAS by including premium membership program, (iii) expanding our live broadcasting program, (iv) increasing revenues from advertising by attracting advertisers across different industries, as they turn to Bilibili to tap into the coveted young generations in China, and (v) building up our e-commerce platform to offer ACG-related merchandise. As a result, we have experienced strong growth in average MAU, average MPU and paying ratio. These strategic initiatives not only attracted more users to our platform, but also resulted in diversification of our revenues sources and rapid revenue growth during the Track Record Period. See "Financial Information—Major Factors Affecting Our Results of Operations" for our average MAU, our average monthly paying users, and average monthly revenue per paying user for each of the quarters in 2019 and 2020.

Increase our operating leverage

The net losses incurred during the Track Record Period was mainly due to the increase in sales and marketing expenses incurred as we strategically invested in our brand awareness, content ecosystem and user community to capture the opportunities in the industry, and attract a broader user base that can result in greater profitability in the future. Our sales and marketing expenses primarily comprise of marketing and promotional expenses and staff costs. Our marketing and promotional expenses increased by 221.6% from RMB934.7 million in 2019 to RMB3,006.0 million (US\$460.7 million) in 2020, primarily attributable to increased expenses associated with the promotion of our brand and other marketing activities.

The following table sets forth the components of our sales and marketing expenses for the periods presented:

	For the Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Sales and marketing expenses:				
Marketing and promotional expenses	436,487	934,701	3,005,965	460,684
Staff costs	131,183	204,770	400,910	61,442
Others	18,088	59,045	85,216	13,060
Total sales and marketing expenses	585,758	1,198,516	3,492,091	535,186

In 2020, during our 11th anniversary, we introduced a new slogan, *Bilibili-All the Videos You Like* (你感興趣的視頻都在B站), to help define our brand proposition and appeal to a wider base. We

launched a series of campaigns aimed at spreading the Bilibili brand name and our new slogan among a broader audience in the second quarter of 2020, in tandem with expanding our content appeal to a mass market. With this vision in mind, we launched a branding campaign series, the *Hou Lang* (後浪), *Ru Hai* (入海) and *Xi Xiang Feng* (喜相逢) trilogy videos, all echoing strongly with our existing and potential users, to promote our new slogan and brand proposition and to help bring an uptick in brand perception and increase brand awareness across different demographics. To increase the exposure of our new slogan and brand proposition to a broader audience, we placed advertisements with this new slogan in various places, including cinemas, subway stations, shopping malls, elevators, and other places with high foot traffic. To promote one of the trilogy videos, *Hou Lang*, for example, we streamed it on national television and other renowned Chinese media outlets around the Chinese Youth Day in 2020. We marked the end of the year with our second successful New Year's Eve Gala, *The Most Beautiful Night of 2020*. The popularity index during the 2020 broadcasting night more than tripled its size in the 2019 broadcasting night, achieving 120 million playbacks within 48 hours. In addition, we held various branding campaigns in 2020 to enrich users' daily lives, including *Bilibili Summertime Graduation Ceremony Concert* (夏日畢業歌會), various off-line events on campus, anime exhibitions, ceremonies and other events. We have also placed advertisements in app stores, video app channels and over-the-top channels, so as to increase the exposure of our brand and new slogan to a broader audience. These branding and marketing initiatives have allowed us to promote our new slogan and brand proposition so as to connect and resonate with more users and reach a more diverse audience. As a result, sales and marketing expenses as percentage of total revenue increased from 17.7% in 2019 to 29.1% in 2020.

These branding and marketing efforts further solidify our market leadership as a go-to video community for young generations in China. We ranked No.1 in terms of Net Promoter Score and top 5 in terms of brand awareness in Gen Z+ users among video-centric platforms in China in 2020, according to the iResearch Report. For the definition of Net Promoter Score, see "Glossary of Technical Terms." We enjoyed the largest increase in average Baidu Search Index from 2019 to 2020 among the searched video platforms, according to the iResearch Report. We were also ranked as the most searched video platform in terms of average Baidu Search Index for 2019 and 2020. In addition, our average MAU increased significantly from 87.0 million in 2018, to 117.5 million in 2019 and further to 185.8 million in 2020. We believe the rapid revenue growth attributable to the increasingly diverse consumption scenarios and expanding user base would dilute and eventually offset increases in the operating expenses, leading to profitability. We also believe our sales and marketing expenses are measurable and controllable, and are spent in accordance to our strategy for long term success. We design our sales and marketing efforts with careful consideration to raise brand awareness, attract a broader user base and promote our services. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotion campaigns and marketing spending in order to further enhance our brand awareness and attract a broader user base in a sustainable manner. We expect to effectively manage our sales and marketing expenses to bring more users and revenues to us and expand our operating leverage.

In addition, we invested in our research and development capabilities and other areas to offer new and innovative products and services that create more exciting user experience, which also enhanced our technology-enabled commercialization capabilities. We continued to benefit from economies of scale and the research and development expenses and general and administrative expenses were gradually diluted by the expanding user base and growing revenue. Research and development expenses as percentage of total revenue was 13.0%, 13.2% and 12.6% in 2018, 2019 and

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2020, respectively. General and administrative expenses as percentage of total revenue was 11.2%, 8.7% and 8.1% in 2018, 2019 and 2020, respectively.

The following table sets forth the components of our operating expenses by percentages of our total revenues and our operating loss margin for the periods presented:

	For the Year Ended December 31,		
	2018	2019	2020
	%	%	%
Operating expenses:			
Sales and marketing expenses	(14.2%)	(17.7%)	(29.1%)
General and administrative expenses	(11.2%)	(8.7%)	(8.1%)
Research and development expenses	(13.0%)	(13.2%)	(12.6%)
Total operating expense	(38.4%)	(39.6%)	(49.8%)
Operating loss margin	(17.7%)	(22.0%)	(26.1%)

Improve our gross margin

The following table sets forth the components of our cost of revenues by percentages of our total revenues and our gross profit margin for the periods presented:

	For the Year Ended December 31,		
	2018	2019	2020
	%	%	%
Cost of revenues:			
Revenue-sharing costs	(39.5%)	(36.8%)	(36.4%)
Content costs	(13.2%)	(14.8%)	(15.6%)
Server and bandwidth costs	(15.0%)	(13.5%)	(9.5%)
E-commerce and others	(11.6%)	(17.3%)	(14.8%)
Total cost of revenues	(79.3%)	(82.4%)	(76.3%)
Gross profit margin	20.7%	17.6%	23.7%

Along with our strong revenue growth, our gross profit margin increased from 20.7% in 2018 to 23.7% in 2020, mainly due to the improved efficiency and lower shared platform costs as a percentage of our revenues including server and bandwidth costs. Our gross profit margin decreased from 2018 to 2019 primarily because we strategically deepened our e-commerce business, and we offered a series of discounts and sales promotions events for goods sold on our e-commerce platform to promote this new business at its early development stage, resulting in higher e-commerce and others cost as a percentage of revenue in 2019. We achieved the overall increase in gross profit margin despite the strong growth in revenues from the e-commerce and others, which carry lower gross margin compared to the other revenue streams. The server and bandwidth costs as a percentage of total revenue decreased from 15.0% in 2018 to 9.5% in 2020.

Revenue-sharing costs are directly linked to video-based content offering on our platform. Revenue sharing costs has been fluctuating mainly due to the different revenue-sharing arrangements with our mobile games suppliers, live broadcasting hosts and content creators on a case by case basis. Benefiting from over 90% of video views contributed by PUGV on our platform, we do not expect content costs as a percentage of total revenue to substantially increase. Going forward, we expect the overall revenue-sharing costs as a percentage of total revenue to decrease over the years as we scale up.

According to the iResearch Report, for mobile games that share grossing of game with game developers, game publishers typically share 10% to 30% of the total grossing to game developers. Our

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mobile games revenue sharing with game developers is approximately in the range of 20% to 30% and is therefore considered in line with the prevailing industry practice. For distribution channels, we are a price-taker and the distribution channels charge similar prices when it comes to revenue sharing with other internet platforms in China. For example, Apple iOS appstore is the largest distribution channel of the Company in terms of transaction value during the Track Record Period. According to the iResearch Report, Apple typically charges approximately 30% of the total grossing from the game publishers. Our revenue sharing ratio with Apple is consistent with industry practice. For live broadcasting, according to the iResearch Report, the live broadcasting platform will generally share 50% to 80% of the revenues from virtual gifting with the hosts and their agents, after deducting the cost of channels and payments. Our revenue sharing ratio with live broadcasting hosts and their agencies is approximately in the range of 70% to 80% and is therefore considered in line with prevailing industry practice. Based on the above, the Directors are of the view that the Group's revenue-sharing agreements entered into between the Group and the relevant suppliers are in line with prevailing industry practice.

In summary, we had net losses in the Track Record Period as we have been in a high-growth stage and strategically focused on growing our user base via investing in our brand and high quality content to pave the way for long term profitability. Capitalizing our engaged user base, expanding content ecosystem, and vibrant community, we are well positioned to understand users' demand as we evolve and capture lifetime value of our users by satisfying such demand to further drive revenue growth. Furthermore, we expect to see margin improve from economies of scale and operating leverage. The rapid revenue growth attributable to the increasingly diverse consumption scenarios and expanding user base would dilute the fixed costs and eventually offset more of the operating expenses, leading to long-term sustainable profitability.

OUR STRATEGIC PARTNERS

We collaborate with reputable industry players to enhance our content offerings and to strengthen our user-centric commercialization capabilities. We partner with domestic and overseas content partners to continually expand and deepen our content repository. We also work with talent agencies in expanding our content creator group as well as in diversifying our content offerings. We contract with talent agencies to recruit, manage, train and support our hosts and pay talent agencies a percentage of the total revenues from virtual gifting made to the hosts managed by such talent agencies. We work with advertisers in a variety of industries due to our rapidly growing community and increasing brand awareness. We enter into advertising service agreements with advertisers directly or through advertising agencies. The price of our advertising services depends upon various factors, including the duration and form of the advertisements and popularity of the content or event in which the advertisements will be placed. We cooperate with leading global and domestic mobile game developers to distribute their mobile games on our platform. Under our agreements for exclusively distributed mobile games, we are typically responsible for the launch of the games, hosting and maintenance of game servers, determination of when and how to operate in-game promotions and customer services and the pricing of in-game virtual items and making a localized version for overseas licensed games. Under our agreements for jointly operated mobile games, we are typically responsible for distributing games and providing payment solution and market promotion service. Proceeds earned from selling in-game virtual items are shared between us and the third-party game developers pursuant to the agreements. We believe our large and diverse user base presents a prime opportunity for our strategic partners to reach a growing number of audiences. We have also entered into revenue sharing arrangements with distribution channels including iOS and Android-based appstores to distribute our

mobile games. To provide multiple payment methods for our users, we contracted with online payment channels and pay fees based on the amount of payment made through the payment channel.

In October 2018, Tencent, our principal shareholder, further invested in our company, and we entered into a strategic collaboration agreement with Tencent for sharing and operating existing and additional anime and games on Bilibili's online platform, pursuant to which we and Tencent will participate in the exchange and purchase of existing anime copyright, and jointly procure, produce and invest in anime projects, as well as seek investment opportunities in the anime and comic industry. In addition, we would expand our cooperation with Tencent by jointly operating more Tencent games on our platform.

In December 2018, we and Alibaba Group commenced our business collaboration in the content creation and commercialization front. Under the agreement, content creators on Bilibili will promote merchandise by producing content in a creative and interactive format. Taobao will also work with us to promote and commercialize Bilibili's IP assets, leveraging consumer insights on both platforms. In February 2019, Alibaba Group became our principal shareholder. Alibaba has also become one of our major brand advertisers. In 2019 and 2020, Tmall and Taobao of Alibaba placed advertisements on our platform for the 11.11 Global Shopping Festival. In December 2019, Juhuasuan of Alibaba acted as the title sponsor of our New Year's Eve Gala "The Most Beautiful Night of 2019."

In April 2020, we received a strategic investment from Sony and entered into a business collaboration agreement to pursue collaboration opportunities within the area of entertainment business in the Chinese market, including anime and mobile game. We would support Sony in deepening its understanding of and insight into the Chinese entertainment market. In October 2020, we deepened our partnership with Sony by entering into a strategic agreement with its subsidiary Aniplex Inc. to introduce more high-quality anime content and mobile games on our platform. Under the agreement, we will obtain certain exclusive distribution rights of Aniplex's anime content and will pay Aniplex different fees per episode for different anime series. We also entered into revenues sharing arrangements for exclusive distribution of Aniplex's mobile games.

BRANDING AND MARKETING

We have been retaining and expanding our user base by providing high-quality content since our inception, and we have cultivated a deep and diverse content pool well recognized among Generation Z+. In addition to viral marketing, word of mouth referrals and repeat user visits driven by superior user experience, quality content and product offerings, we implement various branding and marketing measures to promote our brand awareness among existing and potential users and advertisers. Our primary areas of focus are on continuously increasing brand awareness and acquisition of users through targeted channels.

For example, in the second quarter of 2020, we launched a series of campaigns aimed at spreading the Bilibili brand name among a broader audience, in tandem with expanding our content appeal to a mass market. During our 11th anniversary, we introduced a new slogan, *Bilibili-All the Videos You Like* (你感興趣的視頻都在B站), to help define our brand proposition and appeal to a wider base. With this vision in mind, we launched a branding campaign series, the *Hou Lang* (後浪), *Ru Hai* (入海) and *Xi Xiang Feng* (喜相逢) trilogy videos, all echoing strongly with our existing and potential users, to help bring an uptick in brand perception and increase brand awareness across different demographics. In addition, we acquire users through advertisements on various app stores, video app channels and over-the-top channels.

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These branding and marketing efforts contribute and foster our market leadership as a go-to video community for young generations in China. We ranked No.1 in terms of Net Promoter Score and top 5 in terms of brand awareness in Gen Z+ users among video-centric platforms in China in 2020, according to the iResearch Report. We were also ranked as the most searched video platform in terms of average Baidu Search Index for 2019 and 2020. In addition, our average MAU increased significantly from 87.0 million in 2018, to 117.5 million in 2019 and further to 185.8 million in 2020, due to the strong growth in our mobile MAU. We design our sales and marketing efforts with careful consideration to raise brand awareness, attract a broader user base and promote our services. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotion campaigns and marketing spending in order to further enhance our brand awareness and attract a broader user base in a sustainable manner. We expect to effectively manage our sales and marketing expenses to bring more users and revenues to us and expand our operating leverage.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

Our technology platform has been designed for reliability, scalability and flexibility and is administered by our in-house technology department. We have access to a network of approximately 21,000 self-owned and more than 7,100 leased servers across China with power supply and power generator backup as of December 31, 2020. This structure, along with other features described below, contributes to the reliability, scalability and efficiency of our network.

AI and big data analytics. Artificial intelligence, or AI, is particularly suitable for reviewing and screening content by recognizing and analyzing patterns and connections. As the varieties and quantity of content and user interactions continue to increase, AI capabilities are critical for us to control our operating costs and enhance user experience. We utilize big data analytics to create an interest profile for each user account based on user's actions such as post, bullet chatting, comment, like and follow, and demographic data such as age, gender and geography. Empowered by our AI capabilities, our interest profile allows us to personalize user interface and push content to our users that they are more likely to find interesting and relevant.

We also leverage AI technology in content management and review procedures to monitor the content uploaded to our platform to detect inappropriate or illegal content and to promptly remove any infringing content. Our proprietary AI-based screening system automatically flags and screens out newly uploaded videos that have privacy issues or contain illegal or inappropriate content by comparing them with copyrighted or objectionable videos stored in our own in-house "black list" database and identifying those with similar codes, *i.e.*, the key words in the video contents. Our "black list" database stores over one million of key words in the video contents. Utilizing various technology models and samples gathered internally or based on regulatory requirements, we build, maintain and continuously update our databases to meet the changing regulatory requirements. Once the content is processed by this technology screening system, the system then extracts fingerprint trails (the technical features that identify and distinguish a video) from the content and sends them to our content screening team for the second-level review. All of the other content, primarily consisting of bullet chats posted by users, is also automatically filtered by our screening system, which utilizes an AI-based screening system to conduct semantic analysis on bullet chats to analyse, identify and screen out inappropriate bullet chats. Utilizing our proprietary technology, upon user's instruction to block certain key words in the bullet chats, our platform can execute this instruction while still streaming the video on a real-time basis without re-loading the entire video. Given the limited space for bullet chats, we employ our proprietary technology to conduct semantic analysis of the favorites, blocks and comments previously

made by the users, understand each user's unique preference and customarily filter the bullet chats, so that each user's bullet chatting viewing experience is customized.

We have developed a series of big data analytics technology and obtained a number of patents in relation to big data storage and computation, interactive query, real-time computation, and other infrastructure, so as to process and analyze a huge amount of data real time with accuracy and stability. For example, we invented a system and methodology to monitor real-time data stream in multi-link transmission which can accurately analyze big data real-time transmission, spot inconsistency in the system within minutes, and promptly react to and notify such issues. This technology is applied in data integration, an infrastructure in the big data analytics field, to ensure the completeness of data integration and to facilitate the accuracy of big data analytics, as big data storage, calculation, visualization, application and other upper modules are all computed based on the data generated from the data integration. We also invented a methodology and middleware to access data by combining centralized database, centralized memory cache, local memory cache and local documents cache, so as to improve the stability of the system upon centralized access to data and the efficiency of the system upon large amount of data access, while preventing data inconsistency.

Cloud. Due to the nature of the products and services we offer, we have a high demand for storage and computing capacities to enhance the functionalities of our video player, including running algorithms to produce content recommendations. We have developed an advanced cloud system that meets the operational needs of our platform while reducing operating costs.

Content distribution network. Our web server technology focuses on reducing bandwidth use while enhancing user experience through utilizing our content distribution network, or CDN, system. Our CDN components are strategically deployed in the cities where our users concentrate, enabling users to access a copy of the content closest to them so that content loading time is minimized. Our proprietary CDN system enhances network efficiency by managing and optimizing the workload of the servers through real-time optimization and distribution. This technology allows users to upload content without compression and enables viewing of content in higher definition.

Real-time monitoring and support. We have a network operation support team responsible for stability and security of our network on a 24-hour, seven-days-a-week basis. The primary responsibilities of the team members consist of monitoring system performance, troubleshooting, detecting system error, random sample testing on servers, maintaining equipment, and testing, evaluating and installing hardware and software.

We are passionate about developing new and innovative products and services that will create more exciting experience for our users. We incurred RMB537.5 million, RMB894.4 million and RMB1,513.0 million (US\$231.9 million) research and development expenses in 2018, 2019 and 2020, respectively. The increase was primarily due to increased headcount in research and development personnel and increased share-based compensation expenses. As of December 31, 2020, our products and technology team consisted of 3,898 members, including software engineers, designers and product managers, compared to 1,470 and 2,043 members as of December 31, 2018 and December 31, 2019, respectively. They are responsible for developing, operating and maintaining our products, including mobile games, live broadcasting and value-added services, and our communities.

SEASONALITY


Our results of operations are subject to seasonal fluctuations. For example, the growth of active users tends to accelerate during school holidays, such as summer and winter breaks, which typically fall in the middle of the third and first quarters of each year, and slow down at the beginning and during certain parts of the school year. We usually experience increase in video views and hence the number of active users following the release of phenomenally popular content. Seasonal fluctuations have not thus far posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to re-allocate resources and improve efficiency ahead of time.

CUSTOMERS AND SUPPLIERS

We have a broad base of customers, and our five largest customers accounted for less than 6% of our total revenues for each of the years ended December 31, 2018, 2019 and 2020.

Our five largest suppliers accounted for less than 30% of cost of revenues and operating expenses for each of the years ended December 31, 2018, 2019 and 2020. Our top suppliers primarily include our distribution channels, game and content licensors, marketing suppliers, cloud and data service providers and e-commerce merchandise suppliers.

INTELLECTUAL PROPERTY

We seek to protect our technology, including our proprietary technology infrastructure and core software system, through a combination of patents, copyrights, trademarks, trade secrets and confidentiality agreements. As of December 31, 2020, we had registered 459 patents, 467 registered copyrights, 270 registered domain names, including www.bilibili.com and 2,987 registered trademarks, including “.” In addition, we had submitted 808 additional patent applications and 1,833 trademark applications.

We intend to protect our technology and proprietary rights vigorously, but there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors—Risks Related to Our Business and Industry—We may be subject to intellectual property infringement claims or other allegations, which could result in material damage to our reputation and brand, payment of substantial damages, penalties and fines, removal of relevant content from our platform or seeking license arrangements which may not be available on commercially reasonable terms” and “Risk Factors—Risks Related to Our Business and Industry—We may not be able to prevent others from engaging in unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights, which could harm our business and competitive position.”

CONTENT MANAGEMENT AND REVIEW

We maintain two levels of content management and review procedures to monitor the content uploaded to our platform to help ensure that no content that may be deemed to be illegal or inappropriate under government rules and regulations is posted and to promptly remove any infringing content. The first level of review procedure is conducted through our proprietary artificial intelligence-based screening system. This system automatically flags and screens out newly uploaded videos that have piracy issues or contain illegal or inappropriate content by comparing them with copyrighted or

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objectionable videos stored in our own in-house “black list” databases and identifying those with similar codes. Once the content is processed by our technology screening system, our system then extracts fingerprint trails from the content and sends them to our content screening team for the second-level review. As of December 31, 2020, our content screening team consists of approximately 2,413 employees dedicated to screening and monitoring the content uploaded on our platform on a 24-hour, seven-days-a-week basis. They work around the clock to ensure that the flagged content identified by our screening system is reviewed and confirmed before it can be released. We provide initial training during the onboarding process for new hires. We also offer periodic training sessions to keep these employees apprised of any regulatory and policy changes, and supervise and monitor their work. All of the content needs to go through these two levels of review procedures before it is released on our platform.

All of the other content, primarily consisting of bullet chats posted by users, is also automatically filtered by our screening system, which utilizes an artificial intelligence-based screening system to conduct semantic analysis on bullet chats to analyze, identify and screen out inappropriate bullet chats. With respect to live broadcasting, we have a separate monitoring team to review and monitor the content and activities of hosts of our live broadcasting as well as the bullet chats posted by viewers. The monitoring team for live broadcasting consisted of over 200 members as of December 31, 2020 and we sometimes assign more team members from our general content screening team as necessary. The live broadcasting reviewing process is similar to the two-level review procedure described above. Further, in addition to responding to user complaints, our monitoring team frequently visit different live broadcasting rooms to ensure the appropriateness of the content.

We utilize a real-name system to authenticate the identities of our content creators and live broadcasting hosts. In addition, before each upload, the user has agreed to the terms and conditions set forth in the user agreement of our platform. Pursuant to such user agreement, each user undertakes not to upload or distribute content that violates any PRC laws or regulations or infringes the intellectual property rights of any third party, and agrees to indemnify us for all damages arising from third-party claims against us caused by violating or infringing content uploaded or linked by the user. Cooperation agreements with our popular content creators also provide for standard clauses that restrict the content creators from uploading infringing content on our platform. We also remove users’ uploads when we are notified or made aware by copyright owners or from other sources authorized by copyright owners of copyright infringements, such as lists of inappropriate or infringing content that the regulatory authorities publish from time to time and market information on releases of movies and television serial drama.

Our abuse reporting infrastructure also allows any of our users to report inappropriate, offensive or dangerous content to us through “report” links easily found on our platform. We have enhanced this reporting system with our community discipline committee, which is comprised of our veteran users who volunteer to monitor and report any inappropriate content that has been posted on our platform. Users can also report through customer service staff or third-party organizations. In addition, if we confirm that user has uploaded content that contains provocative and hate speech, personal attacks, fraudulent information or other offensive information, we may temporarily suspend or permanently terminate such user’s account, and display such user’s account information and reason for the disciplinary action under the “Dark Chamber” tab, which is open to all users on our platform.

However, there can be no assurance that we can identify all the videos or other content that may violate relevant laws and regulations due to the large amount of content uploaded by our users

every day. As advised by the PRC Legal Adviser, if the content of audiovisual programs transmitted by the internet audio-visual program service provider on the internet violate the PRC laws and regulations such as the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), the internet audio-visual program service provider shall be subject to punishment by the competent authority which may include warning, an order to rectify and a fine up to RMB30,000, if such circumstances are severe judged by the competent authority, it shall be subject to punishment which may include order to cease, a fine of RMB10,000 to RMB50,000 and revocation of license, if such violations constitute crime, criminal investigations or penalties may be imposed; if such content violate the Provisional Measures on Administration of Internet Culture (《互聯網文化管理暫行規定》), operating internet culture entities shall subject to punishment which may include an order to rectify, confiscation of illegal proceeds and a fine of RMB10,000 to RMB30,000, if such circumstances are severe judged by the competent authority, it shall be subject to punishment which may include order to cease and revocation of license, if such violations constitute crime, criminal investigations or penalties may be imposed. According to a provision of “safe harbour” provided by relevant PRC laws, we are required to take down the relevant content uploaded by a user within a reasonable period of time after receiving a complaint regarding copyright infringement accompanied with the evidence required under relevant PRC laws. If we fail to meet such requirements, we may be subject to the civil liabilities. The CAC conducted a nationwide inspection of major internet platforms providing short-video content, and we were notified by certain smartphone app stores in China that our mobile app had been temporarily removed from July 26, 2018 until August 25, 2018. We implemented the required measures promptly and reinstated the mobile app downloads from those app stores on August 26, 2018. We thereafter conducted a self-inspection by taking a comprehensive review of the content on our platform and have doubled the headcounts of content monitoring personnel. On December 3, 2020, in response to the reported vulgar content on our platform, the Shanghai Municipal Office of Anti-Pornography and Illegal Publication (上海市“掃黃打非”辦公室), the Shanghai Municipal Internet Information Office (上海市互聯網信息辦公室) and the Shanghai Municipal Culture and Tourism Bureau (上海市文化和旅遊局) made inquiries with us and requested us to rectify within two weeks and strengthen the content review of videos, live broadcasting, anime, bullet chatting and other content on our platform. As of the Latest Practicable Date, we have completed the required rectification. We have submitted the final rectification report to the Shanghai Municipal Office of Anti-Pornography and Illegal Publication and the Shanghai Municipal Internet Information Office on December 22, 2020 and our rectification report has been accepted by the relevant competent authorities, which indicates that the rectification has passed the review of relevant competent authority. In addition, the Inspection Department of the Enforcement General Administration of Shanghai Culture Market (上海市文化市場行政執法總隊) imposed on us a fine of RMB20,000 in May 2018 and a fine of RMB10,000 in April 2019 primarily for having inappropriate content on our platform.

According to Notice 78, platforms providing online show live broadcasting or e-commerce live broadcasting services shall, among other things, register their information and business operations by November 30, 2020, ensure real-name registration for all live broadcasting 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. For more information, see “Risk Factors—Risks Related to Our Business and Industry—We face uncertainties with respect to the enactment, interpretation and implementation of Notice 78,” and “Regulatory Overview—Regulations Related to Online Live Broadcasting Services.”

We have consulted with our PRC Legal Adviser as to the applicability and interpretation of the requirements under Notice 78 to our business, and conducted an internal evaluation of our compliance

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measures and status of compliance with the requirements under Notice 78. We have employed the following measures to comply with Notice 78 and ensure the appropriateness of live broadcasting content:

- (i) we are in continuous verbal communication with Shanghai Municipal Administration of Radio and Television (上海市廣播電視局), or the SHART, which is the competent authority according to Notice 78 stipulating that radio and television authorities at all local levels shall organize the registration of platforms conducting the business of online show live broadcasting or e-commerce live broadcasting within their jurisdictions, and in the most recent communication with SHART in February 2021, we were still informed that due to the adjustment of the system, entities holding a License for Online Transmission of Audio-Visual Programs need to wait for further notification from the competent authority before they can register in the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息管理系統). As of the Latest Practicable Date, we have not received the notification requesting such registration. We will continue communicating with the SHART and will submit the registration application immediately upon receipt of the notice from the SHART;
- (ii) we have adopted policies to require real-name registration through identity card for all hosts (網絡主播) from 2016, and require real-name registration through mobile number for all virtual gifting users from 2018;
- (iii) we have set up the youth mode from May 2019, under which users are prohibited from virtual gifting. Under the general mode, from early January 2021, the users who can be identified as minors are not allowed to make virtual gifts and if adult users can prove that the virtual gifts are paid by minors, they can claim for refund; our Youth Mode was established under the direction of the CAC, when an user launches our app for the first time every day, the user can switch to the Youth Mode according to the pop-up prompt, and the browsing content under the Youth Mode is presented in the form of whitelist by our content team, and parents can set up passcodes under the Youth Mode to manage the time spent by minors on our platform and to prevent minors from switching back to general mode. In addition to the Youth Mode which has been implemented on the platform, we have also launched the “Youth Firewall” program (“青少年防火牆”計劃) in April 2018 and co-established a “Minors’ Rights Protection Center” (青少年權益保護中心) in May 2018 to adopt special content presentation policies and community permission settings for users who are not authenticated or whose identities are shown as minors, so as to strictly identify and filter undesirable information for minors. After consultation with the PRC Legal Adviser, we confirm that the operation of content under the Youth Mode is compliant with PRC laws and regulations in all material aspects. In addition, the revenues generated from minors in connection with live broadcasting programs accounted for less than 5% of our revenues in 2018, 2019 and 2020, respectively.
- (iv) with respect to the requirement of setting a cap on the amount of virtual gifting, as advised by our PRC Legal Adviser, there has been no explicit provisions on the standard for the maximum amount of virtual gifting under Notice 78 as of the Latest Practicable Date. Since we have not received any notice or implementation guidance on setting such cap on virtual gifting, we have not been able to set such cap or quantify the impact of such requirement on our business operations and financial performance as of the Latest Practicable Date. We intend to continue communicating with the NRTA and its local branches with respect to the standard for the maximum amount of virtual gifting. Once the

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NRTA provides specific implementation guidelines on the maximum amount of virtual gifting, we will be able to take measures to comply with the requirement on a timely basis; and

- (v) in relation to the other requirements under Notice 78, we believe that we have effective measures in place to ensure compliance with them in all material respects. However, given that Notice 78 was recently issued in November 2020, certain requirements under Notice 78 remain unclear. We will continue communicating with regulatory authorities to seek more detailed guidelines with respect to the implementation of Notice 78.

Based on the above, except for certain requirements under Notice 78 that are subject to further guidance from the relevant regulatory authorities as discussed above, the Directors believe that we have effective measures in place, or are in the process of implementing such measures, to ensure compliance with the various requirements under Notice 78 in all material respects. As advised by our PRC Legal Adviser, Notice 78 does not stipulate any timelines for full compliance with the requirements therein, nor any penalties for any non-compliance under Notice 78. We have not received any notice of enforcement actions nor have we been subject to any administrative penalties in connection with any non-compliance under Notice 78 as of the Latest Practicable Date. Except for system registration and the requirement of setting a cap on the amount of virtual gifting and certain other requirements in Notice 78 that are unclear and have no explicit provisions or implementation standards, for which we are waiting for detailed implementation guidelines from the relevant regulatory authorities, our PRC Legal Adviser is of the view that we have effective measures in place to ensure compliance with the requirements under Notice 78 in all material respects.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to leveraging our technology and platform to create value for the society. We are dedicated to enriching the everyday life of young people, and potentially everyone in China and around the globe. We offer quality content for users to view and spend meaningful time with, which is most helpful during difficult times and for residents in less-developed areas. During the COVID-19 outbreak in China in early 2020 when the Chinese New Year holiday was extended and residents were prohibited to travel freely, the size and engagement of our active user base increased significantly. We believe viewing content on our platform helped relieve our users' stress during the COVID-19 outbreak, and offered an interactive entertainment experience and an open platform of expression to our users who were not able to meet with friends to share their interests in person at the time. We also promoted content that provided users with update of the situation of the pandemic and public health knowledge to help our users better protect themselves against the epidemic. We offer our users access to our platform without geographic limitations. People in less-developed regions have access to quality and diversified content catered to their interest, including entertainment and other content in comprehensive categories.

In addition, we co-established "Minors' Rights Protection Center" ("青少年權益保護中心") in May 2018. We used big data analytics and key words management to filter content containing harmful information to minors. We have set up a specific reporting channel (teenprotect@bilibili.com) for content containing harmful information to minors, and the content reported to this email address will be reviewed by the Minors' Rights Protection Center. We have enhanced the level of punishment on content creators for uploading videos containing harmful information to minors. Such videos and the relevant content creators will be permanently banned by us, and we may report to competent authorities in serious cases. We have engaged legal experts to receive complaints and accept

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delegations, and Minors' Rights Protection Center will provide special legal aid when finding minors that may be harmed or harassed on Bilibili platform. We have engaged juvenile counselors and expert social workers to provide consulting services for families whose minors having issues brought by use of internet, and psychological counseling when necessary.

Respect is the cornerstone of our community. Respect is the basic principle of our operation. We pay respect to our users and content creators, regardless of the gender, interest or sub-culture group. We advocate for the respect among users and content creators, and our unique community value is not only preserved by us but also by our users and content creators. The community rules on our platform forbid content that discriminates against any specific people or group based on gender, race, religion, age, nationality, physical disability or sexuality. We will issue warnings or terminate accounts of any content creators for uploading personal attack content on our platform. Our abuse reporting infrastructure allows any of our users to report inappropriate, offensive or dangerous content to us through "report" links easily found on our platform. We have enhanced this reporting system with our community discipline committee, which is comprised of our veteran users who volunteer to monitor and report any inappropriate content that has been posted on our platform.

Our company is led by management who advocate for equality, including Ms. Ni Li, our chief operating officer and vice chairwoman of our board of directors. Ms. Li oversees the Company's overall operations and leads the strategic functions including content ecosystem development, monetization initiatives, strategic planning, investments and brand marketing. We produced *Rap for Youth* (说唱新世代) in 2020, which was highly recognized even beyond our community. The song *She and She and She* (她和她和她), praising women for bravely chasing their dreams and firmly living their own lives, which was debuted in the show, became an immediate hit. Our company co-established two primary schools named "Bilibili Dream Primary School" and "Bilibili Beautiful Primary School" in rural China to facilitate the education equality in remote areas as well.

Given that the majority of our operations are conducted online, we have a limited impact on the environment with a small carbon footprint. We are committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. All our servers are compliant with industry energy efficiency standards in China, and we intentionally choose partners with a strong commitment to carbon emission reduction in our collaboration with third-party cloud servers. We ask our employees to be mindful of the environment when consuming office supplies. In addition, some of the content offered on our platform is about the environmental protection topic. Leveraging the various forms of support we offer to our content creators, environmentalists are encouraged to create and share content centered on environmental issues, which raises environmental awareness among the viewers.

We strive to provide employees with welfare benefits and a broad range of career development opportunities. We have established a sound talent cultivation mechanism and created an online-offline combined training platform. We also strive to help our employees balance their work and life. We have organized various recreational and sports activities to enrich the cultural life of employees.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and treasury management policy. Our finance department reviews our management accounts based on such policies. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal control risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Data and technology system risk management

Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. We have qualified for Grade III of China's Administrative Measures for the Graded Protection of Information Security.

The user privacy policy on our platform describes our data use practices and how privacy works on our platform. Specifically, we collect personal information and data from users only with their prior consent, and we provide users with adequate notice as to the data being collected, undertake to manage and use the data collected in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss or leak of user data. Our user privacy policy, *Bilibili Privacy Policy* (隱私政策), has clearly specified the type of user information that will be collected under different scenarios. For example, a user will need to provide the user name, and phone number or email address when registering an account on our platform. When a user opens our mobile app for the first time, registers an account via our mobile app or website, logs into his/her account, or any modification is made to the Bilibili Privacy Policy, a notice will pop-up on this user's device requiring this user to read and consent to the Bilibili Privacy Policy.

In addition, we use a variety of technologies to protect the data with which we are entrusted and have a team of privacy professionals dedicated to the ongoing review and monitoring of data security practices. For example, we store all user data in encrypted format and strictly limit the number of personnel who can access those servers that store user data. For our external interfaces, we also utilize firewalls to protect against potential attacks or unauthorized access. We provide regular company-wide training to ensure that not only our technology, research and development employees, but also

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employees in business, legal and other departments of our Company are well aware of the significance of and the measures we adopt for data security.

Human resources risk management

We provide regular and specialized training tailored to the needs of our employees in different departments and compliance policies. We regularly organize internal training sessions conducted by senior employees or outside consultants.

We have in place an employee handbook and a code of business conduct and ethics approved by our board of directors which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with resources to explain the guidelines contained in the employee handbook.

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

Investment risk management

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand our content and service offerings and strengthen our R&D capabilities. In order to control the risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights.

Our investment department is responsible for reviewing investment proposals made by relevant business units. Our finance and legal departments cooperate with the deal team on deal analysis, communication, execution, risk control and reporting. After investing in a company, our investment department monitors the deal performance on a regular basis.

Audit committee oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our audit committee consists of three members, namely Eric He, JP Gan and Feng Li, all of whom are independent non-executive directors. Eric He is the chairman of our audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

COMPETITION

We compete primarily with companies that operate in the video-based industry in China designed to engage users, especially the Gen Z+, and capture their time spent on mobile devices and online. We compete to attract, engage and retain users, attract and retain talented content creators to improve and expand our content library and unique offerings and to attract and retain advertisers. Our

competitors may compete with us in a variety of ways, including by leveraging a large user base to promote content offerings in different consumption scenarios, obtaining exclusive online distribution rights for popular content, conducting brand promotions and other marketing activities, and making acquisitions. We have exclusive distribution rights only for certain content on our platform. Our content creators are generally free to post their content on our competitors' platforms, which may divert user traffic from our platform.

We believe that we can compete effectively with our competitors on the basis of the following factors: (i) the strength and reputation of our brand, (ii) our ability to provide creative and quality PUGV, (iii) the demographic composition and engagement of our user base, (iv) the vibrant and inclusive community culture, (v) the performance and reliability of our platform and (vi) our ability to develop new products and services and enhancements to existing products and services to keep up with user preferences and demands.

Most of the players in the video-based industry are focused on one or two video content formats as their primary ways of engaging with users and deriving revenues. We do not view our brand proposition to users, business model or our revenue streams as directly comparable with other market players, because we operate a unique business model of operating a full-spectrum video community that offers comprehensive content offerings across short and mid-to-long form videos, PUGV, live broadcasting, OGV, mobile games and others, all on one integrated platform. This commercialization model differentiates us from other vertical-focused video streaming companies, mobile game companies, live broadcasting companies or e-commerce companies.

As we introduce new products and services on our platform, as our existing products continue to evolve, or as other companies introduce new products and services, we may become subject to additional competition.

Major challenges faced by the video-based industry

Competition from other content formats for users and time spent. Video-based industry faces significant competition primarily from online content in other formats including texts, graphics, audio and others, which are designed to attract and engage users, and capture their time spent. Therefore, video-based platforms have to devote resources to retain talented content creators, enhance content library in terms of quality and diversity to meet the varied interests of a diverse user base. See “Risk Factors—Risks Related to Our Business and Industry—We operate in a fast-evolving industry. We cannot guarantee that we will successfully implement our commercialization strategies or develop new ones, or generate sustainable revenues and profit.”; “Risk Factors—Risks Related to Our Business and Industry—If we fail to anticipate user preferences and provide products and services to attract and retain users, or if we fail to keep up with rapid changes in technologies and their impact on user behavior, we may not be able to attract sufficient user traffic to remain competitive, and our business and prospects may be materially and adversely affected.”; “Risk Factors—Risks Related to Our Business and Industry—Our business depends on our ability to provide users with interesting and useful content, which in turn depends on the content contributed by the content creators on our platform.” ; and “Risk Factors—Risks Related to Our Business and Industry—We face significant competition, primarily from companies that operate in the video-based industry in China, and we compete with these companies for users, content providers and advertisers.”

Cost control. To attract more users and engage them with new and high quality content, video-based platforms invest in procuring and producing more content across themes and formats for their

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users. As costs related to producing video-based content, such as content costs, server and bandwidth cost, among others, are typically higher than that required for text and graphic-based content, it is essential for these companies to effectively control increasing content costs while offering content in response to evolving user preferences. See “Risk Factors—Risks Related to Our Business and Industry—Increases in the costs of content on our platform may have an adverse effect on our business, financial condition and results of operations.”

Technology. Video-based platforms need to continuously strengthen their technological capabilities in areas such as AI and big data, to enhance personalized recommendation algorithm and to further develop deep insights into user preferences to improve quality of the content offerings. Technologies advancement also supports the delivery of high-definition video, sound effect, and interactive features to satisfy user expectations. In addition, as the number of users and the amount of content offerings continue to expand, it is essential to invest in IT infrastructure including data storage and cloud technology, to strengthen bandwidth to support a massive volume of data generated on the video-based platforms. See “Risk Factors—Risks Related to Our Business and Industry—Any malfunction, capacity constraint or operation interruption for any extended period may have an adverse impact on our business.”

Regulations. The PRC government has, in recent years, intensified its regulation on various aspects of the video-based content industry in China, including but not limited to censorship of inappropriate content, restricting adolescence in accessing certain content, qualification examination and real-name authentication on mobile games and live broadcasting businesses etc. Video-based platforms are required to ensure that the large amount of content available on their platforms and the operation and services fully comply with relevant PRC laws and regulations. See “Risk Factors—Risks Related to Our Business and Industry—If the content contained within videos, live broadcasting, games, audios and other content formats on our platform is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations may be materially and adversely affected.” and “Risk Factors—Risks Related to Our Business and Industry—If we fail to obtain and maintain the licenses and approvals required within the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.”

EMPLOYEES

As of December 31, 2018, 2019 and 2020, we had 3,033, 4,791 and 8,646 employees, respectively. The following table sets forth the numbers of our employees categorized by function:

<u>Function:</u>	<u>As of December 31, 2020</u>
Platform operations	641
Products and technology	3,898
Content operations	1,186
Content audit	2,413
Management, sales, finance and administration	508
Total	<u>8,646</u>

As of December 31, 2020, we had 6,118 employees in Shanghai, 866 employees in Wuhan, 515 employees in Beijing and 1,147 employees in other locations.

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As required under PRC regulations, we participate in housing funds and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing funds, pension, maternity, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard confidentiality and employment agreements with our key employees. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for at least one year after the termination of his or her employment.

We believe that we have a good working relationship with our employees, and we have not experienced any significant labor disputes.

PROPERTIES

Our headquarters is located at Wujiaochang commercial district in Shanghai, where we lease and occupy an office building with an aggregate floor area of approximately 94,413 square meters. A substantial majority of our employees are based at our headquarters in Shanghai. Our servers and network facilities for internal administrative functions are located at our headquarters. We have sales and marketing, and anime production personnel at our regional offices in Beijing and Tokyo. We lease and occupy approximately 10,375 square meters of office space in Beijing, approximately 3,839 square meters of office space in Wuhan and approximately 661 square meters of office space in Tokyo. These leases vary in duration from one to ten years.

As of the Latest Practicable Date, some of our leased properties were subject to mortgage, and we have not registered any of our lease agreements with the relevant government authorities due to the lack of cooperation from our landlords in registering the relevant lease agreements. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement if we fail to complete the registration within the prescribed timeframe. As at the Latest Practicable Date, we have not received any notification from any competent authority in the PRC in relation to the non-registration of lease agreements. For more details of the risks and uncertainties, see “Risk Factors—Risks Related to Our Business and Industry—Any failure to comply with PRC property laws and relevant regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition, results of operations and prospects.”

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We also purchase supplemental commercial health insurance and accident insurance for our employees.

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In line with general market practice, we do not maintain insurance policies covering damages to our network infrastructures or information technology systems. We also do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We are currently involved in approximately 110 lawsuits based on allegations of infringement of third-party copyright due to the content posted on our platform, which are immaterial to our company on an individual basis or a collective basis. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

Under the current PRC regulatory scheme, a number of regulatory agencies, including but not limited to the NRTA, the NPPA, the MCT, the MIIT, and the CAC, jointly regulate all major aspects of the internet industry, including the mobile internet and mobile games businesses. Operators must obtain various government approvals and licenses for relevant mobile business.

We have obtained ICP licenses for the provision of internet information services, License for Online Transmission of Audio-Visual Programs for the provision of internet audio-visual program services, Online Culture Operating Permits for operation of commercial internet culture activities, and License for Production and Operation of Radio and Television Programs for the radio, television and anime production and operation business. These licenses are essential to the operation of our business and are generally subject to regular government review or renewal.

Under regulations issued by the SAPPRFT, the publication of each online game requires approval from the SAPPRFT, and after the institutional restructuring of the SAPPRFT, we currently apply with the NPPA for the approvals for publishing our games. As of the date of this document, we have obtained approvals from the NPPA for all of the domestic and imported online games exclusively operated by us which are in operation in the PRC. For the online games we jointly operate with third parties, we also require them to obtain requisite approvals from the NPPA. During the Track Record Period, substantially all of the revenues from our jointly operated mobile games in China were contributed by approximately 40 of our online jointly operated mobile games in the PRC, and all of them have obtained approvals from the NPPA.

The material regulations directly relevant to our business include but not limited to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), the Administrative Provisions on Online Audio-visual Information Services (《網絡音視頻信息服務管理規定》), the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), the Administrative Regulations on Online Live Broadcasting Services (《互聯網直播服務管理規定》), the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》), the Notice on Strengthening the Management of Live Broadcasting Service (《關於加強網絡直播服務管理工作的通知》), the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) and the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》). See "Regulatory Overview" for more information.

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We are not currently a party to, nor are we aware of, any other legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

Our PRC Legal Adviser is of the opinion that, during the Track Record Period, the Major Subsidiaries incorporated in the PRC have no breaches or violations of relevant PRC laws and regulations currently in effect in all material respects that may have a material adverse effect on our business, financial condition or results of operations, and during the Track Record Period and as at the Latest Practicable Date, the Major Subsidiaries incorporated in the PRC have obtained all material requisite licenses and approvals from relevant governmental authorities for their operations in the PRC, and that as at the Latest Practicable Date, these licenses and approvals remained valid and in effect to the extent required for their operations. Additionally, our Company confirms the same with respect to our Group and, in particular, confirms that during the Track Record Period and as of the Latest Practicable Date, our Group has complied with all relevant Laws currently in effect in all material respects, including obtaining all material licenses and approvals.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountant's Report in Appendix I and in "Business." This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under "Risk Factors" and elsewhere in this document. We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our fiscal year ends on December 31 and references to fiscal years 2018, 2019 and 2020 are to the fiscal years ended December 31, 2018, 2019 and 2020, respectively.

OVERVIEW

We are an iconic brand and a leading video community for young generations in China. As a go-to video community for young generations in China, we believe we are well positioned to capture the attractive opportunities created by videolization.

We are a full-spectrum video community that offers a wide array of content serving young generations' diverse interests. We provide users with "*All the Videos You Like*" as our brand proposition. We have built our community around aspiring users, high-quality content, talented content creators and the strong emotional bond among them. We also enable broad video-based content consumption scenarios including PUGV, live broadcasting, OGV and mobile games.

We attract our users with engaging content, retain users with our vibrant community, and curate the right content to satisfy their consumption needs, upon which we achieve diversified commercialization. We primarily generate revenues from mobile games, VAS, advertising and e-commerce and others. Our net revenues grew from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019, and further to RMB11,999.0 million (US\$1,838.9 million) in 2020. We incurred net loss of RMB565.0 million, RMB1,303.6 million and RMB3,054.0 million (US\$468.0 million) in 2018, 2019 and 2020, respectively.

Rule 13.46(2) of the Hong Kong Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As this document already includes the financial results of the Company for the year ended December 31, 2020, the Company will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2020, which will not be in breach of its constitutional documents, laws and regulations of the Cayman Islands or other regulatory requirements. In addition, the Company will issue an announcement by April 30, 2021 that it will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2020. Furthermore, pursuant to Rule 19C.11 of the Hong Kong Listing Rules, the requirements under Appendix 14 and Appendix 16 to the Hong Kong Listing Rules do not apply to the Company.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

User growth and engagement

The success of our business depends on our ability to grow our user base, and maintain and increase user engagement. We have experienced rapid user growth and aim to continue to achieve

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healthy and high-quality user base expansion. In the fourth quarter of 2020, we had an average of 202.0 million MAU, an increase of 55% from the same period in 2019. Our user base has demonstrated strong engagement and loyalty to our communities. The average daily time spent per active user on our mobile app remained above 80 minutes in 2019 and 2020.

The following table sets forth our average MAU for each of the quarters indicated:

	For the Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(In millions)							
Average MAU ⁽¹⁾	101.3	110.4	127.9	130.3	172.4	171.6	197.2	202.0

Note:

(1) Our MAU include mobile apps MAU and PC MAU after eliminating duplicates. See “Glossary of Technical Terms.”

Our active users generally view and consume a multitude of content offered on our platform, including videos, mobile games, live broadcasting and other content. The number of our users and the level of their engagement on our platform affect our revenues. We derive a substantial portion of revenue from our mobile game services. The mobile game user base growth and engagement are primarily driven by the launch of new games and the release of updates of our existing games. We witnessed strong growth in the revenues generated from VAS due to the increasing number of subscribers of our premium membership programs and active viewers of our live broadcasting. We also generate advertising revenues from advertisers driven by the size of our user base, the engagement of our users and our brand equity.

We will continue to implement our strategy to grow our user base and increase penetration in Generation Z+ and attract users from wider demographics. We will continue to support our PUGV content creators, enrich video content, strengthen our brand recognition and invest in user acquisition.

Our provision and commercialization of diversified product and service offerings

Our revenues and results of operations depend on our ability to convert more users to paying users and to increase their spending on our platform, which is driven by our provision of diversified product and service offerings appealing to our users. Paying users on our platform refer to users who make payments for various products and services on our platform, including purchases in mobile games offered on our platform and payments for VAS (excluding purchase on our e-commerce platform). A user who makes payments across different products and services offered on our platform using the same registered account is counted as one paying user.

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The following table sets forth our average MAU, our average monthly paying users, and average monthly revenue per paying user for each of the quarters indicated:

	For the Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(In millions)							
Average MAU	101.3	110.4	127.9	130.3	172.4	171.6	197.2	202.0
Average monthly paying users	5.7	6.3	7.9	8.8	13.4	12.9	15.0	17.9
	(in RMB)							
Average monthly revenue per paying user	67.6	66.4	58.1	54.5	48.3	53.8	50.1	44.2

The number of average monthly paying users has generally been increasing primarily attributable to the popularity of our premium membership program driven by the high-quality content that we offered, the expansion of our mobile games operations and diversification of other value-added services offerings. The occasional decrease of our average monthly revenue per paying user was mainly due to the substantial increase in the number of paying users attributable to our premium membership program, who on average make lower payments than other paying users such as those for the mobile games. Paying users who subscribe to our premium membership program are likely to consume derivative products of their interested OGV on our platform. For example, while enjoying an anime in our content library, such paying users are also likely to pay for the games developed based on that anime offered on our platform, the same theme of comic books, audio dramas, and figure toys of the characters in the anime. We see large commercial potentials in the derivative content consumptions.

The growth of our net revenues outperformed the overall growth of China's video-based market size during the Track Record Period because we have successfully executed our business strategies of expanding user base and diversifying revenue streams, which led to substantial increases in our total MAU and average monthly revenue per MAU. Our MAU grew from 87.0 million in 2018 to 117.5 million in 2019 and further to 185.8 million in 2020. Our average monthly revenue per MAU increased from RMB4.0 in 2018 to RMB4.8 in 2019 and further to RMB5.4 in 2020. As a result, our revenue grew by 190.6% from RMB4,128.9 million in 2018 to RMB11,999.0 million in 2020, above the video-based industry growth over the same period. Video-based industry grew by 94% from RMB391.0 billion to RMB757.9 billion from 2018 to 2020, according to the iResearch Report.

We are continuing to diversify our product and service offerings and refine our commercialization avenues without compromising user experience. We will continue our efforts to enrich our content library, including PUGV, live broadcasting, OGV and mobile games, to convert more users to paying users. We plan to launch more high-quality games to satisfy our users' evolving needs. In addition, we expect to witness increased revenues from advertising, as advertisers across different industries are turning to Bilibili to tap into the coveted Generation Z+ in China. We will also continue to develop our live broadcasting and other VAS. Our revenue growth will be affected by our ability to effectively execute our commercialization strategies and expand our paying user base.

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Our brand recognition and market leadership

Our brand recognition as a leading video community among the Generation Z+ in China is crucial for us to attract and retain users, content creators and our business partners, and increase our revenues. We will continue to promote our brand name among broader young generations and increase our appeal to mass market.

Our ability to manage our costs and expenses

Our results of operations depend on our ability to manage our costs and expenses. Our cost of revenues consists primarily of revenue-sharing costs, content costs, server and bandwidth service costs and e-commerce and other costs. We expect our revenue-sharing costs to increase in absolute amount due to our business expansion in mobile games, live broadcasting and advertising businesses. We expect our content costs to increase in absolute amount as we continue to produce and procure high-quality content for our users. In addition, we expect the absolute amount of our server and bandwidth costs and our e-commerce and other costs to increase as we grow our business. We will also continue the investment in our brand recognition and user base for our long-term success, therefore we expect our sales and marketing expenses to increase in absolute amount as well.

Investment in technology and talent

Our technology is critical for us to better understand our users, improve user experience maintain a vibrant community, and execute our commercialization strategy. Our current research and development efforts in technology are primarily focused on enhancing our artificial intelligence technology, big data analytics capabilities and cloud technology, which we believe are crucial for us to develop user insights so as to provide more relevant and engaging content to our users and to improve our operating efficiency. In addition, there is a strong demand in China's internet industry for talented and experienced personnel. We must recruit, retain and motivate talented employees while controlling our personnel-related expenses, including share-based compensation expenses.

IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

A substantial majority of our revenues and workforce are concentrated in China. 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 delays in the delivery of the merchandise sold on our platform to the customers in the first quarter of 2020. The delivery has been gradually recovering since the second quarter of 2020. We have experienced a significant increase in the size and engagement of our active user base during the first quarter of 2020 partly due to the shelter-in-place restrictions in China, and we have been able to maintain the momentum of user acquisition and engagement in other quarters of 2020. Our MAU increased by 18% from the second quarter to the fourth quarter of 2020 as COVID-19 subsided. However, there remain significant uncertainties surrounding COVID-19 and its further development as a global pandemic. Hence, the extent of the business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. See also "Risk Factors—Risks Related to Our Business and Industry—We face risks related to natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations."

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As of December 31, 2020, our cash and cash equivalents, time deposits, as well as short-term investments were RMB12.8 billion (US\$2.0 billion). Our principal sources of liquidity have been cash generated from operating activities, as well as the proceeds we received from our public offerings of ordinary shares and other financing activities. We believe this level of liquidity is sufficient to successfully navigate at least twelve months of uncertainty.

KEY COMPONENTS OF RESULTS OF OPERATIONS

Net revenues

The following table sets forth the components of our net revenues by amounts and percentages of our total net revenues for the periods presented:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Net revenues:							
Mobile games	2,936,331	71.1%	3,597,809	53.1%	4,803,382	736,151	40.0%
Value-added services	585,643	14.2%	1,641,043	24.2%	3,845,663	589,374	32.0%
Advertising	463,490	11.2%	817,016	12.1%	1,842,772	282,417	15.4%
E-commerce and others	143,467	3.5%	722,054	10.6%	1,507,159	230,982	12.6%
Total net revenues	<u>4,128,931</u>	<u>100.0%</u>	<u>6,777,922</u>	<u>100.0%</u>	<u>11,998,976</u>	<u>1,838,924</u>	<u>100.0%</u>

Mobile games. We primarily offer exclusively distributed mobile games and jointly operated mobile games developed by third-party game developers. For exclusively distributed mobile games, we are responsible for game launch, hosting and maintenance of game servers, game promotions and customer services. We also develop localized versions for games licensed from overseas developers. For jointly operated mobile game services, we provide our mobile game platform for mobile games developed by third-party developers. We earn game distribution service revenue within the applicable contract periods by providing payment solutions and game promotion services, while game developers are responsible for providing game products, hosting and maintaining game servers and determining the pricing of in-game virtual items. We derived 71.1%, 53.1% and 40.0% of our revenues from mobile games in 2018, 2019 and 2020, respectively. The top 10 mobile games contributed to 67%, 46% and 33% of our revenues in 2018, 2019 and 2020, respectively. We derive a significant portion of mobile game revenues from a limited number of games. One mobile game contributed more than 10% of our total net revenues for the years ended December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, we operated 43 exclusively distributed mobile games and hundreds of jointly operated mobile games. Our revenues from mobile games depend on the number of paying users, and ultimately are determined by our ability to select, procure and offer engaging games tailored to our platform and our user preferences. We expect revenues from mobile games to continue to grow in absolute amount. At the same time, we expect greater contribution by revenues from other streams of business as we take initiatives to grow our VAS, advertising and E-commerce businesses.

VAS. We primarily generate VAS revenues from (i) subscription fees of our premium membership program, which offers paying members benefits including exclusive or advanced access to certain OGV, and (ii) sales of in-channel virtual items for use in our live broadcasting so that users can send them to hosts to show their support, which comprise of either consumable items, such as gifts and items that create special visual effects, or time-based items, such as privileges and titles. Meanwhile, we also generate revenues from other VAS including sales of paid content and virtual items on our video, audio and comic platforms. We expect revenues from VAS to continue to grow driven by the increasing popularity of our premium membership programs and live broadcasting.

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Advertising. We generate advertising revenues primarily from brand advertising and performance-based feed advertisements. Brand advertisements primarily appear on the app opening page, the top banner, the website home page banner and the inline video feed alongside organic feeds. Brand advertisements can also be customized according to advertisers' need and appeared in Bilibili-produced OGV or events. Performance-based advertisements primarily appear as inline video feeds alongside with organic feeds. Leveraging our deep user insight, we can push the advertisements to users who are most likely to be interested. We have also worked with our content creators and licensed content providers to offer advertisers customized native advertisements. We expect our advertising revenues to increase in the foreseeable future as we continue to introduce new advertising and marketing solutions and attract more advertisers.

E-commerce and others. Our e-commerce and others primarily consist of sales of products on our e-commerce platform and revenues from offline performance activities. We expect an increase in e-commerce and others in the foreseeable future considering the growing demand for ACG-related products from our users.

Cost of revenues

The following table sets forth the components of our cost of revenues by amounts and percentages of cost of revenues for the periods presented:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Cost of revenues:							
Revenue-sharing costs	1,630,881	49.8%	2,494,416	44.6%	4,366,490	669,194	47.7%
Content costs	543,009	16.6%	1,001,600	17.9%	1,875,546	287,440	20.5%
Server and bandwidth costs	618,737	18.9%	919,753	16.5%	1,141,257	174,905	12.5%
E-commerce and others	480,866	14.7%	1,171,904	21.0%	1,775,507	272,109	19.3%
Total cost of revenues	3,273,493	100%	5,587,673	100%	9,158,800	1,403,648	100%

Revenue-sharing costs consist of fees paid to game developers, distribution channels (app stores) and payment channels, and fees we share with hosts of our live broadcasting and content creators in accordance with our revenue-sharing arrangements. Content costs consist of amortized costs of purchased licensed content from copyright owners or content distributors and our production costs. Server and bandwidth costs are the fees we pay to telecommunication carriers and other service providers for telecommunication services, hosting our servers at their internet data centers, and providing content delivery network and application services. E-commerce and others consist of cost of goods sold associated with our e-commerce business, staff cost, depreciation and others.

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Operating expenses

The following table sets forth the components of our operating expenses by amounts and percentages of operating expenses for the periods presented:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Operating expenses:							
Sales and marketing expenses	585,758	37.0%	1,198,516	44.6%	3,492,091	535,186	58.4%
General and administrative expenses	461,165	29.1%	592,497	22.1%	976,082	149,592	16.3%
Research and development expenses	537,488	33.9%	894,411	33.3%	1,512,966	231,872	25.3%
Total operating expenses	1,584,411	100%	2,685,424	100%	5,981,139	916,650	100%

Sales and marketing expenses. Sales and marketing expenses consist primarily of general marketing and promotional expenses, as well as salaries and benefits, including share-based compensation expenses, for our sales and marketing personnel. We expect our sales and marketing expenses to increase in absolute amounts in the foreseeable future as we increase our investment in boosting our brand recognition, user base and market leadership and promoting our services. For a detailed description of the major promotional, advertising and marketing activities that we have invested in, see “Business—Branding and Marketing.”

The following table sets for the components of our sales and marketing expenses for the periods presented:

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Sales and marketing expenses:							
Marketing and promotional expenses	436,487	74.5%	934,701	78.0%	3,005,965	460,684	86.1%
Staff costs	131,183	22.4%	204,770	17.1%	400,910	61,442	11.5%
Others	18,088	3.1%	59,045	4.9%	85,216	13,060	2.4%
Total sales and marketing expenses	585,758	100.0%	1,198,516	100.0%	3,492,091	535,186	100%

We launched a series of campaigns aimed at spreading the Bilibili brand name among a broader audience in the second quarter of 2020, in tandem with expanding our content appeal to a mass market. During our 11th anniversary, we introduced a new slogan, *Bilibili-All the Videos You Like*, to help define our brand proposition and appeal to a wider base. With this vision in mind, we launched a branding campaign series, the *Hou Lang*, *Ru Hai* and *Xi Xiang Feng* trilogy videos, all echoing strongly with our existing and potential users, to help bring an uptick in brand perception and increase brand awareness across different demographics. Our marketing and promotional efforts also include placing advertisements on various app stores, video app channels and over-the-top channels. As a result, sales and marketing expenses as percentage of total revenue increased from 17.7% in 2019 to 29.1% in 2020.

General and administrative expenses. General and administrative expenses consist primarily of salaries and other compensation-related expenses, including share-based compensation expenses for our general and administrative personnel, professional fees, rental expenses and allowance for doubtful accounts. We expect our general and administrative expenses to increase in absolute amounts in the foreseeable future due to the anticipated growth of our business as well as accounting, insurance, investor relations and other public company costs.

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Research and development expenses. Research and development expenses consist primarily of salaries and benefits, including share-based compensation expenses, for research and development personnel dedicated to the development and enhancement of our app/websites and development of online games. We expect our research and development expenses to increase as we expand our research and development team, to enhance our artificial intelligence technology, big data analytics capabilities and cloud technology and develop new features and functionalities on our platform.

Taxation

Cayman Islands

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. In addition, the Cayman Islands does not impose withholding tax on dividend payments. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. 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.

Payments of dividends and capital in respect of the ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or ordinary shares, nor will gains derived from the disposal of the ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Majority of our subsidiaries incorporated in Hong Kong, such as Hode HK and Bilibili HK Limited, are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Commencing from the year of assessment of 2018 and 2019, the first HK\$2 million of profits earned by our subsidiaries 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. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

PRC

Our PRC subsidiaries are subject to PRC EIT on their taxable income in accordance with the relevant PRC income tax laws. Effective from January 1, 2008, the statutory corporate income tax rate is 25%, except for certain entities eligible for preferential tax rates.

For example, in 2017, Hode Information Technology qualified as a HNTE and is eligible for a 15% preferential tax rate effective for three years starting from 2017 to 2019. Hode Information Technology has renewed this qualification which allows it to enjoy a 15% preferential EIT rate for three years starting from 2020 to 2022. In addition, in 2018, Shanghai Bilibili Technology Co., Ltd. qualified as a HNTE and is eligible for a 15% preferential tax rate effective for three years starting from 2018 to 2020.

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Our other Major PRC Subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to value-added tax at a rate of 6% for our rendered services and value-added tax at a rate varying from 0% to 17% for goods sold depending on their categories in different periods. We are subject to surcharges on value-added tax payments in accordance with PRC law. Our advertising and marketing revenues are subject to culture business construction fee at a rate of 3% in 2018, which was reduced to 1.5% since July 1, 2019, valid until December 31, 2024.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between China 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 Capital and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. On October 14, 2019, Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties (SAT Announcement (2019) No. 35) (《非居民納稅人享受協定待遇管理辦法》) was issued to simplify the procedures for claiming China tax treaty benefits by non-resident taxpayers. See “Risk Factors—Risks Related to Our Corporate Structure—We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to our shareholders and ADS holders.”

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

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RESULTS OF OPERATIONS

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

	For the Year Ended December 31,						
	2018		2019		2020		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Net revenues	4,128,931	100.0%	6,777,922	100.0%	11,998,976	1,838,924	100.0%
Cost of revenues ⁽¹⁾	(3,273,493)	(79.3)%	(5,587,673)	(82.4)%	(9,158,800)	(1,403,648)	(76.3)%
Gross profit	855,438	20.7%	1,190,249	17.6%	2,840,176	435,276	23.7%
Operating expenses:							
Sales and marketing expenses ⁽¹⁾	(585,758)	(14.2)%	(1,198,516)	(17.7)%	(3,492,091)	(535,186)	(29.1)%
General and administrative expenses ⁽¹⁾	(461,165)	(11.2)%	(592,497)	(8.7)%	(976,082)	(149,592)	(8.1)%
Research and development expenses ⁽¹⁾	(537,488)	(13.0)%	(894,411)	(13.2)%	(1,512,966)	(231,872)	(12.6)%
Total operating expenses	(1,584,411)	(38.4)%	(2,685,424)	(39.6)%	(5,981,139)	(916,650)	(49.8)%
Loss from operations	(728,973)	(17.7)%	(1,495,175)	(22.0)%	(3,140,963)	(481,374)	(26.1)%
Other income/(expenses):							
Investment income, net (including impairments)	96,440	2.3%	96,610	1.4%	28,203	4,322	0.2%
Interest income	68,706	1.7%	162,782	2.4%	83,301	12,766	0.7%
Interest expense	—	—	(46,543)	(0.7)%	(108,547)	(16,636)	(0.9)%
Exchange (losses)/gains	(1,661)	0.0%	(11,789)	(0.2)%	41,717	6,393	0.3%
Others, net	26,455	0.6%	26,412	0.4%	95,641	14,660	0.8%
Loss before tax	(539,033)	(13.1)%	(1,267,703)	(18.7)%	(3,000,648)	(459,869)	(25.0)%
Income tax	(25,988)	(0.6)%	(35,867)	(0.5)%	(53,369)	(8,180)	(0.4)%
Net loss	(565,021)	(13.7)%	(1,303,570)	(19.2)%	(3,054,017)	(468,049)	(25.4)%

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of revenues	28,173	23,281	37,087	5,684
Sales and marketing expenses	11,499	14,269	40,808	6,254
General and administrative expenses	102,544	68,497	181,753	27,855
Research and development expenses	38,977	66,503	126,250	19,349
Total	181,193	172,550	385,898	59,142

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2020 compared to year ended December 31, 2019

Net revenues

Our net revenues increased by 77.0% from RMB6,777.9 million in 2019 to RMB11,999.0 million (US\$1,838.9 million) in 2020. Across our platform, our average monthly paying users increased from 7.2 million in 2019 to 14.8 million in 2020. In addition, our paying ratio (average monthly paying user / MAU) increased from 6.1% in 2019 to 8.0% in 2020. We set forth below our key operating metrics.

	For the Year Ended December 31,		
	2018	2019	2020
	(in millions, except for percentages)		
Average MAU	87.0	117.5	185.8
Average monthly paying user	3.4	7.2	14.8
Paying ratio % (Average monthly paying user / MAU)	3.9%	6.1%	8.0%
Average monthly paying user for mobile games	0.9	1.2	1.8
Average monthly paying user for VAS ⁽¹⁾	2.5	6.0	13.0

Note:

(1) Average monthly paying user for VAS excludes the duplicative average monthly paying user for mobile games.

	For the Year Ended December 31,		
	2018	2019	2020
	RMB	RMB	RMB
Average monthly revenue per MAU ⁽¹⁾	4.0	4.8	5.4
Average monthly revenue per paying user ⁽²⁾	87.6	60.7	48.7
Average monthly revenue per paying user for mobile games	284.5	254.6	223.6
Average monthly revenue per paying user for VAS	19.6	22.7	24.6

Notes:

(1) Numerator is the total net revenues. See “Glossary of Technical Terms.”

(2) Numerator includes only revenues from mobile games and VAS. See “Glossary of Technical Terms.”

Mobile games. Our net revenues from mobile games increased by 33.5% from RMB3,597.8 million in 2019 to RMB4,803.4 million (US\$736.2 million) in 2020. The increase was primarily due to the popularity of our newly launched mobile games. As of December 31, 2020, we operated 43 exclusively distributed mobile games and hundreds of jointly operated mobile games. The average monthly paying user for mobile games increased from 1.2 million in 2019 to 1.8 million in 2020.

VAS. Our net revenues from VAS increased by 134.4% from RMB1,641.0 million in 2019 to RMB3,845.7 million (US\$589.4 million) in 2020, mainly attributable to our enhanced commercialization efforts, led by increases in the number of paying users for our premium membership program, live broadcasting services and other value-added services, attracted by the high quality and diversified content on our platform. The average monthly paying user for VAS increased from 6.0 million in 2019 to 13.0 million in 2020. The average monthly revenue per paying user for VAS increased from RMB22.7 in 2019 to RMB24.6 in 2020. Specifically, for premium membership program, the average monthly paying user increased from 5.9 million in 2019 to 12.4 million in 2020, and the average monthly revenue per paying user increased from RMB10.2 in 2019 to RMB11.3 in 2020. For live broadcasting program, the average monthly paying user increased from 0.6 million in

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2019 to 1.1 million in 2020, and the average monthly revenue per paying user increased from RMB89.0 in 2019 to RMB105.3 in 2020.

Advertising. Our net revenues from advertising increased by 125.6% from RMB817.0 million in 2019 to RMB1,842.8 million (US\$282.4 million) in 2020. This increase was primarily attributable to further recognition of Bilibili's brand name in China's online advertising market. The increase in our user base also attracted more advertisers to promote their products and services on our platform, due to the greater exposure that the advertisements could enjoy on our platform. Our average MAU increased from 117.5 million in 2019 to 185.8 million in 2020.

E-commerce and Others. We had RMB722.1 million and RMB1,507.2 million (US\$231.0 million) of e-commerce and other net revenues in 2019 and 2020, respectively. The increase was primarily attributable to the increase in sales of products on our e-commerce platform and sub-licensing the licensed content related to S10 League of Legends E-sports global events in China, and recorded other net revenues of RMB330.2 million (US\$50.6 million) in 2020. As our user base increased and more users became engaged in interest-based sub-communities such as ACG, the demand for ACG related merchandise as well as content offering grew, which drove the increase in our revenues from e-commerce and others.

Cost of revenues

Our cost of revenues increased by 63.9% from RMB5,587.7 million in 2019 to RMB9,158.8 million (US\$1,403.6 million) in 2020 as all components of cost of revenues increased due to our business growth and the expansion of our user base.

Revenue-sharing costs increased by 75.1% from RMB2,494.4 million in 2019 to RMB4,366.5 million (US\$669.2 million) in 2020, primarily due to an increase in payments made to developers of exclusively distributed games as we rolled out more games, an increase in payments made to distribution channels as we expanded our mobile games and VAS offerings, and an increase in payments made to hosts of live broadcasting and content creators on our platform due to the increase in the numbers of our hosts and content creators.

Content costs increased by 87.3% from RMB1,001.6 million in 2019 to RMB1,875.5 million (US\$287.4 million) in 2020 as we continued to expand and diversify our content offerings. We procured anime, documentaries, selected TV shows, movies and variety shows to enrich our content library. We are the main leader in the anime field with one of China's largest anime libraries, according to the iResearch Report. We provided over 3,000 documentaries on our platform in 2020, making us one of the largest documentary repositories in China, according to the iResearch Report. Our investment in content costs has contributed to the growth in our users base and the number of average monthly paying user for VAS.

Server and bandwidth costs increased by 24.1% from RMB919.8 million in 2019 to RMB1,141.3 million (US\$174.9 million) in 2020, primarily due to an increase in server and bandwidth capacity to keep pace with the expansion of our user base and the increase in active users, so as to support a massive and continuously increasing volume of data generated and video views happened on our platform every day.

E-commerce and other costs increased by 51.5% from RMB1,171.9 million in 2019 to RMB1,775.5 million (US\$272.1 million) in 2020, primarily attributable to an increase in cost of goods

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sold associated with our e-commerce business and an increase in staff cost. As our user base increased and more users became engaged in interest-based sub-communities such as ACG, the demand for ACG related merchandise also grew, which drove the increase in our revenues from e-commerce. We endeavored to enlarge the types of goods and enrich the content available on our e-commerce platform.

Gross profit

As a result of the foregoing, we had gross profit of RMB2,840.2 million (US\$435.3 million) in 2020, compared to gross profit of RMB1,190.2 million in 2019.

Operating expenses

Our total operating expenses increased by 122.7% from RMB2,685.4 million in 2019 to RMB5,981.1 million (US\$916.7million) in 2020, as we executed our management strategy to invest in the expansion of our user base and the growth of our business, which led to the increases in sales and marketing expenses, general and administrative expenses, as well as research and development expenses.

Sales and marketing expenses. Our sales and marketing expenses increased by 191.4% from RMB1,198.5 million in 2019 to RMB3,492.1 million (US\$535.2 million) in 2020, primarily attributable to increased channel and marketing expenses associated with our app and brand, as well as expenses associated with our mobile games' promotion and an increase in headcount in sales and marketing personnel. Our marketing and promotional expenses increased by 221.6% from RMB934.7 million in 2019 to RMB3,006.0 million (US\$460.7 million) in 2020, primarily attributable to increased expenses associated with the promotion of our brand and other marketing activities.

General and administrative expenses. Our general and administrative expenses increased by 64.7% from RMB592.5 million in 2019 to RMB976.1 million (US\$149.6 million) in 2020. The increase was primarily attributable to increases in headcount in general and administrative personnel, share-based compensation expenses, allowance for doubtful accounts, rental expenses and other general and administrative expenses.

Research and development expenses. Our research and development expenses increased by 69.2% from RMB894.4 million in 2019 to RMB1,513.0 million (US\$231.9 million) in 2020, primarily due to increases in headcount in research and development personnel and share-based compensation expenses.

Loss from operations

We incurred loss from operations of RMB3,141.0 million (US\$481.4 million) in 2020, compared to loss from operations of RMB1,495.2 million in 2019, primarily due to the significant increase in sales and marketing expenses, as well as research and development expenses as a result of our management strategy to invest in the expansion of our user base and the growth of our business.

Other income

Investment income, net. Net investment income primarily includes return earned on financial products issued by banks and other financial institutions, return from investments in money market funds, gain from disposal of long-term investments, and the fair value change of investments in publicly traded companies. We had net investment income of RMB28.2 million (US\$4.3 million) in 2020, compared to RMB96.6 million in 2019.

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Interest income. Interest income represents interest earned on cash and cash equivalents and time deposits. We had interest income of RMB162.8 million and RMB83.3 million (US\$12.8 million) in 2019 and 2020, respectively.

Interest expense. Interest expense primarily represents interest payment and amortized issuance costs related to long-term debt. We had interest expense of RMB108.5 million (US\$16.6 million) in 2020, primarily attributable to interest expense related to our 2027 Notes issued in June 2020 and our 2026 Notes issued in April 2019. We had interest expense of RMB46.5 million in 2019, primarily attributable to interest expense related to our 2026 Notes issued in April 2019.

Income tax

We recorded income tax of RMB53.4 million (US\$8.2 million) in 2020, compared to RMB35.9 million in 2019.

Net loss

We incurred net loss of RMB3,054.0 million (US\$468.0 million) in 2020, compared to net loss of RMB1,303.6 million in 2019, primarily due to the significant increase in sales and marketing expenses, as well as research and development expenses as a result of our management strategy to invest in the expansion of our user base and the growth of our business.

Year ended December 31, 2019 compared to year ended December 31, 2018

Net revenues

Our net revenues increased by 64.2% from RMB4,128.9 million in 2018 to RMB6,777.9 million in 2019. The increase was across all revenue streams, consisting of revenues from mobile games, VAS, advertising, and e-commerce and others. Across our platform, our average monthly paying users increased by 114.8% from approximately 3.4 million in 2018 to approximately 7.2 million in 2019. In addition, our paying ratio (average monthly paying user / MAU) increased from 3.9% in 2018 to 6.1% in 2019. We set forth below our key operating metrics.

	For the Year Ended December 31,	
	2018	2019
	(in millions, except for percentages)	
Average MAU	87.0	117.5
Average monthly paying user	3.4	7.2
Paying ratio % (Average monthly paying user / MAU)	3.9%	6.1%
Average monthly paying user for mobile games	0.9	1.2
Average monthly paying user for VAS ⁽¹⁾	2.5	6.0

Note:

(1) Average monthly paying user for VAS excludes the duplicative average monthly paying user for mobile games.

	For the Year Ended December 31,	
	2018	2019
	RMB	RMB
Average monthly revenue per paying user	87.6	60.7
Average monthly revenue per paying user for mobile games	284.5	254.6
Average monthly revenue per paying user for VAS	19.6	22.7

Mobile games. Our net revenues from mobile games increased by 22.5% from RMB2,936.3 million in 2018 to RMB3,597.8 million in 2019, primarily due to the launch of new

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mobile games, as well as the continuous popularity of our existing mobile games, particularly the success of *Fate/Grand Order* (命運/冠位指定), which was launched in September 2016. The average monthly paying user for mobile games increased from 0.9 million in 2018 to 1.2 million in 2019.

VAS. Our net revenues from VAS increased by 180.2% from RMB585.6 million in 2018 to RMB1,641.0 million in 2019, mainly attributable to the increase in the number of paying users for our premium membership program, live broadcasting and other VAS. The average monthly paying user for VAS increased from 2.5 million in 2018 to 6.0 million in 2019. The average monthly revenue per paying user for VAS increased from RMB19.6 in 2018 to RMB22.7 in 2019. Specifically, for premium membership program, the average monthly paying user increased from 2.5 million in 2018 to 5.9 million in 2019, and the average monthly revenue per paying user increased from RMB8.1 in 2018 to RMB10.2 in 2019. For live broadcasting program, the average monthly paying user increased from 0.4 million in 2018 to 0.6 million in 2019, and the average monthly revenue per paying user increased from RMB75.1 in 2018 to RMB89.0 in 2019.

Advertising. Our net revenues from advertising increased by 76.3% from RMB463.5 million in 2018 to RMB817.0 million in 2019. This increase was driven by revenue from our brand advertising and performance-based advertising. The increase in our user base attracted more advertisers to promote their products and services on our platform, due to the greater exposure that the advertisements can enjoy on our platform. Our average MAU increased from 87.0 million in 2018 to 117.5 million in 2019.

E-commerce and Others. We had RMB143.5 million and RMB722.1 million of e-commerce and other net revenues in 2018 and 2019, respectively. The increase was primarily attributable to the increase in sales of products as users made more purchases on our e-commerce platform. As our user base increased and more users became engaged in interest-based sub-communities such as ACG, the demand for ACG related merchandise also grew which drove the increase in our revenues from e-commerce.

Cost of revenues

Our cost of revenues increased by 70.7% from RMB3,273.5 million in 2018 to RMB5,587.7 million in 2019 as all components of cost of revenues increased due to our business growth and the expansion of our user base.

Revenue-sharing costs, which primarily consisted of the portion of revenues shared with game developers, certain popular live broadcasting hosts and content creators, increased by 52.9% from RMB1,630.9 million in 2018 to RMB2,494.4 million in 2019, primarily due to an increase in payments made to developers of exclusively distributed games, in particular *Fate/Grand Order* (命運/冠位指定) and *Azur Lane* (碧藍航綫), an increase in payments made to distribution channels and an increase in payments made to hosts of live broadcasting and content creators on our platform.

Content costs increased by 84.5% from RMB543.0 million in 2018 to RMB1,001.6 million in 2019 as we continued to acquire licensed content to expand and diversify our content offerings. We procured anime, documentaries, selected TV shows, movies and variety shows to enrich our content library.

Server and bandwidth costs increased by 48.7% from RMB618.7 million in 2018 to RMB919.8 million in 2019, primarily due to an increase in server and bandwidth capacity to keep pace

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with the expansion of our user base and the increase in active users, so as to support a massive and continuously increasing volume of data generated and video views happened on our platform every day.

Gross profit

As a result of the foregoing, we had gross profit of RMB1.2 billion in 2019, compared to gross profit of RMB855.4 million in 2018.

Operating expenses

Our total operating expenses increased by 69.5% from RMB1,584.4 million in 2018 to RMB2,685.4 million in 2019, as sales and marketing expenses and research and development expenses increased due to our business growth and the expansion of our user base.

Sales and marketing expenses. Our sales and marketing expenses increased by 104.6% from RMB585.8 million in 2018 to RMB1,198.5 million in 2019, primarily attributable to increased channel and marketing expenses associated with our app and brand, including promotional activities for offline events, promotional expenses for mobile games, and an increase in headcount in sales and marketing personnel. Our promotional expense increased by 114.1% from RMB436.5 million in 2018 to RMB934.7 million in 2019, primarily attributable to increased expenses associated with the promotion of our brand and other marketing activities.

General and administrative expenses. Our general and administrative expenses increased by 28.5% from RMB461.2 million in 2018 to RMB592.5 million in 2019. The increase was primarily attributable to increased general and administrative personnel-related expenses, increased amortization expense related to intangible assets acquired through business acquisitions and increased other miscellaneous expenses associated with our business expansion.

Research and development expenses. Our research and development expenses increased by 66.4% from RMB537.5 million in 2018 to RMB894.4 million in 2019, primarily due to increased headcount in research and development personnel and increased share-based compensation expenses.

Loss from operations

As a result of the foregoing, we incurred loss from operations of RMB1,495.2 million in 2019, compared to loss from operations of RMB729.0 million in 2018.

Other income

Investment income, net. Net investment income primarily includes return earned on financial products issued by banks and other financial institutions, return from investments in money market funds, gain from disposal of long-term investments, and the fair value change of investments in publicly traded companies. We had net investment income of RMB96.6 million in 2019, compared to RMB96.4 million in 2018.

Interest income. Interest income represents interest earned on cash and cash equivalents and time deposits. We had interest income of RMB68.7 million and RMB162.8 million in 2018 and 2019, respectively.

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Interest expense. Interest expense primarily represents interest payment and amortized issuance costs related to long-term debt. We had interest expense of RMB46.5 million in 2019, primarily attributable to interest expense related to our 2026 Notes issued in April 2019, whereas we did not incur such interest expense in 2018.

Income tax

We recorded income tax of RMB35.9 million in 2019, compared to RMB26.0 million in 2018.

Net loss

As a result of the foregoing, we incurred net loss of RMB1,303.6 million in 2019, compared to net loss of RMB565.0 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the periods presented:

	For the Year Ended December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
	(in thousands)			
Selected Consolidated Cash Flows Data:				
Net cash provided by operating activities	737,286	194,551	753,103	115,418
Net cash used in investing activities	(3,196,394)	(3,958,277)	(8,906,821)	(1,365,029)
Net cash provided by financing activities	4,974,810	5,078,842	8,335,419	1,277,458
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	261,447	107,513	(466,252)	(71,456)
Net increase in cash and cash equivalents	2,777,149	1,422,629	(284,551)	(43,609)
Cash and cash equivalents at beginning of the year	762,882	3,540,031	4,962,660	760,561
Cash and cash equivalents at end of the year	3,540,031	4,962,660	4,678,109	716,952

Our principal sources of liquidity have been cash generated from operating activities, as well as the proceeds we received from our public offerings of ordinary shares and other financing activities. As of December 31, 2018, 2019 and 2020, respectively, our cash and cash equivalents were RMB3,540.0 million, RMB4,962.7 million and RMB4,678.1 million (US\$717.0 million). Our cash and cash equivalents mainly represent cash on hand, demand deposits placed with large reputable banks in the United States and China, and highly liquid investments that are readily convertible to known amounts of cash and with original terms of three months or less. We entered into a one-year RMB500.0 million revolving loan facility provided by certain financial institution. As of December 31, 2020, such credit facility has not been utilized.

Our financing activities primarily consist of issuance and sale of our shares and convertible senior notes to investors. In March 2018, we raised from our initial public offering US\$443.3 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us. In October 2018, we entered into a definitive agreement with Tencent, for Tencent to invest an aggregate amount of US\$317.2 million in our company after deducting transaction expenses.

In April 2019, we issued US\$500 million in an aggregate principal amount of convertible senior notes due 2026 (the “**2026 Notes**”). Concurrently with the issuance of 2026 Notes, we

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completed a registered offering of ADSs, where we offered 14,173,813 ADSs at a price of US\$18.00 per ADS. We raised from the 2026 Notes and this concurrent registered offering US\$733.9 million in net proceeds after deducting commissions and the offering expenses. The 2026 Notes may be converted, at an initial conversion rate of 40.4040 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$24.75 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of April 1, 2026. The initial conversion rate may be adjusted in certain circumstances, including but not limited to when the number of ordinary shares represented by the ADSs is changed. As of the Latest Practicable Date, no adjustment had been made to the initial conversion rate. Holders of the 2026 Notes may require the Company to repurchase all or part of their 2026 Notes in cash on April 1, 2024 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. Based on the initial conversion rate of 40.4040 ADSs per US\$1,000 principal amount, the maximum number of Class Z ordinary shares that these notes could convert into would be 20,202,000 ADSs, each representing one Class Z ordinary share, accounting for 6.88% of our total number of issued and outstanding Class Z ordinary shares upon completion of the Global Offering (excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and assuming no future conversion rate adjustments and no conversion of our 2026 Notes and 2027 Notes (as defined below)).

In April 2020, we issued 17,310,696 Class Z ordinary shares to Sony Corporation of America for its investment of US\$399.4 million (RMB2,817.5 million) in cash after deducting transaction expenses. In June 2020, we issued US\$800 million in aggregate principal amount of convertible senior notes due 2027 (the "2027 Notes"). We raised from the 2027 Notes US\$786.1 million (RMB5,594.8 million) after deducting commissions and offering expenses. The 2027 Notes may be converted, at an initial conversion rate of 24.5516 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$40.73 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of June 15, 2027. The conversion rate may be adjusted in certain circumstances, including but not limited to when the number of ordinary shares represented by the ADSs is changed. As of the Latest Practicable Date, no adjustment had been made to the initial conversion rate. Holders of the 2027 Notes may require the Company to repurchase all or part of their 2027 Notes in cash on June 15, 2023 and June 15, 2025, or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. Based on the initial conversion rate of 24.5516 ADSs per US\$1,000 principal amount, the maximum number of Class Z ordinary shares that these notes could convert into would be 19,641,280 ADSs, each representing one Class Z ordinary share, accounting for 6.69% of our total number of issued and outstanding Class Z ordinary shares upon completion of the Global Offering (excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and assuming no future conversion rate adjustments and no conversion of the 2026 Notes and 2027 Notes).

We believe that our current cash and cash equivalents and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures for at least the next 12 months. However, we may enhance our liquidity position or increase our cash reserve for future investments through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our shareholders. The

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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.

Operating activities

Net cash provided by operating activities in 2020 was RMB753.1 million (US\$115.4 million), as compared to net loss of RMB3,054.0 million (US\$468.0 million) in the same period. The difference was primarily due to an increase of RMB734.8 million (US\$112.6 million) in deferred revenue, an increase of RMB651.7 million (US\$99.9 million) in accrued liabilities and other payables and an increase of RMB816.1 million (US\$125.1 million) in accounts payable, partially offset by an increase of RMB417.2 million (US\$63.9 million) in accounts receivable and an increase of RMB610.6 million (US\$93.6 million) in prepayments and other assets. The changes in working capital were attributable to our business expansion, particularly, the expansion of our mobile games operations and VAS offerings, and the increase in sales and marketing expenses. The principal non-cash items affecting the difference between our net loss and our net cash provided by operating activities in 2020 were RMB1,721.6 million (US\$263.9 million) in depreciation and amortization of property and equipment, and intangible assets, and RMB385.9 million (US\$59.1 million) in share-based compensation expenses.

Net cash provided by operating activities in 2019 was RMB194.6 million, as compared to net loss of RMB1,303.6 million in the same period. The difference was primarily due to an increase of RMB586.9 million in accounts payable, an increase of RMB354.0 million in deferred revenue and an increase of RMB277.9 million in accrued liabilities and other payables, partially offset by an increase of RMB508.5 million in prepayments and other assets, and an increase of RMB399.0 million in accounts receivable. The changes in working capital were attributable to our business expansion, particularly, the expansion of our mobile games operations and value-added services offerings, and the increase in channel and marketing promotional expenses. The principal non-cash items affecting the difference between our net loss and our net cash provided by operating activities in 2019 were RMB1,097.4 million in depreciation and amortization, RMB172.6 million in share-based compensation expenses, and RMB148.8 million in disposal gain of long-term investments and subsidiaries. The intangible assets being amortized consist of licensed copyrights of content, licensed rights of mobile games, and domain names.

Net cash provided by operating activities in 2018 was RMB737.3 million, as compared to net loss of RMB565.0 million in the same period. The difference was primarily due to an increase of RMB398.6 million in deferred revenue and an increase of RMB345.9 million in accounts payable, partially offset by an increase in prepayments and other assets of RMB540.6 million. The increases in deferred revenue, accounts payable and prepayments and other assets were attributable to our business expansion, particularly, the expansion of our mobile games operations and value-added services offerings. The principal non-cash items affecting the difference between our net loss and our net cash provided by operating activities in 2018 were RMB642.4 million in depreciation and amortization, RMB181.2 million in share-based compensation expenses, gains of RMB144.4 million in revaluation of previously held equity interests, RMB46.4 million in impairment charge of long-term investments, and losses of RMB2.1 million in fair value changes and re-measurement of long-term investments.

Investing activities

Net cash used in investing activities in 2020 was RMB8,906.8 million (US\$1,365.0 million), primarily due to purchase of short-term investments, primarily including money market funds,

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financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks or other financial institutions and publicly traded companies of RMB26.7 billion (US\$4.1 billion), placements of time deposits of RMB10.9 billion (US\$1.7 billion), cash paid for long term investments including loans of RMB1.3 billion (US\$193.3 million) and purchase of intangible assets of RMB1.6 billion (US\$250.9 million), which primarily consist of licensed copyrights of video content, partially offset by proceeds from maturities of short term investments of RMB24.9 billion (US\$3.8 billion) and maturity of time deposits of RMB7.7 billion (US\$1.2 billion).

Net cash used in investing activities in 2019 was RMB4.0 billion, primarily due to purchase of short-term investments, including money market funds, financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks or other financial institutions and publicly traded companies of RMB10.0 billion, placement of time deposits of RMB4.9 billion, purchase of intangible assets of RMB1.3 billion, and cash paid for long-term investments including loans of RMB1.2 billion, partially offset by proceeds from maturities of short-term investments of RMB10.0 billion and maturity of time deposits of RMB3.9 billion.

Net cash used in investing activities in 2018 was RMB3.2 billion, primarily due to purchase of short-term investments, including money market funds and investments in financial instruments with variable interest rates referenced to performance of underlying assets, of RMB6.7 billion, purchase of time deposits of RMB750.5 million, purchase of intangible assets of RMB1.0 billion, purchase of property and equipment of RMB293.6 million, cash paid on long-term investments of RMB565.1 million and cash paid on acquisition of subsidiaries of RMB135.8 million, partially offset by proceeds from maturities of short-term investments of RMB6.3 billion.

Financing activities

Net cash provided by financing activities in 2020 was RMB8,335.4 million (US\$1,277.5 million), primarily attributable to the proceeds we received from our offering of 2027 Notes of RMB5.6 billion (US\$857.4 million) and the proceeds we received from our issuance of Class Z ordinary shares to Sony Corporation of America of RMB2.8 billion (US\$431.8 million).

Net cash provided by financing activities in 2019 was RMB5.1 billion, primarily attributable to the proceeds we received from our offerings of 2026 Notes of RMB3.4 billion and the proceeds we received from our public offerings of ordinary shares of RMB1.6 billion.

Net cash provided by financing activities in 2018 was RMB5.0 billion, primarily attributable to net proceeds from our initial public offering in March 2018 and Tencent's investment.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of intangible assets and property and equipment during the Track Record Period. Our capital expenditures were RMB1.3 billion in 2018, RMB1.6 billion in 2019 and RMB2.2 billion (US\$343.1 million) in 2020. Purchases of intangible assets, which primarily consist of licensed copyrights of video content, accounted for 78.0%, 81.1% and 73.1% of our total capital expenditures in 2018, 2019 and 2020, respectively. We intend to fund our future capital expenditures with our existing cash balance, proceeds from this offering and other financing alternatives. We will continue to make capital expenditures to support the growth of our business.

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HOLDING COMPANY STRUCTURE

Bilibili Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, our VIEs and their subsidiaries in China. As a result, Bilibili Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones 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, our wholly foreign-owned subsidiaries in China are 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 PRC law, each of our subsidiaries and our VIEs in China 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 their registered capital. In addition, our wholly foreign-owned subsidiaries in China may allocate a portion of their after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at their discretion, and our VIEs may allocate a portion of its after-tax profits based on PRC accounting standards to a surplus fund at their discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

INFLATION

Inflation in China has not materially impacted our results of operations in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2018, 2019 and 2020 were increases of 1.9%, 4.5% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

CONTRACTUAL OBLIGATIONS

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

	Total	Payment due by December 31,				After
		2021	2022	2023	2024	
		(in RMB thousands)				
Operating lease commitments ⁽¹⁾	496,433	156,869	171,923	106,253	43,575	17,813
Long-term debt obligations ⁽²⁾	9,151,355	110,108	110,108	110,108	110,108	8,710,923
Purchase obligation ⁽³⁾	622,500	377,500	200,000	45,000	—	—
Total	10,270,288	644,477	482,031	261,361	153,683	8,728,736

Notes:

- (1) Operating lease commitments consist of the commitments under the lease agreements for our office premises.
- (2) Long-term debt obligations consist of the principal amount and cash interests in connection with the 2026 Notes and 2027 Notes.
- (3) Purchase obligation consists of the commitment under the contract signed in September 2020 to purchase the three-year license for live broadcasting the League of Legends World Championship in China starting from 2020 at an aggregate purchase price of RMB800 million (US\$122.6 million). The unpaid purchase price was RMB622.5 million (US\$95.4 million) as of December 31, 2020.

We lease offices in Shanghai, Beijing and certain other cities under operating leases expiring on different dates.

As of December 31, 2020 and the Latest Practicable Date, save as disclosed in the Accountants' Report in Appendix I to this document, we did not have significant contingent liabilities.

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As of December 31, 2020, save as disclosed in this section, we did not have any bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges hire purchase commitments or other outstanding material contingent liabilities.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2020.

WORKING CAPITAL

We recorded net current assets of RMB3,251.2 million, RMB6,051.5 million and RMB8,348.0 million (US\$1,279.4 million), respectively, as of December 31, 2018, 2019 and 2020. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	December 31,			
	2018	2019	2020	
	RMB	RMB	RMB	US\$
Current assets				
Cash and cash equivalents	3,540,031	4,962,660	4,678,109	716,952
Time deposits	749,385	1,844,558	4,720,089	723,385
Accounts receivable, net	324,392	744,845	1,053,641	161,478
Amount due from related parties	—	195,290	164,732	25,246
Prepayments and other current assets	990,851	1,315,901	1,765,787	270,619
Short-term investments	945,338	1,260,810	3,357,189	514,511
Total current assets	6,549,997	10,324,064	15,739,547	2,412,191
Current liabilities				
Accounts payable	1,307,598	1,904,042	3,074,298	471,157
Salary and welfare payable	246,815	355,936	734,376	112,548
Taxes payable	38,505	67,856	127,192	19,493
Short-term loans	—	—	100,000	15,326
Deferred revenue	985,143	1,369,000	2,118,006	324,599
Accrued liabilities and other payables	670,442	575,763	1,237,676	189,682
Amount due to related parties	50,331	—	—	—
Total current liabilities	3,298,834	4,272,597	7,391,548	1,132,805
Net current assets	3,251,163	6,051,467	8,347,999	1,279,386

Our total assets increased from RMB10,490.0 million in 2018 to RMB15,516.6 million in 2019, and further to 23,865.6 million (US\$3,657.6 million) in 2020. The significant increase in our total assets as at December 31, 2020 was primarily due to (i) increase in our current assets resulted from increases in our time deposits that were primarily attributable to our operating activities and financing activities, and (ii) increase in our non-current assets attributable to increases in our long term investments, intangible assets and other long term assets.

Our total liabilities increased from RMB3,298.8 million in 2018 to RMB7,880.1 million in 2019, and further to RMB16,083.4 million (US\$2,464.9 million) in 2020. The significant increase in our total liabilities as at December 31, 2020 was primarily due to (i) increase in our current liabilities attributable to increases in our accounts payable and deferred revenue, and (ii) increase in our non-current liabilities attributable to increases in our long-term debt which primarily consisted of our convertible senior notes.

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For a detailed discussion on our cash position, being the balance sheet item that has material impact on our liquidity, as well as material changes in the various working capital items, see “—Liquidity and Capital Resources.” As of the Latest Practicable Date, the Group has not incurred any material indebtedness and expenses subsequent to the financial year ended December 31, 2020.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available revolving lines of bank facilities, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s 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. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

RELATED PARTY TRANSACTIONS

For details relating to our related party transactions, see “Related Party Transactions” and Note 20 to the accountants’ report set out in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

Substantially all of our revenues and expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of the investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

As of December 31, 2020, we had U.S. dollar-denominated cash and cash equivalents and time deposits of US\$1,303.3 million. If the U.S. dollar had appreciated or depreciated by 10% against the Renminbi, we would have had an increase or decrease of RMB850.4 million of cash and cash equivalents and time deposits.

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Interest rate risk

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

CRITICAL ACCOUNTING POLICIES

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following description of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this document.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs for which the Company is the primary beneficiary. Subsidiaries are those entities in which we, directly or indirectly, (i) control more than one half of the voting power, (ii) have the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or (iii) have the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated variable interest entity is an entity in which we, through contractual arrangements, have the power to direct the activities that most significantly impact the entity's economic performance, bear the risks of and enjoy the rewards normally associated with ownership of the entity, and therefore we are the primary beneficiary of the entity.

All transactions and balances among us, our subsidiaries and VIEs have been eliminated upon consolidation.

Revenue recognition

On January 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers using the modified retrospective method for all contracts not completed as of the date of adoption. Under ASC

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606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. We identify our 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 our contracts with customers, recognizing revenue when, or as, we satisfy our performance obligations.

The adoption of ASC 606 did not significantly change (i) the timing and pattern of revenue recognition for all of our revenue streams, and (ii) the presentation of revenue as gross versus net. Therefore, the adoption of ASC 606 did not have a significant impact on our financial position, results of operations, equity, cash flows or any adjustment on our consolidated financial statements as of the adoption date and for the years ended December 31, 2018, 2019 and 2020.

Our revenue recognition policies effective upon the adoption of ASC 606 are as follows:

Mobile game services

- Exclusively distributed mobile games

For the years ended December 31, 2018, 2019, and 2020, we primarily generate revenues from the sale of in-game virtual items to enhance the game-playing experience.

In accordance with ASC 606, we evaluate the contracts with our customers and determine that we have a single combined performance obligation which is to make the game and the ongoing game related services available to the paying players. The transaction price, which is the amount paid for in-game virtual items by the paying player, is allocated entirely to this single combined performance obligation. We recognize revenue from in-game virtual items over the estimated average playing period of paying players, starting from the point-in-time when related in-game virtual items are delivered to the paying players' accounts.

We have estimated the average playing period of the paying players for each game, usually between three to eight months. We consider the average period that players typically play the games and other game player behavior patterns, as well as various other factors to arrive at the best estimates for the estimated playing period of the paying players. To compute the estimated average playing period for paying players, we consider the initial purchase date as the starting point of a player's lifespan. We track populations of paying players who made their initial purchases during the interval period (the "Cohort") and track each Cohort to understand the subsequent churn rate of the paying players of each Cohort, *i.e.* the number of players from each Cohort who left subsequent to their initial purchases. To determine the ending point of a paying player's lifespan beyond the date for which observable data are available, we extrapolate the actual observed churn rate to arrive at an estimated weighted average playing lifespan for paying players of the selected games. If a new game is launched and only a limited period of paying player data is available, then we consider other qualitative factors, such as the playing patterns for paying players for other games with similar characteristics with the new game including paying player type and purchasing frequency. While we believe our estimates to be reasonable based on available game player information, we may revise such estimates based on new information indicating a change in the game player behavior patterns and any adjustments are applied prospectively.

In accordance with ASC 606-10-55-39, we assess whether we act as the principal or as an agent in the arrangement with each party respectively. We record revenue generated from exclusively

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distributed mobile games on a gross basis as we are acting as the principal to fulfill all obligations related to the mobile game operations. We are responsible for the launch of the games, hosting and maintenance of game servers, and determination of when and how to operate the in-game promotions and customer services. We are also determining the pricing of in-game virtual items and making a localized version for overseas licensed games.

Proceeds earned from selling in-game virtual items are shared between us and the third-party game developers, with the amount paid to the third-party game developers generally calculated based on amounts paid by paying players, after deducting the fees paid to the payment channels and the distribution channels. Fees paid to third-party game developers, distribution channels and payment channels are recorded as “cost of revenues” on our consolidated statements of operations and comprehensive loss.

- Jointly operated mobile game distribution services

We are also offering distribution services for mobile games developed by the third-party game developers. In accordance with ASC 606, we evaluate our contracts with the third-party game developers and identify the performance obligations as distributing games and providing payment solution and market promotion service to the third-party game developers. Accordingly, we earn service revenue by distributing them to the game players.

In accordance with ASC 606-10-55-39, we assess whether we act as the principal or as an agent in the arrangement with each party respectively. With respect to the jointly operated licensed arrangements between the third-party game developers and us, we considered we do not have the primary responsibility for fulfillment and acceptability of the game services. Our responsibilities are distributing games and, providing payment solution and market promotion service, and thus we view the third-party game developers to be our customers. Accordingly, we record the game distribution service revenue from these games, on a net basis based on the ratios pre-determined with the third-party game developers when the performance obligations are satisfied, which is generally when the paying players purchase virtual currencies issued by the third-party game developers.

VAS

We offer premium membership subscription, live broadcasting and other video, audio and comic content to the customers.

We offer premium membership subscription services which provide subscribing members access to streaming of premium content in exchange for a non-refundable upfront premium membership fee. When the receipt of premium membership fees is for services to be delivered over a period of time, generally from one month to twelve months, the receipt is initially recorded as “deferred revenue” and revenue is recognized ratably over the membership period as services are rendered.

We operate and maintain live broadcasting channel whereby users can enjoy live performances provided by the hosts and interact with the hosts. Most of the hosts host the performance on their own. We create and sell virtual items to users so that the users present them simultaneously to hosts to show their support. The virtual items sold by us comprise of either (i) consumable items or (ii) time-based items, such as privilege titles etc. Revenues derived from the sale of virtual items are recorded on a gross basis as we act as the principal to fulfill all obligations related to the sale of virtual items in accordance with ASC 606-10-55-39.

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Accordingly, revenue is recognized at point-in-time when the virtual item is delivered and consumed if the virtual item is a consumable item or, in the case of time-based virtual item, recognized ratably over the period each virtual item is made available to the user, which generally does not exceed one year. Proceeds received from the sales of virtual items before these virtual items are consumed are recorded as “deferred revenue.”

Under our arrangements with the hosts, we share with them a portion of the revenues derived from the sales of virtual items. The portion paid to hosts is recognized as “Cost of revenues” on our consolidated statements of operations and comprehensive loss.

Advertising services

We provide various advertising formats, mainly include but not limited to advertisements appearing on the app opening page, banner text-links, logos, buttons and rich media, performance-based advertising and native advertisements which are customized according to advertisers’ needs. We determine each format of advertisements is a distinct performance obligation. Consideration is allocated to each performance obligation based on its standalone selling price. We recognize revenue on a pro-rata basis for each performance obligation, commencing on the date the advertisements are displayed on our platform or upon the performance obligations are satisfied, generally when users click on links.

- Sales incentives to customers

We provide various sales incentives to our customers, including cash incentives in the form of commissions to certain third-party advertising agencies and noncash incentives such as discounts and advertising services provided free of charge in certain bundled arrangements, which are negotiated on a contract by contract basis with our customers. We account for these incentives granted to customers as variable consideration in accordance with ASC 606. The amount of variable consideration is measured based on the most likely amount of incentive to be provided to customers.

E-commerce and others

E-commerce and others are mainly from the sales of products through our e-commerce platform and also include revenues from holding certain offline performance activities.

E-commerce and other revenues are recognized when control of promised goods or services is transferred to the customers, which generally occurs upon the acceptance of the goods or services by the customers. Pursuant to ASC 606-10-55-39, for arrangements where we are primarily responsible for fulfilling the promise to provide the goods or services, are subject to inventory risk, and have latitude in establishing prices and selecting suppliers, revenues are recorded on a gross basis. Otherwise, revenues are recorded on a net basis. Cash coupons, granted to the customers for free at our discretion, are recorded as reduction of the arrangement’s transaction price, thereby reducing the amount of revenue recognized as the payment is not for a distinct good or service received from the customer in accordance with ASC 606-10-32-25.

Net revenues presented on our consolidated statements of operations and comprehensive loss are net of sales discount and sales tax.

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Other Estimates and Judgments

We estimate revenue of mobile game, VAS from the third-party payment processors in the current period when reasonable estimates of these amounts can be made. The processors provide reliable interim preliminary reporting within a reasonable time frame following the end of each month and we maintain records of sales data, both of which allow us to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that we believe are reasonable, but actual results may differ from our estimates. When we receive the final reports, to the extent not received within a reasonable time frame following the end of each month, we record any differences between estimated revenue and actual revenue in the reporting period when we determine the actual amounts. The revenue on the final revenue report have not differed significantly from the reported revenue for the periods presented.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts we invoiced, and revenue recognized prior to invoicing when we have satisfied our performance obligations and have the unconditional right to consideration.

Deferred revenue relates to unsatisfied performance obligations at the end of each reporting period and consists of cash payment received in advance from game players in mobile games, from customers in advertising services, live broadcasting services and other VAS, and e-commerce platforms. Due to the generally short-term duration of the relevant contracts, the majority of the performance obligations are satisfied within one year.

Practical expedients

We have used the following practical expedients as allowed under ASC 606:

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of our contracts have an original expected duration of one year or less.

Short-term investments

Our short-term investments primarily include money market funds, financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks or other financial institutions and publicly traded companies with the intention to be sold within twelve months.

The following is a summary of short-term investments:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Financial products	858,021	1,070,113	2,866,643
Investments in publicly traded companies	—	80,918	434,609
Money market funds	87,317	109,779	55,937
Total	<u>945,338</u>	<u>1,260,810</u>	<u>3,357,189</u>

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In accordance with ASC 825, *Financial Instruments*, for financial products with variable interest rates referenced to performance of underlying assets, we elect the fair value method at the date of initial recognition and carry these investments at fair value. Changes in the fair value of these investments are reflected on our consolidated statements of operations and comprehensive loss as “investment income, net.” Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period.

For the investments in publicly traded companies, we carry the investments at fair value at the end of each reporting period. Changes in the fair value of these investments are reflected on the consolidated statements of operations and comprehensive loss as “investment income, net.”

For the years ended December 31, 2018, 2019 and 2020, we recorded investment income of RMB13.8 million, investment loss of RMB3.1 million, and investment income of RMB74.0 million (US\$11.3 million) related to short-term investments on the consolidated statements of operations and comprehensive loss, respectively.

Long-term investments, net

Our long-term investments primarily consist of equity investments accounted for using the measurement alternative, equity investments accounted for using the equity method and other investments accounted for at fair value.

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

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Equity investments accounted for using the measurement alternative	793,149	666,025	1,791,393
Equity investments accounted for using the equity method	—	279,854	188,199
Investments accounted for at fair value	186,838	305,250	253,346
Total	<u>979,987</u>	<u>1,251,129</u>	<u>2,232,938</u>

- Equity investments accounted for using the measurement alternative

For those investments over which we do not have significant influence and without readily determinable fair value, we elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Under this measurement alternative, changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. RMB34.2 million of investment income was recognized in “Investment income, net”, as a result of re-measurement of equity investments using the measurement alternative, for the year ended December 31, 2018. There was no re-measurement gain or loss was recognized of equity investments accounted for using the measurement alternative for the years ended December 31, 2019 and 2020.

We have made strategic investments for strengthening our content development, creating synergy with our businesses, and enhancing our overall value. During the Track Record Period, our

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equity investments accounted for using the measurement alternative included content provision companies, such as The Three-body Universe Co. Ltd., game development companies, Beijing Shi Zhi Sha Co. Ltd., anime production companies, YHKT Entertainment Cooperation Limited, and a number of other companies within our ecosystem.

We regularly evaluate the impairment of these investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss recognized equals to the excess of the investment cost over its fair value at the end of each reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. We recorded impairment charges for long-term investments of RMB46.4 million, RMB5.9 million, and RMB8.0 million (US\$1.2 million) as "investment income, net" for the years ended December 31, 2018, 2019 and 2020, respectively, as we determined the fair value of these investments was less than their carrying value.

- Equity investments accounted for using the equity method

We apply the equity method of accounting to account for equity investments and limited partnership in a private equity fund, according to ASC 323 *Investment—Equity Method and Joint Ventures*, over which we have significant influence but do not own a majority equity interest or otherwise control. Under the equity method, we initially record the 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 investments on our 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 and cash distributions from investees, 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. We recorded equity share of losses of zero, RMB24.2 million, and RMB50.5 million (US\$7.7 million) for the years ended December 31, 2018, 2019 and 2020, respectively.

- Investments accounted for at fair value

In accordance with ASC 825, *Financial Instruments*, for financial products with variable interest rates referenced to performance of underlying assets and with original maturities greater than one year, we elect the fair value method at the date of initial recognition and carry these investments at fair value. Changes in the fair value of these investments are reflected on our consolidated statements of operations and comprehensive loss as "investment income, net." Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period. We classify the valuation techniques that use these inputs as Level 2 of fair value measurements. We recorded fair value loss of RMB2.9 million, and fair value gain of RMB13.2 million, and RMB24.9 million (US\$3.8 million) for the years ended December 31, 2018, 2019 and 2020, respectively.

Recent Accounting Pronouncements

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

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DIVIDEND POLICY

Our board of directors has complete discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Regulatory Overview—Regulations Related to Dividend Distributions.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class Z ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class Z ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to Class Z ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our directors confirm that, up to the date of and save as disclosed in this document, there has not been any material adverse change in our financial or trading position or prospects since 2020, and there is no event since 2020 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB309.4 million after December 31, 2020 (assuming that the Global Offering is conducted at the indicative offer price per Offer Share of HK\$988.00 for both Hong Kong Public Offering and International Offering and the Over-allotment Option is not exercised). We expect approximately RMB301.4 million of the listing expenses will be recorded as a deduction in equity directly and approximately RMB8.0 million of the listing expenses will be charged to the profit or loss of our Company.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to the ordinary shareholders of the Company as at December 31, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net

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tangible assets of the Group, had the Global Offering been completed as of December 31, 2020 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 as derived from the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS
	(in thousands of RMB) (Note 1)	(in thousands of RMB) (Note 2)	(in thousands of RMB)	RMB (Note 3)	RMB (Note 4)	HK\$ (Note 5)	HK\$ (Note 5)
Based on the indicative Offer Price of HK\$988.00 per Offer Share . . .	4,114,017	20,468,250	24,582,267	65.22	65.22	77.53	77.53

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 is derived from the Accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 of RMB7,600,200,000 with adjustment for net intangible assets and goodwill of the Group attributable to the ordinary shareholders of the Company of RMB2,316,453,000 and RMB1,169,730,000, respectively.
- (2) The estimated net proceeds from the Global Offering is based on the indicative Offer Price of HK\$988.00 per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Company subsequent to December 31, 2020 and without taking into account 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans, any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and any issuance or repurchase of Shares and/or ADSs by the Company.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 376,919,952 Shares were in issue assuming that the Global Offering had been completed on December 31, 2020 without taking into account 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans, any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and any issuance or repurchase of Shares and/or ADSs by the Company.
- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.000 to HK\$1.18878. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2020.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the Global Offering, Mr. Rui Chen, our chairman and chief executive officer, will be interested in and will control through (a) Vanship Limited, 49,299,006 Class Y ordinary shares (representing approximately 58.89% of the issued and outstanding Class Y ordinary shares and voting power of the Class Y ordinary shares) and 495,800 Class Z ordinary shares (representing approximately 0.17% of the issued and outstanding Class Z ordinary shares and the voting power of the Class Z ordinary shares) and (b) Windforce Limited, 133,945 Class Z ordinary shares (representing approximately 0.05% of the issued and outstanding Class Z ordinary shares and the voting power of the Class Z ordinary shares).

In total, immediately following the Global Offering, Vanship Limited will be interested in approximately 13.20% of our total issued and outstanding share capital and approximately 43.64% of total voting power in our Company, and Windforce Limited was interested in 0.04% of our total issued and outstanding share capital and 0.01% of total voting power in our Company.

Vanship Limited is controlled by The Le Petit Prince Trust, a trust of which Mr. Rui Chen is the settlor, and Mr. Rui Chen and his family members are the beneficiaries. Under the terms of this trust, Mr. Rui Chen has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Vanship Limited in our company, and, except for Mr. Chen, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Mr. Chen is incapacitated, has released his authority or nominated another person to have such authority in his place. Windforce Limited is controlled by Mr. Rui Chen.

Excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercise or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, Mr. Rui Chen's aggregated shareholding will be approximately 13.23% of our issued share capital and he will hold approximately 43.65% of the voting rights in the Company through shares capable of being exercised on resolutions in general meetings. Therefore, Mr. Rui Chen will be a Controlling Shareholder after the Listing. For more information on Mr. Rui Chen's shareholding, please see "Major Shareholders."

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after the Listing.

Management Independence

Our business is managed and conducted by our board and senior management. Our board consists of seven directors, of whom four are independent directors unrelated to our Controlling Shareholders. For more information, please see "Directors and Senior Management."

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our directors consider that our board and senior management will function independently of our Controlling Shareholders because:

- (a) each director is aware of their fiduciary duties as a director, which require, among other things, that they act for the benefit, and in the interest, of our Company and does not allow any conflict between their duties as a director and their personal interests;
- (b) our daily management and operations are carried out by members of our senior management team, all of whom have substantial experience in our Group's business and/or the industry in which we operate, and will be able to make decisions that are in the best interest of our Group;
- (c) we have four independent directors and certain matters of our Company will always be referred to them for review and/or approval;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our directors or their respective associates, the interested director(s) is required to declare the nature of such interest before voting at the relevant board meeting(s) in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management; see “— Corporate Governance Measures” in this section for further information.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. Our Group (through our subsidiaries and consolidated affiliated entities) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently of our Controlling Shareholders. Our access to, and relationship with, our customers and suppliers are independent of our Controlling Shareholders, and we have an independent management team that operates our business.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent directors to oversee our accounting and financial reporting processes. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Latest Practicable Date.

Based on the above, our directors believe that our board as a whole and together with our senior management team are able to manage, operate and carry on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

DISCLOSURE UNDER RULE 8.10 OF THE HONG KONG LISTING RULES

Our Controlling Shareholders and/or our directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which all of our business segments also operate. As our Controlling Shareholders and/or directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our Controlling Shareholders will not inject any of their interested entities into our Group; and to the extent our directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our directors, as a group, and signifies their passion for the industries in which we operate.

Our Controlling Shareholders and directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our directors recognize the importance of good corporate governance in protecting our shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) where our directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (b) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance;
- (c) we have established our audit committee, compensation committee, nominating and corporate governance committee with written terms of reference in compliance with the rules of the Nasdaq. All of the members of our audit committee, including the chairman, are independent directors; and
- (d) the terms of reference of our nominating and corporate governance committee are also consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Hong Kong Listing Rules;

Based on the above, our directors are satisfied that we have sufficient corporate governance measures in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The following table sets forth information regarding our directors and senior management.

Name	Age	Position/Title	Date of appointment	Year of joining our Group
Directors⁽¹⁾⁽⁴⁾				
Rui Chen	43	Chairman of the Board of Directors and Chief Executive Officer	December 2013	2013
Yi Xu	31	Founder, Director and President	December 2013	2009
Ni Li	35	Vice Chairwoman of the Board of Directors and Chief Operating Officer	January 2015	2014
JP Gan	49	Independent director ⁽²⁾	January 2015	2015
Eric He	61	Independent director ⁽²⁾	March 2018	2018
Feng Li	47	Independent director ⁽²⁾	November 2014/ February 2019 ⁽³⁾	2014/2019 ⁽³⁾
Guoqi Ding	51	Independent director ⁽²⁾	May 2020	2020
Senior Management				
Xin Fan	41	Chief Financial Officer	September 2017	2016

Notes:

- (1) Our board consists of seven directors, including four independent directors. See “—Board Practices” for the functions and duties of our board. Our board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws, including the Hong Kong Listing Rules.
- (2) Our independent directors under applicable U.S. regulations are also independent non-executive directors for the purpose of the Hong Kong Listing Rules. We have determined that Eric He qualifies as an “audit committee financial expert” under the applicable rules of the SEC and has the appropriate professional accounting or financial management experience.
- (3) Feng Li previously served as our director from November 2014 to May 2016, and rejoined our Group as our director in February 2019.
- (4) Save as disclosed below, none of our directors held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document and there are no family relationships among any of the directors or executive officers of our Company. See “Major Shareholders” for disclosure of interests of the directors and executive officers. There is no material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Hong Kong Listing Rules in all material respects.

BIOGRAPHIES

Our Directors

Rui Chen (43) has served as chairman of the board of directors and chief executive officer of the Company since November 2014. He is a serial entrepreneur with more than 15 years of experience in the Internet and technology-related industries in China. Mr. Chen led the strategic development of the Company since its founding. With long-term thinking, he spearheaded a series of strategic initiatives which transformed Bilibili from a community of people with shared interest to a full-spectrum video community covering a wide array of content categories and diverse video consumption scenarios. Mr. Chen formulated the strategy of ‘community first’, and continuously investing in high-quality content. Under his leadership, Bilibili built a healthy and prosperous content ecosystem, which was crucial for the Company to stay attractive to young generations. At the same time, Mr. Chen led the construction of the Company’s diversified commercialization model, and guided the rapid development in multiple business areas.

Prior to joining the company, Mr. Chen co-founded Cheetah Mobile Inc., a mobile internet company listed on the New York Stock Exchange (NYSE: CMCM). In 2009, Mr. Chen founded Beike Internet Security Co., Ltd. and served as its chief executive officer from 2009 to 2010. Prior to that, Mr. Chen served as general manager of Internet security research and development at Kingsoft Corporation Limited (SEHK:03888), a leading software and internet service company listed on the

DIRECTORS AND SENIOR MANAGEMENT

Hong Kong Stock Exchange, from 2001 to 2008. Mr. Chen was named by Fortune Magazine as one of China's "40 Under 40," a list of the most influential people in business under the age of 40 in China. Mr. Chen received his bachelor's degree from Chengdu University of Information Technology in 2001.

Yi Xu (31) founded the Company's website in 2009 (which culminated into the commencement of the Group's commercial operations in 2011 and the founding of the Company in 2013) and has served as the Company's director and president since December 2013. Mr. Xu has guided the technological development of the Company and played an instrumental role in developing various ground-breaking interactive features such as bullet chatting. Throughout the years, Mr. Xu has sought innovative ways to refine, and add new functions to, bullet chatting, which remains one of the most significant interactive features on the Company's online platform. He has also contributed to constant design improvements of the user interface of the Company's online platform. Mr. Xu has also been an opinion leader in the Company's online community since the inception of the Company and led the prosperity of community culture among users, thereby strengthening a strong sense of belonging among users and fostering a vibrant "Bilibili" community. Mr. Xu received his associate degree from Beijing University of Posts and Telecommunications in 2010.

Ni Li (35) has served as the Company's chief operating officer since November 2014 and vice chairwoman of the Company's board of directors since January 2015. Ms. Li oversees the Company's overall operation of the platform's business, building content ecosystem, commercialization, strategic investment, brand marketing, and etc.. In the past two years, Ms. Li has built a strong business and operational team. Under her leadership, the team successfully produced blockbusters including Bilibili New Year's Eve Gala event and Hou Lang, significantly enhancing Bilibili's brand awareness and driving the user and revenue growth. Ms. Li has served as a non-executive director of Huanxi Media Group Limited (SEHK: 1003) since September 2020. Prior to joining the Company, Ms. Li was in charge of human resources operations at Cheetah Mobile (NYSE: CMCM) from 2013 to 2014. Previously, Ms. Li founded Goalcareer, a management consulting firm serving Fortune 500 companies and startups with a focus in the semiconductor, telecommunication and internet sectors, and worked as its chief executive officer from 2008 to 2012. Ms. Li received her bachelor's degree in law from Lingnan Normal University in 2008.

JP Gan (49) has served as the Company's director since January 2015. Mr. Gan has been a founding partner of INCE Capital Limited since 2019. From 2006 to 2019, Mr. Gan was a managing partner of Qiming Venture Partners. From 2005 to 2006, Mr. Gan was the chief financial officer of KongZhong Corporation. Mr. Gan is also an independent director of Trip.com Group Ltd. (Nasdaq: TCOM). Mr. Gan received his bachelor's degree in business administration from the University of Iowa in 1994 and his MBA degree from the University of Chicago Booth School of Business in 1999.

Eric He (61) has served as the Company's director since March 2018. He currently also serves as an independent director of 51job (Nasdaq: JOBS). Mr. He had served as chief financial officer of JOYY Inc. (previously known as YY Inc.) (Nasdaq: YY) from August 2011 to May 2017. Prior to that, Mr. He served as chief financial officer of Giant Interactive Group, Inc. from March 2007 to August 2011. He served as chief strategy officer of Ninetowns Internet Technology Group from 2004 to 2007. Mr. He received a bachelor's degree in accounting from National Taipei University and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. He is a Chartered Financial Analyst in the United States and was certified as a member of American Institute of Certified Public Accountants in 1991. Mr. He has served as an independent director of Agora, Inc. (Nasdaq: API) since June 2020.

DIRECTORS AND SENIOR MANAGEMENT

Feng Li (47) previously served as the Company's director from November 2014 to May 2016, and started to serve as our director again in February 2019. Mr. Li is the founder and CEO of Shanghai Ziyou Investment Management Limited, also known as FreeS Fund, a venture capital firm that managing funds primarily invests in early and growth stage startups in China and overseas, and focuses on the industries of upgraded consuming, key sensors and ic, A.I. and biotech. Prior to founding FreeS Fund, Mr. Li worked as a partner in the venture capital department in IDG Capital, a global network of private equity and venture capital firms. Prior to that, Mr. Li served as deputy vice president of New Oriental School, a leading English teaching and learning school in China. Mr. Li currently serves as a board member of several private internet and technology companies based in China. Mr. Li received his bachelor's degree in Chemistry from Peking University in 1996 and his master's degree in Chemistry from the University of Rochester in 1998.

Guoqi Ding (51) has served as the Company's director since May 2020. Since 2019, Mr. Guoqi Ding has served as chairman of the board of Zhiqin Management Consulting Ltd., a China-based consulting service provider, and an independent director on the board of Dian Diagnostics Group Co., Ltd., (SHE: 300244) a China-based medical diagnosis outsourcing service provider listed on Shenzhen Stock Exchange since 2017. Between 2004 and 2017, Mr. Ding held various positions, including chief financial officer, at Fosun International Limited, one of the largest investment groups in China. Between 2012 and 2017, Mr. Ding also served as a board member of several companies based in China, including Shanghai Forte Land Company Limited, one of China's largest real estate developers. Mr. Ding received his bachelor's degree in Finance and Economics from Shanghai University of Finance and Economics, and was recognized as an accountant by Ministry of Finance of the People's Republic of China in 1997.

Our Senior Management

Xin Fan (41) has served as the Company's chief financial officer since September 2017. Prior to that, Mr. Fan served as our vice president of finance since April 2016. Before joining our Company, Mr. Fan served as a finance director at NetEase (Nasdaq: NTES; HKEX: 9999) from 2011 to 2016. Prior to 2011, Mr. Fan held various positions at KPMG Huazhen for an aggregate of eight years and served as a senior manager there from 2008 to 2011. Mr. Fan currently also serves as an independent director of UP Fintech Holding Limited (Nasdaq: TIGR) and GSX Techedu Inc. (NYSE: GSX). Mr. Fan received his bachelor's degree in international accounting from Shanghai University of Finance and Economics in 2001. Mr. Fan is a regular member of the American Institute of Certified Public Accountants and a certified public accountant in China. He also holds licenses as chartered global management accountant and chartered certified accountant in the United Kingdom.

COMPENSATION

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the

DIRECTORS AND SENIOR MANAGEMENT

executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our Company.

Compensation of Directors and Executive Officers

For each of the three years ended December 31, 2020, we paid and accrued an aggregate of fees, salaries and benefits (excluding equity-based grants) of approximately RMB5.6 million, RMB7.2 million and RMB9.4 million, respectively, in cash to our executive officers, and nil, approximately RMB1.4 million and approximately RMB1.8 million (US\$0.3 million), respectively, in cash to our non-executive directors. 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 and VIEs 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. For equity-based grants to our directors and executive officers, see "—Share Incentive Plans."

Share Incentive Plans

In November 2014, our board of directors approved a global share incentive plan (the "**Global Share Plan**") to attract and retain the best available personnel, provide additional incentives to

DIRECTORS AND SENIOR MANAGEMENT

employees, directors and consultants and promote the success of our business. In February 2018, our shareholders and board of directors adopted the 2018 share incentive plan (the “**2018 Plan**”), to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. We subsequently amended our 2018 Plan in March 2020 by unanimous written approval of our board of directors.

As of January 31, 2021, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the Global Share Plan is 19,880,315 ordinary shares, subject to amendment. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2018 Plan (the “**Award Pool**”) is initially 6,962,069, provided that, in the event that the aggregate number of shares which may be issued pursuant to all granted awards (including incentive share options) reaches 6,962,069, thereafter the Award Pool of the 2018 Plan shall be increased automatically if and whenever the unissued shares reserved accounts for less than 0.5% of the total number of shares of our Company issued and outstanding on the last day of the immediately preceding fiscal year (excluding issued shares reserved for future option exercise and restricted share unit vesting), as a result of which increase the shares unissued and reserved in the Award Pool immediately after each such increase shall equal to 2.5% of the total number of shares of our Company issued and outstanding on the last day of the immediately preceding fiscal year (excluding issued shares reserved for future option exercise and restricted share unit vesting).

The aggregate number of Class Z Ordinary Shares available for future grant under the Global Share Plan and the 2018 Plan was 6,095,351 as of January 31, 2021.

The following paragraphs describe the principal terms of the Global Share Plan and the 2018 Plan.

Types of Awards. The Global Share Plan and the 2018 Plan both permit the awards of options, restricted shares, restricted share units or any other type of awards approved by the plan administrator.

Plan Administration. Our chairman of the board of directors or a committee of one or more members of the board of directors will administer the Global Share Plan. The chairman or the committee, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award under the Global Share Plan. The full board of directors will conduct the general administration of the Global Share Plan if required by applicable laws and with respect to awards granted to the chairman of the board of directors, the committee members (if applicable), independent directors and executive officers of our Company. Our board of directors or a committee of one or more members of the board of directors will administer the 2018 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award under the 2018 Plan.

Award Agreement. Awards granted under the Global Share Plan and the 2018 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants of our Company under each of the Global Share Plan and the 2018 Plan. In addition, under the 2018 Plan, we may grant

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options that are intended to qualify as incentive share options only to our employees and employees of our parent companies and subsidiaries.

Vesting Schedule. Under each of the Global Share Plan and the 2018 Plan, in general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of Options. Under each of the Global Share Plan and the 2018 Plan, the plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is ten years from the date of a grant.

Transfer Restrictions. Under each of the Global Share Plan and the 2018 Plan, awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the Global Share Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

Termination and Amendment. Unless terminated earlier, each of the Global Share Plan and the 2018 Plan, has a term of ten years. The plan administrator has the authority to terminate, amend or modify the Global Share Plan. Our board of directors has the authority to amend or terminate the 2018 Plan. Except with respect to amendments made by the plan administrator, no termination, amendment or modification may adversely affect in any material way any awards previously granted pursuant to each of the Global Share Plan and the 2018 Plan unless agreed by the participant.

The following table summarizes, as of January 31, 2021, the number of ordinary shares underlying outstanding options granted to several of our directors and executive officers and to other individuals as a group under the Global Share Plan and the 2018 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates. As of January 31, 2021, the number of ordinary shares underlying outstanding options granted to our directors and executive officers represents no more than 3% of the Company's issued and outstanding Class Z ordinary shares.

<u>Name</u>	<u>Ordinary Shares Underlying Options Awarded</u>	<u>Exercise Price (US\$/Share)</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Rui Chen	*	From nominal to US\$20.26	March 2020 November 2020	March 2027 November 2027
Yi Xu	—			
Ni Li	*	Nominal	November 2020	November 2027
Xin Fan	*	From nominal to US\$20.26	Various dates from April 2016 to March 2020	Various dates from April 2022 to March 2027
Other grantees	14,240,166	From nominal to US\$20.26	Various dates from July 2014 to December 2020	Various dates from July 2020 to December 2027
Total	<u>22,265,166</u>			

Note:

* Less than 1% of our total outstanding shares.

DIRECTORS AND SENIOR MANAGEMENT

BOARD PRACTICES

Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our Company by way of qualification. Subject to the Nasdaq Stock Market rules, a director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested provided (a) such director, if his interest in such contract or arrangement is material, has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the Company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the Company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Eric He, JP Gan and Feng Li. Eric He is the chairman of our audit committee. We have determined that Eric He, JP Gan and Feng Li each satisfies the "independence" requirements of Rule 5605(c)(2) of the Nasdaq Stock Market Rules and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that Eric He qualifies as an "audit committee financial expert." 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:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

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Compensation Committee

Our compensation committee consists of JP Gan, Eric He and Feng Li. JP Gan is the chairman of our compensation committee. We have determined that JP Gan, Eric He and Feng Li each satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. 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 and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of JP Gan, Eric He and Feng Li. JP Gan is the chairman of our nominating and corporate governance committee. JP Gan, Eric He and Feng Li each satisfies the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

In addition, in accordance with Rules 8A.27 and 8A.30 of the Hong Kong Listing Rules, the work of the nominating and corporate governance committee as set out in its charter also includes:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;

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- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
- (g) to confirm, on an annual basis, that the WVR Beneficiaries have been members of the Company's board of directors throughout the year and that no matters under Rule 8A.17 of the Hong Kong Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Hong Kong Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the board of directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any WVR beneficiaries on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any WVR beneficiaries on the other and make a recommendation to the board of directors on any such transaction;
- (k) to make a recommendation to the board of directors as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Hong Kong Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Hong Kong Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code. The functions of our independent non-executive directors include:

- (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

DIRECTORS AND SENIOR MANAGEMENT

- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited;
- (d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Duties of Directors

Under Cayman Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills 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. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares in our Company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they retire or are removed from office by ordinary resolution of the shareholders or by the board. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) is found by our Company to be or becomes of unsound mind.

MAJOR SHAREHOLDERS

Except as otherwise noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of January 31, 2021 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 83,715,114 Class Y ordinary shares and 268,594,887 Class Z ordinary shares outstanding as of January 31, 2021 (excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option).

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 after January 31, 2021, 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.

	Ordinary Shares Beneficially Owned				
	Class Y Ordinary Shares	Class Z Ordinary Shares	Total Ordinary Shares	% of Beneficial Ownership	% of Aggregate Voting Power [†]
Directors and Executive Officers**:					
Rui Chen ⁽¹⁾	49,299,006	629,745	49,928,751	14.2%	44.6%
Yi Xu ⁽²⁾	27,216,108	1,096,100	28,312,208	8.0%	24.7%
Ni Li ⁽³⁾	7,200,000	908,300	8,108,300	2.3%	6.6%
JP Gan ⁽⁴⁾	—	*	*	*	*
Eric He ⁽⁵⁾	—	*	*	*	*
Feng Li ⁽⁶⁾	—	—	—	—	—
Guoqi Ding ⁽⁷⁾	—	—	—	—	—
Xin Fan	—	*	*	*	*
All Directors and Executive Officers as a Group	83,715,114	3,601,345	87,316,459	24.8%	76.0%
Principal Shareholders:					
Entities affiliated with Rui Chen ⁽⁸⁾	49,299,006	629,745	49,928,751	14.2%	44.6%
Tencent entities ⁽⁹⁾	—	43,749,518	43,749,518	12.4%	4.0%
Entity affiliated with Yi Xu ⁽¹⁰⁾	27,216,108	1,051,100	28,267,208	8.0%	24.7%
Taobao China Holding Limited ⁽¹¹⁾	—	23,645,657	23,645,657	6.7%	2.1%

Notes:

[†] For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class Y and Class Z ordinary shares as a single class. Each holder of Class Z ordinary shares is entitled to one vote per share and each holder of our Class Y ordinary shares is entitled to ten votes per share on all matters submitted to them for a vote. Our Class Y ordinary shares and Class Z ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class Y ordinary shares are convertible at any time by the holder thereof into Class Z ordinary shares on a one-for-one basis.

* Less than 1% of our total outstanding shares.

** Except as otherwise indicated below, the business address of our directors and executive officers is c/o Shanghai Hode Information Technology Co., Ltd., Building 3, Guozheng Center, No. 485 Zhengli Road, Yangpu District, Shanghai, People's Republic of China.

(1) Represents (i) 49,299,006 Class Y ordinary shares and 495,800 Class Z ordinary shares directly held by Vanship Limited, a business company limited by shares incorporated in British Virgin Islands, and (ii) 133,945 Class Z ordinary shares directly held by Windforce Limited, a business company limited by shares incorporated in British Virgin Islands. Vanship Limited is controlled by The Le Petit Prince Trust, a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Mr. Chen is the settlor of The Le Petit Prince Trust, and Mr. Chen and his family members are the trust's beneficiaries. Under the terms of this trust,

MAJOR SHAREHOLDERS

- Mr. Chen has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Vanship Limited in our company, and, except for Mr. Chen, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Mr. Chen is incapacitated, has released his authority or nominated another person to have such authority in his place. Windforce Limited is controlled by Mr. Chen.
- (2) Represents (i) 27,216,108 Class Y ordinary shares, 151,100 Class Z ordinary shares and 900,000 Class Z ordinary shares in the form of ADSs directly held by Kami Sama Limited, a business company limited by shares incorporated in British Virgin Islands, and (ii) 45,000 Class Z ordinary shares in the form of ADSs held by Mr. Xu. Kami Sama Limited is controlled by The Homur Trust, a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Mr. Yi Xu is the settlor of The Homur Trust, and Mr. Xu and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Xu has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Kami Sama Limited in our company, and, except for Mr. Xu, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Mr. Xu is incapacitated, has released his authority or nominated another person to have such authority in his place.
- (3) Represents 7,200,000 Class Y ordinary shares and 908,300 Class Z ordinary shares directly held by Saber Lily Limited, a business company limited by shares incorporated in British Virgin Islands. Saber Lily Limited is controlled by The Fortuna Trust, a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Ms. Li is the settlor of The Fortuna Trust, and Ms. Li and her family members are the trust's beneficiaries. Under the terms of this trust, Ms. Li has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Saber Lily Limited in our company, and, except for Ms. Li, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Ms. Li is incapacitated, has released her authority or nominated another person to have such authority in her place.
- (4) The business address of Mr. JP Gan is Suite 909, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (5) The business address of Mr. Eric He is 2F-1, No. 495, Guangfu S. Road., Xinyi District, Taipei City 110007, Taiwan .
- (6) The business address of Mr. Feng Li is Room 701, Tower 1, Liangmaqiao Diplomatic Office Building, No 19 Dongfangdong Road, Chaoyang District, Beijing, People's Republic of China.
- (7) The business address of Mr. Guoqi Ding is 1500 Changyi Road, Building 1, Room 902, Pudong New Area, Shanghai, People's Republic of China.
- (8) Represents (i) 49,299,006 Class Y ordinary shares and 495,800 Class Z ordinary shares directly held by Vanship Limited, a business company limited by shares incorporated in British Virgin Islands, and (ii) 133,945 Class Z ordinary shares directly held by Windforce Limited, a business company limited by shares incorporated in British Virgin Islands. Vanship Limited is controlled by The Le Petit Prince Trust, a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Mr. Chen is the settlor of The Le Petit Prince Trust, and Mr. Chen and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Chen has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by Vanship Limited in our company, and, except for Mr. Chen, the other beneficiaries of the trust have no voting rights attached to such shares. There are certain limited circumstances in which the trustee would not be required to comply with such a direction (for example, where a direction may make the trustee subject to criminal sanction or civil liability or where a direction involves a transaction which might have an adverse impact on the reputation of the trustee). The above position would also not apply if Mr. Chen is incapacitated, has released his authority or nominated another person to have such authority in his place. Windforce Limited is controlled by Mr. Chen.
- (9) Represents (i) 10,954,357 Class Z ordinary shares directly held by OPH B Limited, a company limited by shares incorporated in British Virgin Islands, and (ii) 32,795,161 Class Z ordinary shares directly held by Tencent Mobility Limited, a limited company incorporated in Hong Kong, based on the Schedule 13G/A filed on February 10, 2020. OPH B Limited and Tencent Mobility Limited are investing entities ultimately controlled by Tencent Holdings Limited, and are collectively referred to as Tencent entities. The registered address of OPH B Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The registered address of Tencent Mobility Limited is 27/F, Three Pacific Place, No.1 Queen's Road East, Wanchai, Hong Kong.
- (10) Represents 27,216,108 Class Y ordinary shares, 151,100 Class Z ordinary shares and 900,000 Class Z ordinary shares in the form of ADSs directly held by Kami Sama Limited, a business company limited by shares incorporated in British Virgin Islands. The registered address of Kami Sama Limited is Start Chambers, Wickham's Cay II., P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
- (11) Represents 13,645,657 Class Z ordinary shares and 10,000,000 Class Z ordinary shares in the form of ADSs directly held by Taobao China Holding Limited, a business company limited by shares incorporated in Hong Kong, based on the Schedule 13G filed on February 14, 2019. Taobao China Holding Limited is a wholly-owned subsidiary of Taobao Holding Limited, a business company limited by shares incorporated in Cayman Islands, which is a wholly-owned subsidiary of Alibaba Group Holding Limited, a business company limited by shares incorporated in Cayman Islands. The principal business address of Alibaba Group Holding Limited, Taobao Holding Limited and Taobao China Holding Limited is c/o Alibaba Group Services Limited, 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

MAJOR SHAREHOLDERS

To our knowledge, as of January 31, 2021, 198,863,443 of our Class Z ordinary shares were held by two record holders in the United States, representing approximately 55.9% of our total outstanding shares on an as converted basis (including the 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the Share Incentive Plans). One holder is Deutsche Bank Trust Company Americas, the depositary of our ADS program, which held 73.1% Class Z ordinary shares on record. 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.

RELATED PARTY TRANSACTIONS

We are seeking a listing on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules. Pursuant to Rule 19C.11 of the Hong Kong Listing Rules, Chapter 14A of the Hong Kong Listing Rules, governing connected transactions, does not apply to us. The following discussion of related party transactions has been prepared pursuant to the requirements of Form 20-F of the SEC, and is included in this document for disclosure purposes only.

CONTRACTUAL ARRANGEMENTS

PRC laws limit foreign ownership of companies engaged in internet and other related businesses in China, such as provision of internet information services and online game operations. Due to these restrictions, we operate our relevant business through contractual arrangements with the variable interest entities. See “Contractual Arrangements.”

SHAREHOLDERS AGREEMENT

We entered into our shareholders agreement on April 1, 2017 with our shareholders, which consist of holders of ordinary shares and preferred shares. Pursuant to this shareholders agreement, we have granted certain registration rights to our shareholders. Below is a description of the registration rights granted under the agreement.

- (a) *Demand Registration Rights.* Holders holding at least 10% or more of the issued and outstanding registrable securities (on an as converted basis) held by the preferred shareholders, the pre-IPO Class D ordinary shareholders, pre-IPO Class C ordinary shareholders or pre-IPO Class B ordinary shareholders have the right to demand in writing that we file a registration statement covering the registration of at least 25% of their registrable securities. We have the right to defer filing of a registration statement for a period of not more than 90 days if our board of directors determines in good faith that filing of a registration statement in the near future will be materially detrimental to us or our shareholders, but we cannot exercise the deferral right more than once for more than once during any twelve-month period and cannot register any other securities during such period. We are not obligated to effect more than three demand registrations. Further, if the registrable securities are offered by means of an underwritten offering, and the managing underwriter advises us that marketing factors require a limitation of the number of securities to be underwritten, the underwriters may decide to exclude (i) all of the registrable securities in our initial public offering, or (ii) up to 75% of the registrable securities and the number of the registrable securities will be allocated among the holders on a pro rata basis according to the number of registrable securities then outstanding held by each holder requesting registration, provided that all other equity securities are first excluded.
- (b) *Registration on Form F-3 or Form S-3.* Any holder may request us to file a registration statement on Form F-3 or Form S-3 if we qualify for registration on Form F-3 or Form S-3. The holders are entitled to an unlimited number of registrations on Form F-3 or Form S-3 so long as such registration offerings are in excess of US\$500,000. We, however, are not obligated to consummate a registration if we have consummated two registrations within any twelve month period. We have the right to defer filing of a registration statement for a period of not more than 90 days if our board of directors determines in good faith that filing of a registration statement in the near future will be materially detrimental to us or our shareholders, but we cannot exercise the deferral right more than once for more than once during any twelve-month period and cannot register any other securities during such period.

RELATED PARTY TRANSACTIONS

- (c) *Piggyback Registration Rights.* If we propose to register for a public offering or our securities other than relating to any share incentive plan or a corporate reorganization, we must offer holders of our registrable securities an opportunity to be included in such registration. If the underwriters advise in writing that market factors require a limitation of the number of registrable securities to be underwritten, the underwriters may decide to exclude (i) all of the registrable securities in our initial public offering, or (ii) up to 75% of the registrable securities and the number of the registrable securities will be allocated among the holders on a pro rata basis according to the number of registrable securities then outstanding held by each holder requesting registration, provided that all other equity securities are first excluded (except for securities sold for the account of our Company).
- (d) *Expenses of Registration.* We will bear all registration expenses, other than the underwriting discounts and selling commissions applicable to the sale of registrable securities, incurred in connection with registrations, filings or qualification pursuant to the shareholders agreement.
- (e) *Termination of Obligations.* We have no obligation to effect any demand, piggyback or Form F-3 or Form S-3 registration upon the later of (i) the fifth anniversary from the date of closing of a QIPO as defined in the shareholders agreement, and (ii) with respect to any holder, the date following a QIPO on which such holder holds less than 1% of the equity securities of our Company and all registrable securities may be sold under Rule 144 of the Securities Act in any 90-day period.

INVESTOR RIGHTS AGREEMENT

Pursuant to the share purchase and investor rights agreement by and between us and Tencent Mobility Limited dated October 3, 2018, we have granted certain registration rights to Tencent Mobility Limited or its affiliates. Accordingly, Tencent Mobility Limited or its affiliates are entitled one registration on Form F-3, after the expiration of a lock-up period, covering such Class Z ordinary shares issued and sold to Tencent Mobility Limited pursuant to the aforesaid share purchase and investor rights agreement.

OTHER RELATED PARTY TRANSACTIONS

Investment transfers. We transferred several long-term investments to an entity controlled by our major shareholders amounting to RMB3.3 million for the year ended December 31, 2018. In June 2019, we transferred several equity investments to an investment fund, and one of our subsidiaries was its limited partner. The cost of the equity investments transfer was RMB465.8 million. The consideration was RMB539.6 million, which was determined based on the estimated fair value of the investments. The difference between the consideration and cost of the investments was recognized as investment income. In July 2020, we acquired certain equity interests of two investments from the investment fund with the consideration of RMB110.0 million, which was based on the estimated fair value of the investments. The balances due from the investment fund as of December 31, 2019 and 2020 were consideration receivables and dividend receivables related to the equity investments transfer in 2019, which was non-trade in nature.

Promotional and other services. For the years ended December 31, 2018, 2019 and 2020, we purchased promotional and other services amounting to RMB163.0 million, RMB87.6 million and RMB35.1 million, respectively.

RELATED PARTY TRANSACTIONS

As of December 31, 2018 and 2019, we had a total amount of RMB50.3 million due to Chaodian Inc. which was trade in nature, and RMB195.3 million due from the investment fund and other related parties, respectively, which was non-trade in nature. As of December 31, 2020, we had RMB74.2 million due from the investment fund which was non-trade in nature.

In July 2019, we entered into a series of agreements to acquire a controlling interest in Chaodian Inc. In September 2020, we acquired noncontrolling interest of Chaodian Group from certain related parties on which we have significant influence, with purchase consideration of RMB257.3 million. As of December 31, 2020, we had no unpaid consideration due to certain related parties.

Employment agreements. We entered into various employment and indemnification agreements and have adopted a share incentive plan and employee shareholding platform (see “Directors and Senior Management”) with our directors and senior managers, which we consider to be related party transactions.

Interest bearing loans. The balances as of December 31, 2020 mainly represent interest-bearing loans and interests expenses of RMB105.6 million related to an equity investee which was non-trade in nature, and partially offset by the trade payables to the equity investee. The annual interest rates of the loans were 2.8% and all the loans were within one year.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant laws and regulations that affect our business activities in China.

REGULATIONS RELATED TO FOREIGN INVESTMENT IN THE PRC

Foreign Investment Industrial Policy

Investments activities in China by foreign investors are principally governed by the Catalogue for the Encouragement of Foreign Investment Industries (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Catalogue**”) and the Negative List (2020), which were both promulgated by the MOFCOM and the NDRC and each became effective on January 27, 2021 and July 23, 2020. The Catalogue and the Negative List (2020) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

According to the Negative List (2020), the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) must not exceed 50%. In addition, foreign investments in the internet cultural business (except for music), the internet audio-visual program business, the radio and television program production and operation business, the production of audio-visual products and/or electronic publications and film production and distribution business are prohibited. However, foreign investors are allowed to hold up to 100% of equity interests in an online data processing and transaction processing business (including e-commerce business operation) in China.

Foreign Investment Law and its Implementation Measures

On March 15, 2019, the NPC enacted the 2019 FIL, which came into effect on January 1, 2020. The 2019 FIL has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Co-operative Enterprises Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》). According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “Implementation Rules”) which came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) and the Implementing Rules of the Wholly Foreign-invested

REGULATORY OVERVIEW

Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》). According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the Negative List (2020) in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List (2020). Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the PRC Company Law, the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020, and has replaced the Interim Measures for the Administration of Record-filing on the Establishment and Changes in Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “Office of the Working Mechanism”) will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target’s business decisions, human resources, accounting and technology.

REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

In 2000, the State Council promulgated the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “Telecommunications Regulations”), most recently amended in February 2016, which provide the regulatory framework for telecommunications service providers in China and require a telecommunications service provider to obtain an operating license prior to commencing its operations. The Telecommunications Regulations categorize all telecommunications

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services as either basic telecommunications services (基礎電信業務) or value-added telecommunications services (增值電信業務). Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. Pursuant to the Catalog of Telecommunications Services (《電信業務分類目錄》), an attachment to the Telecommunications Regulations, which was most recently amended on June 6, 2019, information services provided via public telecommunication network or the internet fall within value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “Internet Information Services Measures”), which was promulgated by the State Council on September 25, 2000, and amended on January 8, 2011, set out guidelines on the provision of internet information services. According to the Internet Information Services Measures, the internet information services is classified into commercial internet information services and non-commercial internet information services; a commercial operator of internet content provision services must obtain an ICP License (增值電信業務經營許可證) for the provision of internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Businesses Operating Permits (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on July 3, 2017, and became effective on September 1, 2017, further regulates the telecommunications business permits.

REGULATIONS RELATED TO INTERNET CULTURAL ACTIVITIES

On February 17, 2011, the MOC promulgated the Provisional Measures on Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “Internet Culture Provisions”), effective on April 1, 2011, and amended on December 15, 2017, to regulate entities that engage in activities related to internet cultural products. “Internet cultural products” are classified as cultural products developed, published and disseminated via internet which mainly include: (i) online cultural products particularly developed for publishing via internet, such as, among other things, online music and entertainment, online games and online shows and programs, online performance, online artwork and online anime and cartoons; and (ii) online cultural products converted from music and entertainment, games, shows and programs, performance, artwork, anime and cartoons using certain technical means to be disseminated via internet. Pursuant to these regulations, entities are required to obtain the Online Culture Operating Permits (網絡文化經營許可證) from the applicable provincial level counterpart of the MCT if they intend to commercially engage in any of the following types of activities: (i) production, duplication, import, release or broadcasting of online cultural products; (ii) publishing of online cultural products on the internet or transmission over information network, such as internet or mobile telecommunication network, to end user’s devices via computers, fixed-line or mobile phones, radios, television sets or online games consoles and internet cafes for the purpose of browsing, reading, reviewing, using or downloading such products by users; or (iii) exhibitions or contests related to online cultural products.

On August 12, 2013, the MOC issued the Administrative Measures for Content Self-Review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), requiring the entities that engage in the internet cultural business to review the content of products and services to be provided before providing such content and services to the public. These entities shall establish content management system, set up departments for content management and employ proper personnel to ensure the legality of content. The content management system of an internet cultural 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 provincial level counterpart of the MCT.

REGULATORY OVERVIEW

REGULATIONS RELATED TO ONLINE TRANSMISSION OF AUDIO-VISUAL PROGRAMS

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the “Audio-Visual Regulations”), promulgated by the SARFT and the MII on December 20, 2007, and became effective on January 31, 2008, as amended on August 28, 2015, and became effective on the same day, internet audio-visual program service refers to the activities of making, editing and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider shall obtain a License for Online Transmission of Audio-Visual Programs (《信息網絡傳播視聽節目許可證》) issued by the NRTA or complete certain record-filing procedures with the NRTA.

Pursuant to the Audio-Visual Regulations, providers of internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations (《就〈互聯網視聽節目服務管理規定〉答記者問》) published on the SARFT’s website on February 3, 2008, the SARFT and MII clarified that the providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs (《關於做好〈信息網絡傳播視聽節目許可證〉申報審核工作有關問題的通知》), issued by SARFT on April 8, 2008, and amended on August 28, 2015.

Under the Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs (《境外電視節目引進、播出管理規定》) promulgated in 2004, the introduction or broadcasting of foreign television programs on the television in the PRC is subject to approval of the SAPPRFT or its authorized entities. On March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval from the broadcasting, film and television administrative departments requirements for the domestic and overseas films and television shows disseminating on the internet, including those on mobile networks (if applicable), and prohibits those internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements. The SARFT issued the Notice on Further Strengthening the Administration of Online Audio-Visual Content Including Internet Drama and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》) on July 6, 2012, pursuant to which, internet audio-visual programs service institutions shall report the information on self-examined and approved internet series, micro films, internet movies, film and television animation, documentaries and other internet audio-visual programs to the provincial authority of film and television administration for record-filing, such information includes but not limited to the program’s title, content summary and the information of the reviewer. The SAPPRFT further issued the Supplemental Notice on Improving the Administration of Online Audio-Visual Content Including Internet Drama and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) on January 2, 2014. This notice stresses that any entity producing online audio-visual content, such as internet drama and micro films, must obtain a License for Production and Operation of Radio and Television Programs (廣播電視節目製作

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經營許可證), and that online audio-visual content service providers shall not release any internet drama or micro films produced by any entity without such license. For internet drama or micro films produced and uploaded by individual users, the online audio-visual service providers transmitting such content will be deemed to take responsibility as the producer. Furthermore, under this notice, online audio-visual service providers can only transmit content uploaded by an individual whose identity has been verified and such content shall comply with the relevant content management rules. This notice also requires that self-examined and transmitted online audio-visual program, including internet drama and micro films, to be filed with the relevant authorities before release.

In January 2019, the CNSA issued the Regulations on Administration of Network Short Video Platforms (《網絡短視頻平台管理規範》), pursuant to which all content of a short video, including but not limited to its title, description, bullet chats and comments, may be required to be reviewed in advance before the content is broadcasted. Furthermore, the number of content reviewers a platform is required to keep must in principle be more than one-thousandth of the number of short videos newly broadcasted on the platform per day. In January 2019, CNSA issued the Censoring Criteria for Network Short Video Content (《網絡短視頻內容審核標準細則》), which sets forth in details of the content prohibited to be broadcasted, such as violence, pornography, gambling, terrorism, superstitious and illegal or immoral content.

According to the Administrative Provisions on Online Audio-visual Information Services (《網絡音視頻信息服務管理規定》), jointly promulgated by the CAC, the MCT and the NRTA on November 18, 2019, online audio-visual information service providers shall authenticate users' real identity information based on organization code, identity card number and mobile phone number. Online audio-visual information service providers shall not allow users who fail to provide their real identity to publish information. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, and deploy and apply identification technologies for illegal and non-real audio and video. If any user is found to produce, post or disseminate content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall retain records, and report to the administrations of cyberspace, culture and tourism, radio and television.

REGULATIONS RELATED TO PRODUCTION OF RADIO AND TELEVISION PROGRAMS

In July 2004, the SARFT promulgated the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》) (the "Radio and TV Programs Regulations"), as most recently amended on October 29, 2020. Under the Radio and TV Programs Regulations, any entities that engage in the production of radio and television programs are required to apply for a license from the NRTA or its provincial level counterparts. Entities shall conduct their business within the permitted scope as provided in their licenses. Entities with the License for Production and Operation of Radio and Television Programs (廣播電視節目製作經營許可證) shall conduct their operations strictly in compliance with the approved scope of production and operation. Other than radio and TV stations, entities shall not produce radio and TV programs about the current political news or similar subjects and columns.

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REGULATIONS RELATED TO THE INTERNET FOLLOW-UP COMMENT SERVICES

According to the Administrative Provisions on Internet Follow-up Comment Services (《互聯網跟帖評論服務管理規定》), which was promulgated by the CAC on August 25, 2017, and became effective on October 1, 2017, an internet follow-up comment services provider shall strictly assume the primary responsibilities and the obligations, including but not limited to: (i) verify the real identity information of registered users; (ii) establish and improve a user information protection system; (iii) establish a system of reviewing at first and then publishing comments if they offer internet follow-up comment services to news information; (iv) furnish corresponding static information content on the same platform and page at the same time if they provide internet follow-up comment services by way of bullet chatting; (v) establish and improve an internet follow-up comment review and administration, real-time check, emergency response and other information security administration systems, timely identify and process illicit information and submit a report to the relevant competent authorities; (vi) develop internet follow-up comment information protection and administration technologies, innovate internet follow-up comment administration modes, research, develop and utilize an anti-spam administration system and improve the spam-handling capability; (vii) equip with content examination team corresponding with services; and (viii) coordinate with relevant supervising authorities for examination and provide necessary technology, information and data support.

REGULATIONS RELATED TO ONLINE GAMES

Regulatory Authorities

Pursuant to the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the General Administration of Press and Publication (National Copyright Administration) (《關於印發〈國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定〉的通知》) promulgated by the General Office of the State Council on July 11, 2008, the Notice of the State Commission Office for Public Sector Reform on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation and Comics, Online Game and Comprehensive Law Enforcement in Culture Market in the Three Provisions jointly promulgated by the MOC, SARFT and the GAPP (《中央機構編制委員會辦公室關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知》) on September 7, 2009, the administration of anime and online game shall be conducted by the MOC, and the GAPP is responsible for the examination and approval process of online games prior to online publication. After the online games uploaded on the internet, online games will be administered by the MCT. Moreover, if an online game is launched on the internet without the prior approval of the GAPP, the MCT will be responsible for guiding the cultural market law enforcement team to conduct investigation and punishment. In March 2013, the SAPPRFT formed based on the Notice on the Institutional Reform issued by the State Council.

In March 2018, the Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the NPC promulgated the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) (collectively, the “Institutional Reform Plans”). According to the Institutional Reform Plans, effective from March 21, 2018, the SAPPRFT was reformed and now known as the NRTA under the State Council, and the responsibility of the SAPPRFT for administration of news, publication and films, such as the approval of online game registrations and issuance of game publication numbers has been transferred to the NPPA under the Propaganda Department of the

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Central Committee of the Communist Party of China. The NPPA at the national level suspended approval of game registration and issuance of publication numbers for online games since March 2018 and resumed to issue game publication numbers by batches periodically since December 2018, according to certain news reports. Beginning in December 2018, the NPPA at the national level started to approve new online games.

On May 14, 2019, the MCT promulgated the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT (《文化和旅遊部職能配置、內設機構和人員編制規定》) (the “Function Configuration Regulations”), effective from July 30, 2018, and further specifies that the MCT no longer assumes the responsibility for administering the industry of online games. On July 10, 2019, the MCT issued the Abolition Decisions on the Interim Administrative Measures for the Administration of Online Games and the Administrative Measures for Tourism Development Plan (《關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》) (the “Abolition Decision”). The Abolition Decision also cites the Function Configuration Regulations and further abolishes the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “Online Game Measures”), which means that the MCT will no longer regulate the industry of online games. As of the Latest Practicable Date, no laws, regulations or official guidelines have been promulgated regarding whether the responsibility of MCT for regulating online games will be undertaken by another governmental department.

Online Game Publication

According to the Internet Publishing Measures, before publishing an online game, an online publishing service provider shall file an application with the competent provincial-level publishing administrative department where it is located, and the application, if reviewed and approved, shall be submitted to the NPPA for approval. The Notice of the General Office of the General Administration of Press, Publication, Radio, Film and Television on the Administration of Mobile Game Publishing Services (《國家新聞出版廣電總局辦公廳關於移動遊戲出版服務管理的通知》), which was issued on May 24, 2016, and took effect on July 1, 2016, provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號), and for the purpose of this notice, the online game publishing services providers refer to online publishing service entities that have obtained the Internet Publishing Service License with game publishing business included in their scope of business.

Online Game Operations

The Online Game Measures that was issued by the MOC on June 3, 2010, and last amended on December 15, 2017, comprehensively regulate the activities related to online game business, including the research and development and production of online games, the operation of online games, the standards for online games content, the issuance of virtual currencies used for online games and virtual currency trading services. The Online Game Measures provide that any entity engaging in online game operations must obtain an Online Culture Operating Permits (網絡文化經營許可證), and the content of an imported online game must be examined and approved by the MCT prior to its launch. Domestically developed online games must be filed with the MCT within 30 days of its launch. The Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games (《文化部關於貫徹實施〈網絡遊戲管理暫行辦法〉的通知》), which took effect on August 1,

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2010, specifies the entities regulated by the Online Game Measures and procedures related to the MCT's review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their game players.

On July 10, 2019, the MCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MCT on July 10, 2019. On August 19, 2019, the MCT issued the Announcement on Results of Regulatory Documents Clean-up (《文化和旅遊部關於行政規範性文件清理結果的公告》), which specifies that the Notice of the MCT on the Implementation of the Online Game was abolished.

Virtual Currency and Virtual Items

On February 15, 2007, the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “Online Games Notice”) was jointly issued by the MOC, the People's Bank of China and other governmental authorities with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Online Games Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Online Games Notice further provides that virtual currency must only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening Administration of Virtual Currency of Online Games (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “Virtual Currency Notice”). According to the Virtual Currency Notice, it defines the meaning of the term “virtual currency” and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players' cash or virtual money.

According to the Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation (《關於規範網絡遊戲運營加強事中事後監管工作的通知》) promulgated by the MOC on December 1, 2016, and effective as of May 1, 2017, the virtual items, purchased by users directly with legal currency, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enabling users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency or physical items. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State. However, this notice has been abolished by the MCT as of August 19, 2019.

Anti-addiction System and Protection of Minors

In March 2007, the GAPP and several other government agencies issued a circular requiring the implementation of an anti-fatigue system and a real-name registration system by all PRC online game operators to curb addictive online game playing by minors. To identify whether a game player is a

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minor and thus subject to the anti-fatigue system, a real-name registration system must be adopted to require online game players to register with their real identity information before playing online games. The online game operators are also required to submit the identity information of game players to the public security authority for verification.

In July 2011, the GAPP, together with several other government agencies, jointly issued the Notice on Initializing the Verification of Real-name Registration for the Anti-Fatigue System on Online Games (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) (the “Real-name Registration Notice”) in order to strengthen the implementation of the anti-fatigue and real-name registration system. This notice indicates that the National Citizen Identity Information Center of the Ministry of Public Security will verify identity information of game players submitted by online game operators. The Real-name Registration Notice also imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration systems properly and effectively, including terminating their online game operations.

In 2011, the MOC, together with several other government agencies, jointly issued a Circular on Printing and Distributing Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games (《關於印發<“網絡遊戲未成年人家長監護工程”實施方案>的通知》) to strengthen the administration of online games and protect the legitimate rights and interests of minors. This circular indicates that online game operators must have person in charge, set up specific service webpages and publish specific hotlines to provide parents with necessary assistance to prevent or restrict minors’ improper game playing behavior.

On October 25, 2019, the NPPA issued the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) which took effect on November 1, 2019. The Notice stipulates several requirements on the online game operation, including but not limited to: (i) all online game users shall register their game accounts with valid identity information; (ii) the time slot and duration for playing online games by minors shall be strictly controlled; (iii) the provision of paid services to minors shall be regulated; (iv) the regulation of the industry shall be enhanced and the requirements above shall be requisite for launching, publishing and operating online games; and (v) the development and implementation of an age-appropriate reminding system shall be explored. Online game companies shall analyze the cause of minors’ addiction to games, and alter the content and features of games or game rules resulting in such addiction.

On October 17, 2020, the SCNPC revised and promulgated the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法 (2020修訂)》), 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 online games, live broadcasting, audio-video, and social networking are required to establish special management systems of user duration, access authority and consumption for minors, (iii) online games service providers must request minors to register and log into online games with their valid identity information, (iv) online games 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 online games functions, and (v) online games service providers may not provide online games services to minors from 10:00 P.M. to 8:00 A.M. the next day. As of the Latest Practicable Date, the Company

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has implemented a real-name registration system and a Bilibili game health system (嗶哩嗶哩遊戲健康系統) in our mobile game platform in accordance with the relevant supervision requirements. These two systems include, among others, following measures:

- (i) the real-name registration system requires users to register with valid identity information and the users without real-name authentication will not be able to log into the game after 1 hour's trial playing in visitor experience mode (遊客模式) for 15 days;
- (ii) the users are not allowed to top up or purchase game virtual items in visitor experience mode;
- (iii) the accumulated time of minors playing game each day is monitored, calculated and limited to less than three hours per day on PRC statutory holidays and 1.5 hours per day during other times, and upon exceeding such time limit, a notification will pop up and the player will be forced to log out;
- (iv) minors are not able to log into the game between 10:00 p.m. and 8:00 a.m.; and
- (v) consumption limits for minors have been implemented as required by the relevant regulatory guidance.

REGULATIONS RELATED TO ONLINE LIVE BROADCASTING SERVICES

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Broadcasting Services (《互聯網直播服務管理規定》) (the "Online Live Broadcasting Regulations") which came into effect on December 1, 2016. According to the Online Live Broadcasting Regulations, all online live broadcasting service providers shall take various measures during operation of live broadcasting services, including but not limited to: (i) establish platforms for reviewing live broadcasting content, conducting classification and grading management according to the online live broadcasting content categories, user scale and others, add tags to graphics, video, audio or broadcast tag information for platforms; (ii) conduct verification on online live broadcasting users with valid identification information (for example, authentic mobile phone numbers) and validate the registration of online live broadcasting publishers based on their identification documents (such as identity documents, business licenses and organization code certificates), etc.

On September 2, 2016, the SAPPRFT issued the Circular on Issues concerning Strengthening the Administration of Online Live Broadcasting of Audio-Visual Programs (《關於加強網絡視聽節目直播服務管理有關問題的通知》) (the "Online Live Broadcasting Circular"). According to the Online Live Broadcasting Circular, License for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證) is a prerequisite for online audio-visual live broadcasting of general cultural events, such as social communities, sports events, as well as important political, military, economic, social and cultural events. Relevant information about specific activities to be streamed shall be filled in advance with the provincial counterparts of the NRTA. Online audio-visual live broadcasting service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have emergency plans in place to replace programs in violation of laws and regulations. Bullet chats are not allowed in the live broadcasting of major political, military, economic, social, cultural, sports and other activities and events. Special censorship shall be implemented over the bullet chats during the live broadcasting of cultural activities of general social groups, sports events and other organizational activities.

According to the Measures for the Administration of Cyber Performance Business Operations (《網絡表演經營活動管理辦法》), promulgated by the MOC on December 2, 2016, and effective as of

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January 1, 2017, business engaging in cyber performance operations shall apply to the cultural administrative department at the provincial level for an Online Culture Operating Permits (網絡文化經營許可證) in accordance with the Internet Culture Provisions, and the license shall specify the scope of the cyber performance.

According to the Guidelines on Strengthening Supervision of Online Live Broadcasting Marketing Activities (《關於加強網絡直播營銷活動監管的指導意見》) promulgated by the SAMR on November 6, 2020, any network platform will assume the responsibility and obligation as an e-commerce platform operator according to the E-Commerce Law (《電子商務法》); provided that this platform provides operators, who sell goods or provide services via internet live broadcasting, with services such as internet operation place, transaction matchmaking and information publication in order for the transaction parties to independently complete their transaction activities.

According to the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) promulgated by the NRTA on November 12, 2020, live broadcasting platforms for online shows are requested to strengthen positive value guidance and enable those tasteful, meaningful, interesting and warm live-broadcasting programs to have good traffic, and to prevent the spread of the trends of wealth flaunting, money worshipping and vulgarity. 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 broadcasting rooms. Live broadcasting platforms for online shows need to manage the hosts (網絡主播) and “virtual gifting (打賞)” users 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 broadcasting 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 virtual gifting each user may give per time, day and month. Live broadcasting platforms for e-commerce shall not illegally produce and broadcast, beyond their business scope of e-commerce, any commentary programs unrelated to sales of goods.

According to the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法 (2020修訂)》), which will take effect on June 1, 2021, among others, live broadcasting service providers are not allowed to provide minors under age 16 with online live broadcasting 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 broadcasting publisher accounts.

REGULATIONS RELATED TO ADVERTISING BUSINESS

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994, and last amended on October 26, 2018, requires advertisers to ensure that the content of the advertisements are true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as “national level,” “highest level” and “best” and (iii) information that contains ethnic, racial, religious or sexual discrimination. Advertisements posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one click.

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The Internet Advertisement Measures (《互聯網廣告管理暫行辦法》), which were promulgated by the SAIC on July 4, 2016, and became effective on September 1, 2016, regulate any advertisement published on the Internet, including but not limited to, those on websites, webpage and apps, those in the forms of word, picture, audio, video and others. According to the Internet Advertisement Measures, Internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the Internet information service provider merely provides information services and is not involved in the internet advertisement businesses.

REGULATIONS RELATED TO E-COMMERCE

The SAIC adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》) on May 31, 2010, and replaced by the Administrative Measures for Online Trading (《網絡交易管理辦法》) on January 26, 2014, which became effective on March 15, 2014. These measures impose more stringent requirements and obligations on online trading or service operators as well as marketplace platform providers. For example, marketplace platform providers are obligated to examine the legal status of each third-party merchant selling products or services on their platforms and display on a prominent location on a merchant's web page the information stated in the merchant's business license or a link to its business license. On December 24, 2014, the MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third-Party Online Retail Platforms (Trial) (《網絡零售第三方平台交易規則制定程序規定(試行)》) to regulate the formulation, revision and enforcement of transaction rules for online retail marketplace platforms.

On August 31, 2018, the SCNPC promulgated the E-Commerce Law (《電子商務法》), which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. According to the E-commerce Law, e-commerce operators who provide search results based on consumers' characteristics, such as hobbies and consumption habits, shall also provide consumers with options that are not targeted at their personal characteristics at the same time, respect and fairly protect the legitimate interests of the consumers. In addition, e-commerce platform operators are not allowed to impose unreasonable restrictions over or add unjustified conditions to transactions concluded on their platforms by merchants, or charge merchants operating on its platform any unreasonable fees.

An e-commerce operator shall obtain a license for value-added telecommunications services with the specification of online data processing and transaction processing business from appropriate telecommunications authorities, pursuant to the Telecommunications Regulations and the Catalog of Telecommunications Services.

The Consumer Protection Law (《消費者權益保護法》), which was promulgated by the SCNPC on October 31, 1993, and last amended on October 25, 2013, effective as of March 15, 2014, sets out the obligations of business operators and the rights and interests of consumers. Business operators must guarantee the quality, function, usage and term of validity of the goods or services they sell or provide, if these goods and services are consumed under normal standards. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online platforms may claim damages from the sellers or service providers. Online platform operators may be subject to liabilities if the lawful rights and interests of consumers are infringed in connection with consumers' purchase of

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goods or acceptance of services on online platforms if the platform operators fail to provide consumers with authentic contact information of the sellers or service providers. On January 6, 2017, the SAIC issued the Interim Measures for No Reason Return of Online Purchased Commodities within Seven Days (《網絡購買商品七日無理由退貨暫行辦法》), which came into effect on March 15, 2017, further clarifying the scope of consumers' rights to make returns without a reason, including exceptions, return procedures and online marketplace platform providers' responsibility to formulate seven-day no-reason return rules and related consumer protection systems, and supervise the merchants for compliance with these rules. On December 29, 2020, the SAMR promulgated the Announcement on Strengthening the Recall and Supervision of Consumer Goods Sold Online (《關於加強網上銷售消費品召回監管的公告》) to further protect the safety of consumers' personal properties.

REGULATIONS RELATED TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to, including but not limited to: (i) gain improper entry into a computer information system of national affairs, national defense or cutting-edge science and technology; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of Public Security on December 30, 1997, and amended on January 8, 2011, prohibits 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.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, national security and cyber security and 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 June 28, 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which became effective on August 1, 2016, providing that mobile Internet application providers are prohibited from engaging in any activity that may endanger national security, disturb social order or infringe the legal rights of third parties, and may not produce, copy, release or disseminate through mobile Internet applications any content prohibited by laws and regulations.

On November 7, 2016, the SCNPC issued the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities

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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 Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security on December 13, 2005, and became effective on March 1, 2006, require internet service providers to keep records of certain information about their users (including but not limited to user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the Cyber Security Law, network operators must also record and report any instances of publication of prohibited information and take measures to prevent such information from dissemination. A network operator fails to comply with such requirements may be imposed fines, confiscated of illegal gains, revoked of its licenses, suspended of its business, shut down of its websites or, in severe cases, take criminal liabilities.

On June 22, 2007, the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) was issued by the Ministry of Public Security and several other governmental agencies, according to which, the State shall, by developing nationally effective good practice and technical standards for the graded protection of information security, and organize citizens, legal persons and other organizations to carry out graded security protection of information system. The destruction of a Grade III information system will cause material damage to social order and public interests or will cause damage to national security. Entities operating and using Grade III information system shall protect the information system in accordance with relevant good practice and technical standards of the State. The state departments in charge of the supervision and administration of information security shall supervise and administer the graded protection work on information security of the information system of such Grade.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission (中共中央網絡安全和信息化委員會辦公室, the “OCCAC”) and the SAMR jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users.

PRC government authorities have enacted legislations on internet use to protect personal information from any unauthorized disclosure and prohibits 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 (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011, and became effective on March 15, 2012, stipulate that internet content provision operators may not, without user’s consent, collect user’s 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 user’s prior consent, unless when required by laws or regulations. In addition, an internet content provision operator may only use such user’s personal information for the stated purposes under the internet content provision operator’s service scope. Internet content provision operators are also required to ensure the proper security of user’s personal information, and take immediate remedial measures if user’s personal information has been or may be divulged.

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On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. 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.

On January 23, 2019, the OCCAC, the MIIT and the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications and encourages search engines and app stores to clearly mark and recommend those certified apps. On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a noticeable and clear way, notify and obtain consent from children's guardians. On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including “failure to publish rules on the collection and usage of personal information,” “failure to expressly state the purpose, manner and scope of the collection and usage of personal information,” “collecting and using personal information without obtaining consents from users,” “collecting personal information irrelevant to the services provided,” “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information.”

On October 21, 2020, the Legislative Affairs Committee of the NPC has publicly solicited opinions on the PRC Personal Information Protection Law (Draft) (《中華人民共和國個人信息保護法(草案)》) (“**Draft Personal Information Protection Law**”), which sets forth detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, and the individual's rights and the processor's obligations in the processing of personal information. The Draft Personal Information Protection Law also strengthens the punishment for those who illegally process personal information. We have taken measures to ensure compliance of personal information collection and protection, and these measures can also meet the requirements of the Draft Personal Information Protection Law in all material aspects, for example, formulating the privacy policy (隱私政策) on the platform to obtain users' consent at the time of account registration and obtain their consent again when the privacy policy is modified, which inform the users of the identity and contact information of the processor of personal information, the purpose of the processing of personal information, the manner of processing, type of personal information processed, the retention period, the manner and procedures for individuals to exercise their rights under this law and other information prescribed by the relevant laws. In addition, we have formulated and implemented the internal specification to manage the security vulnerability and arrange auditing, risk

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assessment and documentation as well as providing users with infringement complaint channels. Furthermore, if the final adopted PRC Personal Information Protection Law requires other new requirements, we will also promptly adjust or take relevant measures to ensure compliance with such requirements in accordance with the law. Therefore, based on above, the PRC Legal Adviser is of the view that we will be able to comply with the law in all material aspects if the draft form is adopted. As of the Latest Practicable Date, the Draft Personal Information Protection Law has not been formally adopted.

According to the Law of the PRC on the Protection of Minors (2020 Revision) (《中華人民共和國未成年人保護法(2020修訂)》), which will take effect on June 1, 2021, information processors must follow the principles of legality, legitimacy and necessity when processing personal information of minors via internet, and must obtain consent from minors' parents or other guardians when processing personal information of minors under age of 14. In addition, internet service providers must promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures.

On August 29, 2015, the SCNPC issued the Ninth Amendment to the Criminal Law (《刑法修正案(九)》), effective on November 1, 2015. Any internet service provider that fails to comply with obligations related to internet information security administration as required by applicable laws and refuses to rectify upon order shall be subject to criminal penalty for (i) any large-scale dissemination of illegal information; (ii) any severe consequences due to the leakage of the user information; (iii) any serious loss of criminal evidence; or (iv) other severe circumstances. Furthermore, any individual or entity that (i) sells or distributes personal information in a manner which violates relevant regulations, or (ii) steals or illegally obtains any personal information is subject to criminal penalty in severe circumstances.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY RIGHTS

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019, and took effect on November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》), adopted by the State Council on August 3, 2002, and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks commencing from the date of registration and the registered trademarks can be renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984, amended on December 27, 2008, effective as of October 1, 2009 and further amended on October 17, 2020 and will be effective on June 1, 2021, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, last amended on January 9, 2010, and effective from February 1, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. Under the currently effective Patent Law, the protection period of a patent right for

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invention patents shall be 20 years and the protection period of a patent right for utility model patents and design patents shall be 10 years, both commencing from the filing date. According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. Pursuant to the Measures for the Filing of Patent Licensing Contracts (《專利實施許可合同備案辦法》), promulgated by the State Intellectual Property Office on June 27, 2011, and effective as of August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “Copyright Law”), which was promulgated by the SCNPC on September 7, 1990, amended on February 26, 2010, became effective as of April 1, 2010, further amended on November 11, 2020, and will take effect on June 1, 2021. Under the currently effective Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006, and was amended on January 30, 2013, it is further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder’s notice of infringement.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MIIT and National Copyright Administration (國家版權局, the “NCA”) and took effect on May 30, 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner’s notice for six months. If an internet information service provider (i) has the knowledge of an internet content provider’s tortuous act of infringing upon another’s copyright through internet, or (ii) fails to take measures to remove relevant contents after the receipt of the copyright owner’s notice (regardless of the internet information service provider’s knowledge of the copyright infringement act), and if the relevant copyright infringement act harms public interests, then the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than three times the illegal business amount; and if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》), issued by the NCA in April 2015, includes the following four major points: (i) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit

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the distortion of title and work intent; (ii) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (iii) encourage the press and internet media to actively carry out copyright cooperation; and (iv) ask the copyright administrations at all levels to strictly implement copyright supervision.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “Software Copyright Measures”), promulgated by the NCA on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (中國版權保護中心, the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conform to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Provisions of the Supreme People’s Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), promulgated by the Supreme People’s Court in December 2012 and further revised on December 29, 2020 and took effect on January 1, 2021, stipulate that internet users or internet service providers who provide works, performances or audio-video products, for which others have the right of dissemination through information networks or make these available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017, and became effective on November 1, 2017, regulates the “.CN” and the “zhongguo (in Chinese character)” shall be China’s national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any illegal act.

REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “Anti-Unfair Competition Law”), which was adopted by the SCNPC on September 2, 1993, became effective as of December 1, 1993, and last amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》),

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or the Guideline, which became effective on the same day and will operate as a compliance guidance under the existing PRC anti-monopoly laws and regulations for platform economy operators. The Guideline aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. The Guideline aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. The Guideline also intends to regulate abuse of a dominant position and other anti-competitive practices by internet platform operators and the related merchants and service providers on internet platforms. Pursuant to the Guideline, representative examples of abuse of dominance include but not limited to unfairly locking in exclusive agreements with merchants and targeting specific customers with unreasonable big-data driven tailored pricing through their online behavior to eliminate or limit market competition.

REGULATIONS RELATED TO LABOR AND SOCIAL SECURITY

According to the Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was last amended on December 29, 2018, the Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and came into effect on September 18, 2008, by the State Council, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of the PRC(《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect on July 1, 2011, and was amended on December 29, 2018, the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費征繳暫行條例》), which was promulgated by the State Council on January 22, 1999, and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, came into effective on the same date and was last amended on March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make up for the deficit within a stipulated time limit.

REGULATIONS RELATED TO TAXATION

EIT

According to the EIT Law, which was promulgated on March 16, 2007, came into effect on January 1, 2008, and last amended on December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008, amended by the State

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Council on April 23, 2019, and came into effect on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established production and operation facilities in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose “de facto management bodies” are within the PRC are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to or any other gains realized on the transfer of shares by non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) entered into between Mainland China and the HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest of the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws. However, according to the Notice on the Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the STA on February 20, 2009, and came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the Certain Issues with Respect to the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), issued by the STA on February 3, 2018, and effective on April 1, 2018, if an applicant’s business activities do not constitute substantive business activities, it could result in the negative determination of the applicant’s status as a “beneficial owner,” and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

VAT

The Provisional Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated on December 18, 2008, and amended on October 28, 2011, came into effect on November 1, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement labor services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax.

The State Council approved, and the STA and the MOF officially launched a pilot value-added tax reform program starting from January 1, 2012, or the Pilot Program, applicable to businesses in

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selected industries. Businesses in the Pilot Program would pay value-added tax instead of business tax. The Pilot Program was initiated in Shanghai, then further applied to 10 additional regions such as Beijing and Guangdong province. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>關的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement labor services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to the small-scale taxpayers is 3%. According to the Notice of the MOF and the STA on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), issued on April 4, 2018, and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have value-added tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the MOF, the STA and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》), issued on March 20, 2019, and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

REGULATIONS RELATED TO FOREIGN EXCHANGE CONTROL

The principal regulations governing foreign currency exchange in China are the Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and last amended on August 5, 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》), promulgated by the People's Bank of China in June 1996 and came into effect on July 1, 1996, according to which, Renminbi for current account items is freely convertible, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans and investments in securities outside of the PRC, unless the prior approval or record-filing of the SAFE or its local counterpart is obtained.

The Circular on Reforming the Management Method regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "Circular 19"), promulgated on March 30, 2015, came into effective on June 1, 2015, and last amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating the Management Policies on the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), promulgated on June 9, 2016, continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investing and financing directly or indirectly in securities and other investments except

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for bank's principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "Circular 28"), according to which besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds in foreign currency provided that such investments do not violate the Negative List (2020) and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity and transfer of corresponding funds. In addition, the domestic agency 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 SAFE Circular 37, promulgated by the SAFE on July 4, 2014, and came into effective on the same date, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes its assets or equity interest in domestic enterprises or offshore assets or interests into a special purpose vehicle for the purpose of investment and financing; and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner. According to the SAFE Circular 13 which was promulgated by SAFE on February 13, 2015, came effective on June 1, 2015, and amended on December 30, 2019, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

REGULATORY OVERVIEW

REGULATIONS RELATED TO DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the PRC Company Law last amended in 2018 and the Foreign Investment Law. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATED TO M&A AND OVERSEAS LISTINGS

The M&A Rules was jointly promulgated by six PRC governmental authorities including the MOFCOM, the STA, the SAFE, the SAMR, the State-owned Assets Supervision and Administration Commission of the State Council and the CSRC on August 8, 2006, and amended on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing of the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the assets of a domestic company by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the Global Offering, assuming that the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option.

1. Share capital as at January 31, 2021

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
100,000,000	Class Y ordinary shares	US\$10,000
9,800,000,000	Class Z ordinary shares	US\$980,000
100,000,000	Undesignated	US\$10,000
Total		US\$1,000,000

(ii) Issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares
83,715,114	Class Y ordinary shares	US\$8,371.51
271,897,214	Class Z ordinary shares	US\$27,189.72
Total		US\$35,561.23

(iii) Issued and outstanding*

Number	Description of Shares	Approximate aggregate nominal value of shares
83,715,114	Class Y ordinary shares	US\$8,371.51
268,594,887	Class Z ordinary shares	US\$26,859.49
Total		US\$35,231.00

Note:

* Excluding 3,302,327 Class Z ordinary shares reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and issued to our depository, which has waived all shareholder rights (including voting rights) attached to those shares.

2. Share capital immediately following the completion of the Global Offering

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
100,000,000	Class Y ordinary shares	US\$10,000
9,800,000,000	Class Z ordinary shares	US\$980,000
100,000,000	Undesignated	US\$10,000
Total		US\$1,000,000

(ii) Issued fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares
83,715,114	Class Y ordinary shares	US\$8,371.51
296,897,214	Class Z ordinary shares	US\$29,689.72
Total		US\$38,061.23

SHARE CAPITAL

(iii) *Issued and outstanding**

<u>Number</u>	<u>Description of Shares</u>	<u>Approximate aggregate nominal value of shares</u>
83,715,114	Class Y ordinary shares	US\$8,371.51
293,594,887	Class Z ordinary shares	US\$29,359.49
Total		US\$37,731.00

Note:

* Excluding 3,302,327 Class Z ordinary shares reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and issued to our depository, which has waived all shareholder rights (including voting rights) attached to those shares.

WEIGHTED VOTING RIGHTS STRUCTURE

Under our weighted voting rights structure, our share capital comprises Class Y ordinary shares and Class Z ordinary shares. Each Class Z ordinary share entitles the holder to exercise one vote, and each Class Y ordinary share entitles the holder to exercise 10 votes, respectively, on all matters that require a shareholder's vote, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires a limited number of Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules as set out below).

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment or removal of any independent non-executive director;
- (iii) the appointment or removal of the Company's auditors; and
- (iv) the voluntary winding-up of the Company.

In addition, our Articles do not currently satisfy some of the articles requirements pursuant to Rule 8A.44 of, and Appendix 3 and Appendix 13 to, the Hong Kong Listing Rules (the "**Unmet Listing Rules Articles Requirements**"), and we will put forth resolutions to incorporate the Unmet Listing Rules Articles Requirements into our Articles at an extraordinary general meeting to be convened in September 2021 (the "**2021 EGM**"). In addition, to further enhance our shareholder protection measures, we will at the 2021 EGM propose to our shareholders the following amendments to our Articles: (a) lowering the quorum of general meeting (which is not a class meeting) from one-third of all votes attaching to all shares in issue and entitled to vote at such general meeting in our Company as currently provided for in article 65 of our Articles to 10% of all votes attaching to all shares in issue and entitled to vote at such general meeting in our Company (the "**Quorum Requirement**"); and (b) where a general meeting is postponed by the directors, the specific date, time and place of the postponed meeting must be specified (the "**GM Postponement Requirement**", together with the Unmet Listing Rules Articles Requirements and the Quorum Requirement, the "**Unmet Articles Requirements**").

SHARE CAPITAL

In addition to our undertaking to seek shareholders’ approval to amend our Articles to comply with the Unmet Articles Requirements, our Company will, prior to the Listing, undertake to the Hong Kong Stock Exchange that we will fully comply with the Unmet Listing Rules Articles Requirements and the GM Postponement Requirement upon the Listing and before our existing Articles are formally amended as if such requirements have already been incorporated into our Articles, except for:

- a. paragraph 3(3) of Part B of Appendix 13 to the extent that our Company is required to hold an annual general meeting in 2021, due to the reasons as set out in “Waivers and Exemptions—Laying Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year”;
- b. paragraph 2(1) of Part B of Appendix 13 such that, prior to our Articles being amended, the threshold for passing a resolution in a separate class meeting will be approval by holders of two-thirds of the issued shares of that class as per article 17 of our Articles; and
- c. Rules 8A.24(1) and (2) and paragraph 1 of Part B of Appendix 13 such that, prior to our Articles being amended, the threshold for passing a special resolution for amendments to our Articles will be approval by members holding two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 159 of our Articles. For the avoidance of doubt, the exception for Rules 8A.24(1) and (2) is only applicable to the passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with Rules 8A.24(1) and (2) for passing any special resolution (other than the Proposed Resolutions) under the Undertaking for Interim Compliance.

See “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company” for further details.

The table below sets out the ownership and voting rights to be held by the WVR beneficiaries upon the completion of the Global Offering:

	Number of Shares	Approximate percentage of issued and outstanding share capital ⁽¹⁾	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Class Y ordinary shares held by the WVR beneficiaries	83,715,114	22.19%	74.04%
Class Z ordinary shares held by the WVR beneficiaries	2,634,145	0.70%	0.23%
Total	86,349,259	22.89%	74.27%

Notes:

(1) Excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option.

(2) On the basis that Class Y ordinary shares entitle the Shareholder to 10 votes per share and Class Z ordinary shares entitle the Shareholder to one vote per share.

Each Class Y ordinary share is convertible into one Class Z ordinary share at any time by the holder thereof. Upon the conversion of all the issued and outstanding Class Y ordinary shares into Class Z ordinary shares, the Company will issue 83,715,114 Class Z ordinary shares, representing approximately 28.51% the total number of issued and outstanding Class Z ordinary shares upon completion of the Global Offering (excluding 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans and any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option).

SHARE CAPITAL

The weighted voting rights attached to our Class Y Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of our Class Y Shares, in accordance with Hong Kong Listing Rule 8A.22. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Hong Kong Listing Rule 8A.17, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules;
- (ii) when the holders of Class Y Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class Y Shares or the voting rights attached to them, other than in the circumstances permitted by Hong Kong Listing Rule 8A.18;
- (iii) where a vehicle holding Class Y Shares on behalf of a WVR Beneficiary no longer complies with Hong Kong Listing Rule 8A.18(2); or
- (iv) when all of the Class Y Shares have been converted to Class Z Shares.

The Company undertakes to, upon the Listing, instruct the Principal Share Registrar to notify the Company of any proposed transfer of Class Y ordinary shares and not to register any such transfer except in accordance with the Hong Kong Listing Rules.

WVR Beneficiaries

Immediately upon the completion of the Global Offering, the WVR beneficiaries will be Mr. Rui Chen, our chairman and chief executive officer, Mr. Yi Xu, our founder, director and president, and Ms. Ni Li, our vice chairwoman and chief operating officer. Mr. Rui Chen beneficially owns 49,299,006 Class Y ordinary shares and 629,745 Class Z ordinary shares. Mr. Yi Xu beneficially owns 27,216,108 Class Y ordinary shares and 1,096,100 Class Z ordinary shares. Ms. Ni Li beneficially owns 7,200,000 Class Y ordinary shares and 908,300 Class Z ordinary shares.

The Company's WVR structure enables the WVR beneficiaries to exercise voting control over the Company notwithstanding that the WVR beneficiaries does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR beneficiaries who will control the Company with a view to its long-term prospects and strategy.

Mr. Rui Chen has served as chairman of the board of directors and chief executive officer of the Company since November 2014. He is a serial entrepreneur with more than 15 years of experience in the Internet and technology-related industries in China. Mr. Chen led the strategic development of the Company since its founding. With long-term thinking, he spearheaded a series of strategic initiatives which transformed Bilibili from a community of people with shared interest to a full-spectrum video community covering a wide array of content categories and diverse video consumption scenarios. Mr. Chen formulated the strategy of 'community first', and continuously investing in high-quality content. Under his leadership, Bilibili built a healthy and prosperous content ecosystem, which was crucial for the Company to stay attractive to young generations. At the same time, Mr. Chen led the construction of the Company's commercialization model, and guided the rapid development in multiple business areas.

Prior to joining the company, Mr. Chen co-founded Cheetah Mobile Inc., a mobile internet company listed on the New York Stock Exchange (NYSE: CMCM). In 2009, Mr. Chen founded Beike

SHARE CAPITAL

Internet Security Co., Ltd. and served as its chief executive officer from 2009 to 2010. Prior to that, Mr. Chen served as general manager of Internet security research and development at Kingsoft Corporation Limited (SEHK:03888), a leading software and internet service company listed on the Hong Kong Stock Exchange, from 2001 to 2008. Mr. Chen was named by Fortune Magazine as one of China's "40 Under 40," a list of the most influential people in business under the age of 40 in China. Mr. Chen received his bachelor's degree from Chengdu University of Information Technology in 2001.

Mr. Yi Xu founded the Company's website in 2009 (which culminated into the commencement of the Group's commercial operations in 2011 and the founding of the Company in 2013) and has served as the Company's director and president since December 2013. Mr. Xu has guided the technological development of the Company and played an instrumental role in developing various ground-breaking interactive features such as bullet chatting. Throughout the years, Mr. Xu has sought innovative ways to refine, and add new functions to, bullet chatting, which remains one of the most significant interactive features on the Company's online platform. He has also contributed to constant design improvements of the user interface of the Company's online platform. Mr. Xu has also been an opinion leader in the Company's online community since the inception of the Company and led the prosperity of community culture among users, thereby strengthening a strong sense of belonging among users and fostering a vibrant "Bilibili" community. Mr. Xu received his associate degree from Beijing University of Posts and Telecommunications in 2010.

Ms. Ni Li has served as the Company's chief operating officer since November 2014 and vice chairwoman of the Company's board of directors since January 2015. Ms. Li oversees the Company's overall operation of the platform's business, building content ecosystem, commercialization, strategic investment, brand marketing, and etc.. In the past two years, Ms. Li has built a strong business and operational team. Under her leadership, the team successfully produced blockbusters including Bilibili New Year's Eve Gala event and Hou Lang, significantly enhancing Bilibili's brand awareness and driving the user and revenue growth. Prior to joining the Company, Ms. Li was in charge of human resources operations at Cheetah Mobile (NYSE: CMCM) from 2013 to 2014. Previously, Ms. Li founded Goalcareer, a management consulting firm serving Fortune 500 companies and startups with a focus in the semiconductor, telecommunication and internet sectors, and worked as its chief executive officer from 2008 to 2012. Ms. Li received her bachelor's degree in law from Lingnan Normal University in 2008.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR beneficiaries may not necessarily always be aligned with those of our shareholders as a whole, and that the WVR beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to section headed "Risk Factors—Risks Related to Our Corporate Structure."

Save for the weighted voting rights attached to Class Y ordinary shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class Y ordinary shares and Class Z ordinary shares, please see the section headed "Summary of the Constitution of our Company and Cayman Companies Law—Articles of Association" in Appendix III for further details.

SHARE CAPITAL

Undertakings by WVR Beneficiaries

Pursuant to Rule 8A.43 of the Hong Kong Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he/she will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by our shareholders. Prior to the Listing, each of Mr. Rui Chen, Mr. Yi Xu and Ms. Ni Li made an undertaking to the Company (the “**Undertaking**”), that for so long as he/she is a WVR Beneficiary:

- (1) he/she shall comply with (and, if the shares to which the weighted voting rights that he/she is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his/her best endeavors to procure that that limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Hong Kong Listing Rules from time to time in force, to the extent not waived by the Hong Kong Stock Exchange (the “**Requirements**”); and
- (2) he/she shall use his/her best endeavors to procure that the Company complies with all applicable Requirements, to the extent not waived by the Hong Kong Stock Exchange.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Hong Kong Listing Rules. Each WVR Beneficiary acknowledged and agreed that our shareholders rely on the Undertaking in acquiring and holding their shares. Each WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all shareholders and may be enforced by the Company and/or any shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Hong Kong Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any shareholder and/or the WVR Beneficiary himself/herself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

Assumptions

The above table assumes that the Global Offering becomes unconditional and the Class Z ordinary shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued or repurchased by us.

Ranking

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

SHARE CAPITAL

Share Incentive Plans

See “Directors and Senior Management—Compensation” for details about our Share Incentive Plans.

Share Repurchases

Our Company may repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$24,332.20 million after deducting estimated underwriting fees and the estimated offering expenses payable by us and based upon an indicative offer price of HK\$988.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming that the Over-allotment Option is not exercised, or HK\$27,992.06 million if the Over-allotment Option is exercised in full.

The International Offer Price in the International Offering may be higher than, or the same as, the Public Offer Price in the Hong Kong Public Offering. See “Structure of the Global Offering—Stabilization—Pricing and allocation.”

We plan to use the net proceeds we will receive from the Global Offering for the following purposes:

- (a) **approximately 50% (approximately HK\$12,166.10 million, assuming the Overallotment Option is not exercised) for our content to support our healthy and high-quality user growth, ever-growing content ecosystem and development of our community, including but not limited to:**
- continue to broaden and enrich our content offerings to grow our user base and attract wider user demographics, including (i) acquisition and investment in products, services and businesses with content that are complementary to our existing library to achieve synergies and (ii) production of premium content that will effectively convert our users to paying users, such as Chinese anime and variety shows;
 - continue to seek for strategic partnerships or alliances with reputable domestic and overseas industry players to address user needs and strengthen our position and our user-centric commercialization capabilities; and
 - continue to provide support and infrastructure such as effective incentive mechanisms and more video editing tutorials and tools to incentivize and reward our content creators by various measures to maximize their influence and enable them to create more engaging content easily, and help their high-quality content reach a broad number of users. We will continue to improve our user experience with diverse and high-quality content, respect and reward quality content creation, to reinforce our ever-growing content ecosystem and implement our community first strategy;
- (b) **approximately 20% (approximately HK\$4,866.44 million, assuming the Overallotment Option is not exercised) for research and development to improve our user experience and strengthen our user-centric commercialization capabilities.** We will continue to invest in and develop our technologies, particularly,
- AI and big data analytics, for real-time processing and analyzing user data with accuracy and stability and managing content by recognizing and analyzing patterns and connections; also to recommend relevant content, including videos, live broadcasting programs, and other products and services that fit to users’ interests and needs. We see this as a key driver to our business growth for better understanding of our users and enhance our content recommendations for growing user base and engagement, preserve our community culture and improve our commercialization capabilities eventually;
 - cloud technology, to manage our operational cost for storage and computing capabilities and bandwidth to enhance the functionalities of its web video player,

USE OF PROCEEDS

store and support a massive volume of data generated on our platform every day, and run algorithms to produce content recommendations;

- IT infrastructure to support the growth in our user base and traffic as well as ever-growing content ecosystem, especially our proprietary Content distribution network, or CDN system to enhance network efficiency by managing and optimizing the workload of the servers through real-time optimization and distribution;
 - self-developed games, to continue to build up our own team to develop more in-house games, based on content, themes, cultural characteristics and features that appeal to users in our communities. We may also develop games based on our self-owned IPs originated from Bilibili produced content such as anime; and
 - we also plan to attract, train and retain and incentivize more research and development talents for these purposes;
- (c) **approximately 20% (approximately HK\$4,866.44 million, assuming the Overallotment Option is not exercised) for sales and marketing, primarily to fuel our user growth and to raise our brand awareness, including:**
- continue to invest in healthy and high quality user growth, which is the foundation for our growing community and user-centric commercialization, as we see substantial opportunity for user growth under the rapid videolization trend; including (i) invest in raising our brand awareness and perception by conducting online and offline brand promotions and other marketing activities to attract users across wider demographics, such as distributing our content and brand campaigns across various channels and platforms; (ii) acquire users through targeted channel acquisitions such as app stores and advertisements and feed-based advertisements, and closely monitor the effectiveness of our spending and healthiness of our ecosystem;
- (d) **approximately 10% (approximately HK\$2,433.22 million, assuming the Overallotment Option is not exercised) for general corporate purposes and working capital needs.**

If the net proceeds from the Global Offering are not immediately used for the purposes described above, and to the extent permitted by applicable law and regulations, we intend to place them on short-term deposit with licensed banks and/or authorized financial institutions.

UNDERWRITING

Hong Kong Underwriters

Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG Hong Kong Branch
China International Capital Corporation Hong Kong Securities Limited
Merrill Lynch (Asia Pacific) Limited
Credit Suisse (Hong Kong) Limited
CLSA Limited
Haitong International Securities Company Limited
CMB International Capital Limited
CCB International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Wellington Financial Limited

Underwriting

We publish this document solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. We expect the International Offering to be fully underwritten by the International Underwriters. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 750,000 Hong Kong Offer Shares and the International Offering of initially 24,250,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “*Structure of the Global Offering*” as well as to the Over-allotment Option (in the case of the International Offering).

Underwriting Arrangements and Expenses

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this document at the Public Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Class Z ordinary shares in issue and to be issued pursuant to the Global Offering (including the Class Z ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option), the Class Z ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time, and the Class Z ordinary shares to be issued after conversion of Class Y ordinary shares into Class Z ordinary shares on the Main Board of the Hong Kong Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this document and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives may (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion be entitled to terminate the Hong Kong Underwriting Agreement, by notice in writing to the Company, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market or the Hong Kong Stock Exchange;
- trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market;
- a material disruption in securities settlement, payment or clearance services in the United States, the Cayman Islands, the PRC or Hong Kong shall have occurred;
- any moratorium on commercial banking activities shall have been declared by United States Federal, New York State, the Cayman Islands, the PRC or Hong Kong authorities; or
- there shall have occurred any outbreak or escalation of hostilities or any change in financial markets, currency exchange rates or controls or any calamity or crisis or any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national, regional or international emergency or war, acts of war, acts of terrorism or acts of God) that, in the reasonable judgment of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters), is material and adverse and which, singly or together with any other event specified in this paragraph, makes it, in the reasonable judgment of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters), impracticable to proceed with the offer, sale or delivery of the Offer Shares on the terms and in the manner contemplated in this document, the Green Application Form, the formal notice, the registration statement, the disclosure package, the preliminary prospectus or the final prospectus to be filed or issued by us in connection with the International Offering.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

We have undertaken to each of the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters that for the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is 90 day after the Price Determination Date (the “**Lock-Up Period**”), or such earlier date that the Joint Sponsors (for themselves and on behalf of the Underwriters) consent to in writing, and unless in compliance with the requirements of the Hong Kong Listing Rules, we will not, directly or indirectly, take any of the following actions with respect to our Shares or ADSs, or any securities convertible into or exchangeable or exercisable for any of our Shares or ADSs (“**Lock-Up Securities**”):

- (a) offer, sell, issue, pledge, contract to sell or otherwise dispose of Lock-Up Securities,
- (b) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities,

UNDERWRITING

- (c) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the U.S. Exchange Act; or
- (d) file with the SEC a registration statement under the U.S. Securities Act relating to Lock-Up Securities, other than registration statements on Form S-8 relating to the issuance, vesting, exercise or settlement of equity awards granted or to be granted pursuant to any employee benefit plan described in this document,

without the prior written consent of the Joint Sponsors, provided, however, that we shall be permitted during the Lock-Up Period to, without prior written consent of the Joint Sponsors:

- (1) issue any securities in connection with the convertible senior notes due 2026 in the aggregate principal amount of US\$500 million that were issued by the Company in April 2019 and the convertible senior notes due 2027 in the aggregate principal amount of US\$800 million that were issued by the Company in June 2020;
- (2) sell, or cause to be sold, the Offer Shares to be sold and/or issued hereunder, including, for avoidance of doubt, any Shares to be loaned and sold pursuant to the borrowing arrangement by and among the Stabilizing Manager (or its affiliates or any person acting for it) and Profound Surplus Limited, which arrangement is intended to facilitate stabilizing activities in connection with the Global Offering;
- (3) issue Shares or ADSs or the grant of options to purchase Shares, restricted shares, RSUs or any other equity-linked rights issuable under our Share Incentive Plans existing on the date of the Hong Kong Underwriting Agreement, including the effect of one or more bulk issuances of Shares, or ADSs upon deposit of Shares with our depository bank, and delivered to our brokerage accounts existing on the date of the Hong Kong Underwriting Agreement, in contemplation of future issuance under our share incentive plans existing on the date of the Hong Kong Underwriting Agreement;
- (4) effect any capitalization issue, capital reduction or consolidation or sub-division of the Shares;
- (5) issue securities upon the exercise of an option or a warrant, the vesting of a RSU or the conversion of a security outstanding on the date of the Hong Kong Underwriting Agreement;
- (6) issue any securities by us in connection with our acquisition of one or more businesses, assets, products or technologies, joint ventures, commercial relationships or other strategic corporate transactions, **provided that** the recipients of such securities execute a lock-up agreement in favor of the Underwriters; and
- (7) repurchase securities pursuant to our share repurchase programs existing on the date of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with among others, the Joint Representatives (for themselves and on behalf of the International Underwriters) on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure

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subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. The International Offering will consist of a U.S. offering and a non-U.S. offering. We expect that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “*Structure of the Global Offering—The International Offering.*”

Over-allotment Option

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which we may be required to issue up to an aggregate of 3,750,000 Class Z ordinary shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the International Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See “*Structure of the Global Offering—Over-allotment Option.*”

Commissions and Expenses

The Underwriters will receive an underwriting commission of 0.8% of the aggregate offer price of all the Offer Shares (including any Offer Shares to be issued by us pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees. In addition, the Company may at its sole discretion pay any one or all of the Underwriters an additional incentive fee of up to an aggregate of no more than 0.2% of the Offer Price for each Offer Share.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate of 0.8% of the Offer Price for each Offer Share, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, SEC registration fees, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately RMB347.4 million (assuming an indicative offer price of HK\$988.00 per Offer Share for both Hong Kong Public Offering and International Offering and the exercise of the Over-allotment Option in full) and will be paid by us.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit

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default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to the Class Z ordinary shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Class Z ordinary shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Class Z ordinary shares (which financing may be secured by the Class Z ordinary shares) in the Global Offering, proprietary trading in the Class Z ordinary shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Class Z ordinary shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Class Z ordinary shares, which may have a negative impact on the trading price of the Class Z ordinary shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Class Z ordinary shares, in baskets of securities or indices including the Class Z ordinary shares, in units of funds that may purchase the Class Z ordinary shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Class Z ordinary shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Class Z ordinary shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “*Structure of the Global Offering*”. Such activities may affect the market price or value of the Class Z ordinary shares, the liquidity or trading volume in the Class Z ordinary shares and the volatility of the price of the Class Z ordinary shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to Stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its

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affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

Lock-up

Lock-up Letter Agreements executed by Directors, executive officers and certain shareholders of the Company

Each of Rui CHEN, Yi XU, Ni LI, JP GAN, Eric HE, Feng LI, Guoqi DING, Xin FAN, Vanship Limited, Windforce Limited, Kami Sama Limited and Saber Lily Limited has agreed that, subject to certain exceptions, during the period commencing on the Price Determination Date and ending on, and including, the date that is the 90th day after the Price Determination Date (the “**Restricted Period**”), he/she/it will not, without the prior written consent of the Joint Representatives (for themselves and on behalf of the International Underwriters): (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ADSs or Class Z ordinary shares or any other securities convertible into or exercisable or exchangeable for ADSs or Class Z ordinary shares (including without limitation securities which may be issued upon exercise of a stock option or warrant), whether owned as at the Price Determination Date and during the Restricted Period by him/her/it (including holding as custodian) or with respect to which he/she/it has beneficial ownership or interest within the rules and regulations of the SEC and/or the SFO as at the Price Determination Date and during the Restricted Period (collectively, the “**Restricted Securities**”), or (ii) enter into a transaction which would have the same effect as the transaction set forth in (i) above, or enter into any swap, hedge or other agreement, arrangement or transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the Restricted Securities, whether any transaction described in (i) or (ii) above is to be settled by delivery of the Class Z ordinary shares or ADSs or such other securities, in cash or otherwise; provided, however, that the foregoing restrictions shall not apply to:

- (a) any transaction relating only to Class Z ordinary shares or ADSs or other securities acquired in open market transactions after the Price Determination Date;
- (b) transfers of Restricted Securities as a bona fide gift (provided that each donee signs and delivers to the Joint Representatives (for themselves and on behalf of the International Underwriters) a lock-up agreement substantially similar to the letter agreement set forth in this subsection);
- (c) distributions of Restricted Securities to limited partners or shareholders of the undersigned or the undersigned’s affiliate (provided that each distributee signs and delivers to the Joint Representatives (for themselves and on behalf of the International Underwriters) a lock-up agreement substantially similar to the letter agreement set forth in this subsection);
- (d) transfers of the Restricted Securities to any trust for the direct or indirect benefit of the undersigned or the undersigned’s immediate family (provided that the trustee agrees in writing to the restrictions set forth above and that the transfer does not involve a disposition for value);
- (e) transfers of the Restricted Securities pursuant to a bona fide third-party tender offer, merger, consolidation or other similar transaction involving all holders of the Class Z

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ordinary shares or ADSs in connection with a Change of Control of the Company (provided that in the event the tender offer, merger, consolidation or other such transaction is not completed, the undersigned shall remain subject to this Letter Agreement and the restrictions set forth above);

- (f) the establishment of a trading plan (a “**Plan**”) pursuant to Rule 10b5-1 under the U.S. Exchange Act for the transfer of the Restricted Securities, provided that (i) such Plan does not provide for the transfer of any Restricted Securities during the Restricted Period and (ii) to the extent a public announcement or filing under the U.S. Exchange Act is required of or voluntarily made regarding the establishment of the Plan, such announcement or filing shall include a statement to the effect that no transfer of the Restricted Securities may be made under the Plan during the Restricted Period; or
- (g) any transfer of the Restricted Securities to such Directors, officers of the Company or Shareholders of the Company who have agreed to the restrictions described above, including transfers to the affiliates owned or controlled by such Directors, officers of the Company or Shareholders of the Company, provided that, for the avoidance of doubt, any Restricted Securities so transferred shall remain subject to such restrictions described above.

The obligations of Rui CHEN, Vanship Limited, Yi XU and Kami Sama Limited under the lock-up letter agreements shall be further subject to certain financing agreements. For the purpose of the lock-up letter agreements, “**Change of Control**” shall mean the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction the result of which is that any “person” (as defined in Section 13(d)(3) of the Exchange Act), or group of persons, other than the Company, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of 50% of the total voting power of the voting stock of the Company, and “**immediate family**” shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

STRUCTURE OF THE GLOBAL OFFERING

The Global Offering

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The listing of the Class Z ordinary share on the Main Board of the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Class Z ordinary share in issue and to be issued as mentioned in this document.

We are initially offering 25,000,000 Offer Shares under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 750,000 Offer Shares (subject to reallocation) in Hong Kong as described below in “—*The Hong Kong Public Offering*”; and
- (b) the International Offering of initially 24,250,000 Offer Shares (subject to reallocation and the Over-allotment Option) pursuant to the shelf registration statement on Form F-3ASR that was filed with the SEC and became effective on April 1, 2019.

Investors may either (a) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (b) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 6.6% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account the Class Z ordinary shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 7.5% of the total Shares in issue immediately following the completion of the Global Offering (without taking into account the Class Z ordinary shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time).

References in this document to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

The Hong Kong Public Offering

Number of Offer Shares initially offered

We are initially offering 750,000 Offer Shares for subscription by the public in Hong Kong at the Public Offer Price, representing 3% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.2% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Class Z ordinary shares to be issued pursuant to the Share Incentive Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions set out in “—*Conditions of the Global Offering*” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Public Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 375,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules to the effect as further described below. 750,000 Offer Shares are initially available in the Hong Kong Public Offering, representing 3% of the Offer Shares initially available under the Global Offering.

Based on the current market conditions, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 10 times or more but less than 15 times, (b) 15 times or

STRUCTURE OF THE GLOBAL OFFERING

more but less than 20 times and (c) 20 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 1,500,000 Offer Shares (in the case of (a)), 2,250,000 Offer Shares (in the case of (b)) and 3,000,000 Offer Shares (in the case of (c)), representing 6.0%, 9.0% and 12.0% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such allocation is done other than pursuant to the clawback mechanism above, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 1,500,000 Class Z ordinary shares, representing 6% of the total number of Offer Shares initially available under the Global Offering).

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the allotment results announcement of the Hong Kong Public Offering, which is expected to be published on Friday, March 26, 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Public Offer Price of HK\$988.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$19,959.12 for one board lot of 20 Class Z ordinary shares. If the Public Offer Price, as finally determined in the manner described in "*—Pricing and Allocation*" below, is less than the maximum Public Offer Price of HK\$988.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "*How to Apply for Hong Kong Offer Shares.*"

STRUCTURE OF THE GLOBAL OFFERING

The International Offering

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 24,250,000 Offer Shares offered by us (subject to adjustment and the Over-allotment Option), representing 97% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 6.4% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Class Z ordinary shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time).

Allocation

The International Offering will include U.S. offering of Offer Shares in the United States as well as non-U.S. offering to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—*Pricing and Allocation*” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Class Z ordinary shares and/or hold or sell its Class Z ordinary shares after the Listing. Such allocation is intended to result in a distribution of the Class Z ordinary shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our benefit and the benefit of the shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in “—*The Hong Kong Public Offering—Reallocation*” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters).

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 3,750,000 Class Z ordinary shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the International Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.0% of the total Shares in issue immediately following the completion of the Global Offering without taking into account the Class Z ordinary shares to be issued pursuant to the Share Incentive Plan, including pursuant to the exercise of options or the vesting of RSUs or other awards that have been or may be granted from time to time. If the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Underwriters use stabilization in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which the Stabilizing Manager may bid for or purchase the securities is not permitted to exceed the Public Offer Price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Class Z ordinary shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as our best interest, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Class Z ordinary shares, (b) selling or agreeing to sell the Class Z ordinary shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Class Z ordinary shares, (c) purchasing, or agreeing to purchase, the Class Z ordinary shares pursuant to the Over-allotment Option in order to close out any position established under clauses (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Class Z ordinary shares for the sole purpose of preventing or minimizing any reduction in the market price of the Class Z ordinary shares, (e) selling or agreeing to sell any Class Z ordinary shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Class Z ordinary shares;

there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;

liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Class Z ordinary shares;

the Stabilizing Manager may not bid for or purchase the securities in order to support the price of the Class Z ordinary shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on April 22, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further purchase or bids may be made, demand for the Class Z ordinary shares, and therefore the price of the Class Z ordinary shares, could fall;

the Stabilizing Manager cannot assure the price of the Class Z ordinary shares to stay at or above the Public Offer Price by the taking of any stabilizing action; and

stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Public Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In addition, stabilization transactions with respect to the ADSs may be effected by one of the Underwriters or its affiliates before the listing of the Class Z ordinary shares on the Hong Kong Stock Exchange in accordance with applicable laws and regulations, and the Underwriters may incur a profit as a result of such transactions.

Over-Allocation

Following any over-allocation of Class Z ordinary shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Class Z ordinary shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Public Offer Price or through the Stock Borrowing Agreement as detailed below, or through a combination of these means.

Stock Borrowing Agreement

To cover any over-allocation of Class Z ordinary shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 3,750,000 Class Z ordinary shares (being the maximum number of Class Z ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option) from Profound Surplus Limited pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or its affiliates or any person acting for it) and Profound Surplus Limited on or before the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

The same number of Class Z ordinary shares so borrowed must be returned to Profound Surplus Limited or their nominees, as the case may be, on or before the sixth business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Overallotment Option is exercised in full.

The Class Z ordinary shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Profound Surplus Limited by the Stabilizing Manager (or any person acting for it) in relation to such Class Z ordinary shares borrowing arrangement.

Pricing and Allocation

Determining the Offer Price

We will determine the pricing for the Offer Shares for the purpose of the various offerings under the Global Offering on the Price Determination Date, which is expected to be on or about Tuesday, March 23, 2021 and, in any event, no later than Friday, March 26, 2021, by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

We will determine the Public Offer Price by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date (which is accessible to the Shareholders and potential investors at www.nasdaq.com/market-activity/stocks/bili), and the Public Offer Price will not be more than HK\$988.00 per Hong Kong Offer Share. The historical prices of our ADSs and trading volume on Nasdaq are set out below.

<u>Period⁽¹⁾</u>	<u>High</u> <u>(US\$)</u>	<u>Low</u> <u>(US\$)</u>	<u>ADTV⁽²⁾</u> <u>(million ADSs)</u>
Fiscal Year ended December 31, 2020	94.35	20.19	5.70
Fiscal Year of 2021 (up to the Latest Practicable Date)	156.37	94.74	7.62

Notes:

- (1) We have not declared or paid any dividends on our ADSs or Shares since our inception and up to the Latest Practicable Date, including the periods presented.
- (2) Average daily trading volume (“ADTV”) represents daily average number of our ADSs traded over the relevant period.

Applicants under the Hong Kong Public Offering must pay, on application, the maximum Public Offer Price of HK\$988.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK\$19,959.12 for one board lot of 20 Class Z ordinary shares.

We may set the International Offer Price at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date (on a per Class Z ordinary share converted basis) were to exceed the maximum Public Offer Price as stated in this document and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the book-building process.

If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will we set the Public Offer Price above the maximum Public Offer Price as stated in this document or the International Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

We reserve the right not to proceed with the Hong Kong Public Offering or the International Offering on or at any time until the Price Determination Date if, for any reason, including as a result of volatility in the price of our ADSs or other changes in market conditions, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Friday, March 26, 2021.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the number of Offer Shares offered below as stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on our website and the website of the Hong Kong Stock Exchange at <http://ir.bilibili.com> and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this document, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

Announcement of Final Pricing of the Offer Shares

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "*How to Apply for Hong Kong Offer Shares—D. Publication of Results.*"

Underwriting

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, our agreeing with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “*Underwriting*.”

Conditions of the Global Offering

Acceptance of all applications for Offer Shares will be conditional on:

the Listing Committee granting approval for the listing of, and permission to deal in, the Class Z ordinary shares in issue and to be issued pursuant to the Global Offering (including the Class Z ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option), the Class Z ordinary shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and the Class Z ordinary shares to be issued after the conversion of Class Y ordinary shares into Class Z ordinary shares;

the pricing of the Offer Shares having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us;

the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this document.

If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares on or before Friday, March 26, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on our website and the website of the Hong Kong Stock Exchange at <http://ir.bilibili.com> and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “*How to Apply for Hong Kong Offer Shares—F. Refund of Application Monies*.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Monday, March 29, 2021, **provided that** the Global Offering has become unconditional in all respects at or before that time.

Dealings in the Class Z ordinary shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, March 29, 2021, it is expected that dealings in the Class Z ordinary shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, March 29, 2021.

The Class Z ordinary shares will be traded in board lots of 20 Shares each and the stock code of the Class Z ordinary shares will be 9626.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this document or any printed copies of any application forms for use by the public.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at <http://ir.bilibili.com>. If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 from (i) from 9:00 a.m. to 9:00 p.m. on Thursday, March 18, 2021 and Friday, March 19, 2021; (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, March 20, 2021 and Sunday, March 21, 2021; (iii) from 9:00 a.m. to 9:00 p.m. on Monday, March 22, 2021; and (iv) from 9:00 a.m. to 12:00 noon on Tuesday, March 23, 2021 .

A. Applications for the Hong Kong Offer Shares

1. How to Apply

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS

HOW TO APPLY FOR HONG KONG OFFER SHARES

Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

- (iii) If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.
- (iv) If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.
- (v) None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.
- (vi) We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- (a) are 18 years of age or older; and
- (b) have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Joint Representatives may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange (details of the relevant waivers are set out in the sections headed "*Waivers and Exemptions — Subscription for Shares by Existing Shareholders*" and "*Waivers and Exemptions — Dealings in Shares prior to Listing*"), you cannot apply for any Hong Kong Offer Shares if:

- (a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;
- (b) you are our director or chief executive and/or a director or chief executive officer of our subsidiaries;
- (c) you are a close associate of any of the above persons;
- (d) you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (e) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the White Form eIPO service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

3. **Terms and Conditions of an Application**

By applying through the application channels specified in this document you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- confirm that you have received and read this document and have relied only on the information and representations in this document in making your application and will not rely on any other information or representations, except those in any supplement to this document;
- confirm that you are aware of the restrictions on the Global Offering set out in this document;
- agree that none of us, the Relevant Persons and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this document (and any supplement to this document);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this document;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “— *Personal Collection*” below to collect the share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that we, our directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 20 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HKS</i>		<i>HKS</i>		<i>HKS</i>		<i>HKS</i>
20	19,959.12	400	399,182.43	3,500	3,492,846.27	100,000	99,795,607.60
40	39,918.25	500	498,978.04	4,000	3,991,824.30	125,000	124,744,509.50
60	59,877.36	600	598,773.65	4,500	4,490,802.34	150,000	149,693,411.40
80	79,836.48	700	698,569.25	5,000	4,989,780.38	200,000	199,591,215.20
100	99,795.61	800	798,364.86	6,000	5,987,736.46	250,000	249,489,019.00
120	119,754.73	900	898,160.47	7,000	6,985,692.53	375,000 ⁽¹⁾	374,233,528.50
140	139,713.85	1,000	997,956.08	8,000	7,983,648.61		
160	159,672.97	1,200	1,197,547.29	9,000	8,981,604.68		
180	179,632.09	1,400	1,397,138.51	10,000	9,979,560.76		
200	199,591.22	1,600	1,596,729.72	20,000	19,959,121.52		
240	239,509.46	1,800	1,796,320.94	30,000	29,938,682.28		
280	279,427.70	2,000	1,995,912.15	40,000	39,918,243.04		
320	319,345.95	2,500	2,494,890.19	50,000	49,897,803.80		
360	359,264.18	3,000	2,993,868.23	75,000	74,846,705.70		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “— *Who Can Apply*” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8690 which is available (i) from 9:00 a.m. to 9:00 p.m. on Thursday, March 18, 2021 and Friday, March 19, 2021; (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, March 20, 2021 and Sunday, March 21, 2021; (iii) from 9:00 a.m. to 9:00 p.m. on Monday, March 22, 2021; and (iv) from 9:00 a.m. to 12:00 noon on Tuesday, March 23, 2021.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, March 18, 2021 until 11:30 a.m. on Tuesday, March 23, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, March 23, 2021, the last day for applications, or such later time as described in “C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Bilibili Inc.” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this document; and
- HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- (iii) undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (iv) (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as its agent;
- (vi) confirm that you understand that we, our directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (vii) authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- (ix) confirm that you have received and read this document and have relied only on the information and representations in this document in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this document;
- (x) agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this document (and any supplement to this document);
- (xi) agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong) except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document;

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Offer Shares;
- (xvi) agree with us, for ourselves and for the benefit of each shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each shareholder, with each CCASS Participant giving electronic application instructions) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Public Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Public Offer Price is less than the maximum Public Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this document.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, March 18, 2021 — 9:00 a.m. to 8:30 p.m.

Friday, March 19, 2021 — 8:00 a.m. to 8:30 p.m.

Monday, March 22, 2021 — 8:00 a.m. to 8:30 p.m.

Tuesday, March 23, 2021 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, March 18, 2021 until 12:00 noon on Tuesday, March 23, 2021 (24 hours daily, except on Tuesday, March 23, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, March 23, 2021, the last day for applications, or such later time as described in “*C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists*” below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through CCASS EIPO service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect

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transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Register of Members;
- verifying identities of the holders of our Class Z ordinary shares;
- establishing benefit entitlements of holders of our Class Z ordinary shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Class Z ordinary shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Class Z ordinary shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;

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- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “*Corporate Information*” in this document or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. **Warning for Electronic Applications**

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, the Relevant Persons, the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should go to HKSCC’s Customer Service Center to complete an input request form for electronic application instructions before 12 noon on Tuesday, March 23, 2021.

8. **How Many Applications Can You Make**

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC

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Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. How Much are the Hong Kong Offer Shares

The maximum Public Offer Price is HK\$988.00 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 20 Hong Kong Offer Shares, you will pay HK\$19,959.12.

You must pay the maximum Public Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO service** in respect of a minimum of 20 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 20 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “— 4. *Minimum Application Amount and Permitted Numbers*”.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

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For further details on the Public Offer Price, see “*Structure of the Global Offering — Pricing and Allocation.*”

C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 23, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, March 23, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “*Expected Timetable,*” we will make an announcement on our websites at <http://ir.bilibili.com> and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

D. Publication of Results

We expect to announce the pricing of the Offer Shares on Tuesday, March 23, 2021 on our website at <http://ir.bilibili.com> and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Friday, March 26, 2021 on our website at <http://ir.bilibili.com> and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our website and the website of the Hong Kong Stock Exchange at <http://ir.bilibili.com> and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Friday, March 26, 2021;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Friday, March 26, 2021 to 12:00 midnight on Thursday, April 1, 2021; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, March 26, 2021 and from Monday, March 29, 2021 to Wednesday, March 31, 2021.

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If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “*Structure of the Global Offering*.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. Circumstances in Which You Will Not be allocated the Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS eIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this document; or
- if any supplement to this document is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If we or our agents exercise discretion to reject your application:

We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 375,000 Hong Kong Offer Shares, being 50% of the 750,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- we or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Public Offer Price as finally determined is less than the maximum Public Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “*Structure of the Global Offering — Conditions of the Global Offering*” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Friday, March 26, 2021.

G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks

You will receive one share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund checks as mentioned below, any refund checks and share certificate(s) are expected to be posted on or before Friday, March 26, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, March 29, 2021, **provided that** the Global Offering has become unconditional in all respects at or before that time.

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Investors who trade Class Z ordinary shares on the basis of publicly available allocation details or prior to the receipt of the share certificates or prior to the share certificates becoming valid do so entirely at their own risk.

Personal Collection

- *If you apply through White Form eIPO service:*

- (a) If you apply for 100,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, March 26, 2021, or any other place or date notified by us.
- (b) If you do not personally collect your share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- (c) If you apply for less than 100,000 Hong Kong Offer Shares through the **White Form eIPO** service, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, March 26, 2021 by ordinary post and at your own risk.
- (d) If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

- *If you apply through CCASS EIPO service:*

Allocation of the Hong Kong Offer Shares

For the *purposes* of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (a) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, March 26, 2021 or on any other date determined by HKSCC or HKSCC Nominees.
- (b) We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner

HOW TO APPLY FOR HONG KONG OFFER SHARES

as described in “— *Publication of Results*” above on Friday, March 26, 2021. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, March 26, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- (c) If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.
- (d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, March 26, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Public Offer Price and the maximum Public Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Friday, March 26, 2021.

H. Admission of the Shares into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Class Z ordinary shares and we comply with the stock admission requirements of HKSCC, the Class Z ordinary shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class Z ordinary shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

We have made all necessary arrangements to enable the Class Z ordinary shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BILIBILI INC. AND MORGAN STANLEY ASIA LIMITED, GOLDMAN SACHS (ASIA) L.L.C., J.P. MORGAN SECURITIES (FAR EAST) LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Bilibili Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-65, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020, and the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated March 18, 2021 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation set out in Note 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-3 have been made.

Dividends

No dividends have been paid by Bilibili Inc. in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

March 18, 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Group for the years ended December 31, 2018, 2019 and 2020 (collectively referred as "Historical Financial Statements"). The consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") relating to the financial statements, and the effectiveness of internal control over financial reporting as of December 31, 2019 and 2020.

The Historical Financial Information is presented in Renminbi and United States Dollars. All values are rounded to the nearest thousand except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except for share data)

		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2020
	Notes	RMB	RMB	RMB	US\$ Note 2(e)
Assets					
Current assets:					
Cash and cash equivalents	2(g)	3,540,031	4,962,660	4,678,109	716,952
Time deposits	2(g)	749,385	1,844,558	4,720,089	723,385
Accounts receivable, net	2(h)	324,392	744,845	1,053,641	161,478
Amount due from related parties	20	—	195,290	164,732	25,246
Prepayments and other current assets	4	990,851	1,315,901	1,765,787	270,619
Short-term investments	5	945,338	1,260,810	3,357,189	514,511
Total current assets		6,549,997	10,324,064	15,739,547	2,412,191
Non-current assets:					
Property and equipment, net	6	394,898	516,087	761,941	116,773
Production cost, net		204,231	443,533	667,876	102,356
Intangible assets, net	7	1,419,435	1,657,333	2,356,959	361,220
Deferred tax assets	10(c)	—	10,479	20,918	3,206
Goodwill	8	941,488	1,012,026	1,295,786	198,588
Long-term investments, net	9	979,987	1,251,129	2,232,938	342,213
Other long-term assets		—	301,916	789,643	121,019
Total non-current assets		3,940,039	5,192,503	8,126,061	1,245,375
Total assets		10,490,036	15,516,567	23,865,608	3,657,566
Liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiary of RMB4,073.2 million, RMB5,747.1 million and RMB8,819.5 million as of December 31, 2018, 2019 and 2020, respectively)					
Current liabilities:					
Accounts payable		1,307,598	1,904,042	3,074,298	471,157
Salary and welfare payable		246,815	355,936	734,376	112,548
Taxes payable	11	38,505	67,856	127,192	19,493
Short-term loans		—	—	100,000	15,326
Deferred revenue		985,143	1,369,000	2,118,006	324,599
Accrued liabilities and other payables	12	670,442	575,763	1,237,676	189,682
Amount due to related parties	20	50,331	—	—	—
Total current liabilities		3,298,834	4,272,597	7,391,548	1,132,805
Non-current liabilities:					
Long-term debt	13	—	3,414,628	8,340,922	1,278,302
Other long-term liabilities		—	192,882	350,934	53,784
Total non-current liabilities		—	3,607,510	8,691,856	1,332,086
Total liabilities		3,298,834	7,880,107	16,083,404	2,464,891

CONSOLIDATED BALANCE SHEETS (Continued)
(All amounts in thousands, except for share data)

		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2020
	Notes	RMB	RMB	RMB	US\$ Note 2(e)
Commitments and contingencies (Note 19)					
Shareholders' equity					
Ordinary shares:					
Class Y Ordinary Shares (US\$0.0001					
par value; 100,000,000 shares					
authorized, 85,364,814 shares issued					
and outstanding, as of December 31,					
2018 and 2019; US\$0.0001 par					
value; 100,000,000 shares authorized,					
83,715,114 shares issued and					
outstanding as of December 31,					
2020)					
	14	53	53	52	8
Class Z Ordinary Shares (US\$0.0001					
par value; 9,800,000,000 shares					
authorized, 229,056,421 shares					
issued and 226,323,075 shares					
outstanding as of December 31,					
2018; 9,800,000,000 shares					
authorized, 247,230,234 shares					
issued, 242,751,341 shares					
outstanding as of December 31,					
2019; 9,800,000,000 shares					
authorized, 271,507,165 shares					
issued, 268,204,838 shares					
outstanding as of December 31,					
2020)					
	14	144	155	172	26
Additional paid-in capital		9,459,546	10,718,190	14,616,302	2,240,046
Statutory reserves	2(z)	7,666	13,463	17,884	2,741
Accumulated other comprehensive					
income		326,077	466,229	141,129	21,629
Accumulated deficit		(2,842,690)	(4,145,606)	(7,175,339)	(1,099,668)
Total Bilibili Inc.'s shareholders' equity		<u>6,950,796</u>	<u>7,052,484</u>	<u>7,600,200</u>	<u>1,164,782</u>
Noncontrolling interests	2(aa)	240,406	583,976	182,004	27,893
Total shareholders' equity		<u>7,191,202</u>	<u>7,636,460</u>	<u>7,782,204</u>	<u>1,192,675</u>
Total liabilities and shareholders'					
equity		<u>10,490,036</u>	<u>15,516,567</u>	<u>23,865,608</u>	<u>3,657,566</u>

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(All amounts in thousands, except for share and per share data)

	Notes	For the Year Ended December 31,			
		2018	2019	2020	2020
		RMB	RMB	RMB	US\$ Note 2(e)
Net revenues	2(v)	4,128,931	6,777,922	11,998,976	1,838,924
Cost of revenues	2(w)	(3,273,493)	(5,587,673)	(9,158,800)	(1,403,648)
Gross profit		855,438	1,190,249	2,840,176	435,276
Operating expenses:					
Sales and marketing expenses	2(o)	(585,758)	(1,198,516)	(3,492,091)	(535,186)
General and administrative expenses	2(p)	(461,165)	(592,497)	(976,082)	(149,592)
Research and development expenses	2(n)	(537,488)	(894,411)	(1,512,966)	(231,872)
Total operating expenses		(1,584,411)	(2,685,424)	(5,981,139)	(916,650)
Loss from operations		(728,973)	(1,495,175)	(3,140,963)	(481,374)
Other income:					
Investment income, net (including impairments)		96,440	96,610	28,203	4,322
Interest income		68,706	162,782	83,301	12,766
Interest expense		—	(46,543)	(108,547)	(16,636)
Exchange (losses)/gains		(1,661)	(11,789)	41,717	6,393
Others, net		26,455	26,412	95,641	14,660
Total other income, net		189,940	227,472	140,315	21,505
Loss before tax		(539,033)	(1,267,703)	(3,000,648)	(459,869)
Income tax	10(a)	(25,988)	(35,867)	(53,369)	(8,180)
Net loss		(565,021)	(1,303,570)	(3,054,017)	(468,049)
Accretion to redeemable noncontrolling interests		—	—	(4,292)	(658)
Accretion to Pre-IPO Preferred Shares redemption value		(64,605)	—	—	—
Net loss attributable to noncontrolling interests		13,301	14,597	46,605	7,143
Net loss attributable to the Bilibili Inc.'s shareholders		(616,325)	(1,288,973)	(3,011,704)	(461,564)
Net loss		(565,021)	(1,303,570)	(3,054,017)	(468,049)
Other comprehensive income/ (loss):					
Foreign currency translation adjustments		296,030	140,152	(325,100)	(49,823)
Total other comprehensive income/ (loss): ..		296,030	140,152	(325,100)	(49,823)
Total comprehensive loss		(268,991)	(1,163,418)	(3,379,117)	(517,872)
Accretion to redeemable noncontrolling interests		—	—	(4,292)	(658)
Accretion to Pre-IPO Preferred Shares redemption value		(64,605)	—	—	—
Net loss attributable to noncontrolling interests		13,301	14,597	46,605	7,143
Comprehensive loss attributable to the Bilibili Inc.'s shareholders		(320,295)	(1,148,821)	(3,336,804)	(511,387)
Net loss per share, basic	18	(2.64)	(3.99)	(8.71)	(1.33)
Net loss per share, diluted	18	(2.64)	(3.99)	(8.71)	(1.33)
Net loss per ADS, basic		(2.64)	(3.99)	(8.71)	(1.33)
Net loss per ADS, diluted		(2.64)	(3.99)	(8.71)	(1.33)
Weighted average number of ordinary shares, basic	18	233,047,703	323,161,680	345,816,023	345,816,023

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
LOSS (Continued)**

(All amounts in thousands, except for share and per share data)

	Notes	For the Year Ended December 31,			
		2018 RMB	2019 RMB	2020 RMB	2020 US\$ Note 2(e)
Weighted average number of ordinary shares, diluted	18	233,047,703	323,161,680	345,816,023	345,816,023
Weighted average number of ADS, basic		233,047,703	323,161,680	345,816,023	345,816,023
Weighted average number of ADS, diluted		233,047,703	323,161,680	345,816,023	345,816,023
Share-based compensation expenses included in:					
Cost of revenues		28,173	23,281	37,087	5,684
Sales and marketing expenses		11,499	14,269	40,808	6,254
General and administrative expenses		102,544	68,497	181,753	27,855
Research and development expenses		38,977	66,503	126,250	19,349

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in thousands, except for share data)

	Ordinary shares						Other permanent equities						Total shareholders' (deficit)/equity									
	Class Y Ordinary Shares		Class Z Ordinary Shares		Pre-IPO Class A Ordinary Shares		Pre-IPO Class B Ordinary Shares		Pre-IPO Class C Ordinary Shares		Pre-IPO Class D Ordinary Shares		Additional paid-in capital		Statutory reserves		Accumulated other comprehensive income		Noncontrolling interests			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balance at December 31,																						
2017	—	—	—	—	69,336,926	45	13,600,000	16,356	8,500,000	16,944	2,132,353	6,911	208,884	4,075	30,047	(2,222,774)	—	—	—	—	(1,939,512)	
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(551,720)	(13,301)	—	—	—	(565,021)	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	178,343	—	—	—	—	2,850	—	—	—	181,193	
Share issuance upon initial public offering and follow-on offering, net of issuance costs of US\$6,333	—	—	67,063,451	43	—	—	—	—	—	—	—	4,952,563	—	—	—	—	—	—	—	—	4,952,606	
Redesignation of Pre-IPO Ordinary Shares into Class Y and Class Z	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Ordinary Shares upon initial public offering	84,260,279	52	9,309,000	6	(69,336,926)	(45)	(13,600,000)	(16,356)	(8,500,000)	(16,944)	(2,132,353)	(6,911)	40,198	—	—	—	—	—	—	—	—	
Redesignation of Pre-IPO Preferred Shares into Class Y and Class Z	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Ordinary Shares upon initial public offering	1,104,535	1	141,808,970	89	—	—	—	—	—	—	—	—	4,079,558	—	—	—	—	—	—	—	4,079,648	
Pre-IPO Preferred Shares redemption value	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
accretion	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(64,605)	—	—	—	—	(64,605)	
Capital injection in subsidiaries by noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22,198	—	—	—	22,198	
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	228,659	—	—	—	228,659	
Share issuance from exercise of share options	—	—	8,141,654	6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	
Appropriation to statutory reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
	—	—	—	—	—	—	—	—	—	—	—	—	—	—	296,030	—	—	—	—	—	—	296,030
Balance at December 31,																						
2018	85,364,814	53	226,323,075	144	—	—	—	—	—	—	—	—	9,459,546	7,666	326,077	(2,842,690)	240,406	—	—	—	7,191,202	

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(All amounts in thousands, except for share data)

	Ordinary shares						Statutory reserves	Accumulated other comprehensive income	Accumulated deficit	Noncontrolling interests	Total shareholders' equity
	Class Y Ordinary Shares		Class Z Ordinary Shares		Additional paid-in capital	RMB					
	Shares	Amount	Shares	Amount							
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Balance at December 31, 2018	85,364,814	53	226,323,075	144	9,459,546	7,666	326,077	(2,842,690)	240,406	7,191,202	
Net loss	—	—	—	—	—	—	—	(1,288,973)	(14,597)	(1,303,570)	
Share-based compensation	—	—	—	—	172,550	—	—	—	—	172,550	
Issuance of ordinary shares, net of issuance costs of US\$9,376	—	—	14,173,813	10	1,647,701	—	—	—	—	1,647,711	
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	30,000	30,000	
Consolidation of an entity under common control (Note 24)	—	—	—	—	(488,463)	—	—	(8,146)	426,448	(70,161)	
Purchase of noncontrolling interests	—	—	—	—	(73,144)	—	—	—	(102,480)	(175,624)	
Share issuance from exercise of share options	—	—	2,254,453	1	—	—	—	—	—	1	
Deconsolidation of a subsidiary	—	—	—	—	—	—	—	—	4,199	4,199	
Appropriation to statutory reserves	—	—	—	—	—	5,797	—	(5,797)	—	—	
Foreign currency translation adjustments	—	—	—	—	—	—	140,152	—	—	140,152	
Balance at December 31, 2019	85,364,814	53	242,751,341	155	10,718,190	13,463	466,229	(4,145,606)	583,976	7,636,460	

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(All amounts in thousands, except for share data)

	Ordinary shares						Statutory reserves	Accumulated other comprehensive income	Accumulated deficit	Noncontrolling interests	Total shareholders' equity
	Class Y Ordinary Shares		Class Z Ordinary Shares		Additional paid-in capital	Total shareholders' equity					
	Shares	Amount	Shares	Amount							
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Balance at December 31, 2019	85,364,814	53	242,751,341	155	10,718,190	13,463	466,229	(4,145,606)	583,976	7,636,460	
Net loss	—	—	—	—	—	—	—	(3,007,412)	(46,605)	(3,054,017)	
Impact of adoption of credit loss guidance	—	—	—	—	—	—	—	(17,900)	—	(17,900)	
Share-based compensation	—	—	—	—	385,898	—	—	—	—	385,898	
Share issuance from exercise of share options	—	—	4,491,566	3	—	—	—	—	—	3	
Issuance ordinary shares related to long-term investment	—	—	—	—	277,467	—	—	—	—	277,467	
Issuance of ordinary shares, net of issuance costs of US\$563	—	—	17,310,696	12	2,817,446	—	—	—	—	2,817,458	
Shares redesignation	(1,649,700)	(1)	1,649,700	1	—	—	—	—	—	—	
Accretion to redeemable noncontrolling interests	—	—	—	—	(4,292)	—	—	—	(1,672)	(5,964)	
Capital injection in subsidiaries by noncontrolling interests	—	—	—	—	—	—	—	—	21,463	21,463	
Acquisition of subsidiaries	—	—	270,435	*	120,865	—	—	—	41,627	162,492	
Purchase of noncontrolling interests	—	—	1,731,100	1	300,728	—	—	—	(416,785)	(116,056)	
Appropriation to statutory reserves	—	—	—	—	—	4,421	—	(4,421)	—	—	
Foreign currency translation adjustment	—	—	—	—	—	—	(325,100)	—	—	(325,100)	
Balance at December 31, 2020	83,715,114	52	268,204,838	172	14,616,302	17,884	141,129	(7,175,339)	182,004	7,782,204	

* Less than 1.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands)

	For the Year Ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$ Note 2(e)
Cash flows from operating activities:				
Net loss	(565,021)	(1,303,570)	(3,054,017)	(468,049)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation of property and equipment	99,714	191,784	326,512	50,040
Amortization of intangible assets	542,731	905,613	1,395,129	213,813
Amortization of right-of-use assets	—	70,712	96,235	14,749
Amortization of debt issuance costs	—	9,117	19,291	2,956
Share-based compensation expenses	181,193	172,550	385,898	59,142
Allowance for doubtful accounts	10,904	9,396	99,165	15,198
Inventory provision	—	5,987	6,218	953
Deferred income taxes	—	(10,479)	(13,466)	(2,064)
Unrealized exchange losses/(gains)	497	2,636	(3,018)	(463)
Unrealized fair value changes of short-term investments	(1,799)	17,939	(39,470)	(6,049)
Fair value changes of long-term investments	2,072	18,444	(11,171)	(1,712)
Gain on disposal of long-term investments and subsidiaries	—	(148,776)	—	—
Loss from equity method investments	—	24,173	50,531	7,744
Revaluation of previously held equity interests	(144,434)	—	—	—
Impairments of long-term investments	46,375	5,900	8,000	1,226
Changes in operating assets and liabilities:				
Accounts receivable	65,612	(398,968)	(417,237)	(63,944)
Amount due from related parties	35,118	7,382	17,015	2,608
Prepayments and other assets	(540,647)	(508,515)	(610,592)	(93,577)
Other long-term assets	—	(360,497)	(245,224)	(37,582)
Accounts payable	345,917	586,864	816,103	125,073
Salary and welfare payable	95,452	101,788	374,442	57,386
Taxes payable	13,708	23,114	54,381	8,334
Amount due to related parties	44,607	(50,331)	—	—
Deferred revenue	398,623	353,997	734,786	112,611
Accrued liabilities and other payables	106,664	277,875	651,651	99,869
Other long-term liabilities	—	190,416	111,941	17,156
Net cash provided by operating activities	737,286	194,551	753,103	115,418
Cash flows from investing activities:				
Purchase of property and equipment	(293,566)	(296,044)	(602,122)	(92,279)
Purchase of intangible assets	(1,040,125)	(1,268,830)	(1,636,877)	(250,862)
Purchase of short-term investments	(6,666,731)	(9,973,879)	(26,731,176)	(4,096,732)
Maturities of short-term investments	6,252,151	9,993,525	24,921,538	3,819,393
Cash consideration paid for purchase of subsidiaries, net of cash acquired	(135,822)	(719,909)	(498,854)	(76,453)
Cash paid for long-term investments including loans	(565,137)	(1,226,794)	(1,261,161)	(193,281)
Repayment of loans from investees	—	11,000	3,500	536
Cash received from disposal of long-term investments	1,250	566,554	135,254	20,729
Impact to cash resulting from deconsolidation of a subsidiary	—	(959)	—	—
Placements of time deposits	(750,473)	(4,920,099)	(10,907,296)	(1,671,616)
Maturities of time deposits	2,059	3,877,158	7,670,373	1,175,536
Net cash used in investing activities	(3,196,394)	(3,958,277)	(8,906,821)	(1,365,029)
Cash flows from financing activities:				
Proceeds of short-term loans	—	141,857	200,000	30,651
Repayment of short-term loans	—	(100,000)	(100,000)	(15,326)
Purchase of noncontrolling interests	—	(121,325)	(280,271)	(42,952)
Capital injections from noncontrolling interests	22,198	154,492	103,450	15,854
Proceeds from exercise of employees' share options	6	1	3	*
Proceeds from issuance of ordinary shares, net of issuance costs of US\$6,333, US\$9,376 and US\$563, respectively	4,952,606	1,647,711	2,817,458	431,794
Proceeds from issuance of convertible senior notes, net of issuance costs of US\$11,805 and US\$13,857, respectively	—	3,356,106	5,594,779	857,437
Net cash provided by financing activities	4,974,810	5,078,842	8,335,419	1,277,458
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	261,447	107,513	(466,252)	(71,456)
Net increase/(decrease) in cash and cash equivalents	2,777,149	1,422,629	(284,551)	(43,609)
Cash and cash equivalents at beginning of the year	762,882	3,540,031	4,962,660	760,561
Cash and cash equivalents at end of the year	3,540,031	4,962,660	4,678,109	716,952

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(All amounts in thousands)

	For the Year Ended December 31,			
	2018	2019	2020	2020
	RMB	RMB	RMB	US\$ Note 2(e)
Supplemental disclosures of cash flows information:				
Cash paid for income taxes, net of tax refund	15,765	33,734	54,022	8,279
Cash paid for interest expense	—	26,203	86,167	13,206
Supplemental schedule of non-cash investing and financing activities:				
Accretion to Pre-IPO Preferred Shares redemption value	64,605	—	—	—
Accretion to redeemable noncontrolling interests	—	—	5,964	914
Fixed assets purchases financed by accounts payable	40,277	55,759	25,797	3,954
Acquisitions and investments financed by accrued liabilities and other payables	502,279	79,059	125,363	19,213
Intangible assets purchases financed by accounts payable	415,780	365,187	746,404	114,391
Issuance of ordinary shares in the business combination, purchase of noncontrolling interests and investment addition	—	—	889,957	136,392

* Less than 1.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Operations and Reorganization

Bilibili Inc. (the “Company” or “Bilibili”) is an online entertainment platform for young generations. The Company, through its consolidated subsidiaries, variable interest entities (“VIEs”) and subsidiaries of the VIEs (collectively referred to as the “Group”), is primarily engaged in the operation of providing online entertainment services to users in the People’s Republic of China (the “PRC” or “China”).

As of December 31, 2020, the Company’s major subsidiaries, VIEs and subsidiaries of the VIEs are as follows:

Major Subsidiaries	Place and Year of Incorporation	Percentage of Direct or Indirect Economic Ownership	Principal Activities
Bilibili HK Limited	Hong Kong Y2014	100	Investment holding
Hode HK Limited	Hong Kong Y2014	100	Investment holding
Bilibili Co., Ltd.	Japan Y2014	100	Business development
Hode Shanghai Limited (“Hode Shanghai”)	PRC Y2014	100	Technology development
Shanghai Bilibili Technology Co., Ltd.	PRC Y2016	100	Technology development

Major VIEs and VIEs’ subsidiaries	Place and Year of Incorporation Acquisition	Percentage of Direct or Indirect Economic Ownership	Principal Activities
Shanghai Hode Information Technology Co., Ltd. (“Hode Information Technology”)	PRC Y2013	100	Mobile game operation
Shanghai Kuanyu Digital Technology Co., Ltd. (“Shanghai Kuanyu”)	PRC Y2014	100	Video distribution and game distribution
Sharejoy Network Technology Co., Ltd. (“Sharejoy Network”)	PRC Y2014	100	Game distribution
Shanghai Hehehe Culture Communication Co., Ltd. (“Shanghai Hehehe”)	PRC Y2014	100	Comics distribution
Shanghai Anime Tamashi Cultural Media Co., Ltd. (“Shanghai Anime Tamashi”)	PRC Y2015	100	E-commerce

History of the Group

• *Reorganization*

The Group commenced operations in 2011 and established Hode Information Technology to expand the principal businesses in 2013. Hode Information Technology was founded by several PRC citizens. The Company was incorporated as a limited liability company in the Cayman Islands in December 2013. Through a series of contemplated transactions in October and December 2014, Hode Shanghai was established to control Hode Information Technology through contractual arrangements (the “Reorganization”). Through these Reorganization transactions, the Group’s business continued to be carried out by Hode Information Technology without changes in control. There was no change in financial statements preparation basis resulted from these Reorganization transactions. Further, the Group obtained control over Shanghai Kuanyu in November 2014 through contractual agreements. Hode Information Technology and Shanghai Kuanyu became the VIEs of the Group. Sharejoy

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)***History of the Group (continued)*

- *Reorganization (continued)*

Network, Shanghai Hehehe and Shanghai Anime Tamashi are the wholly-owned subsidiaries of Hode Information Technology.

- *Initial public offering (“IPO”) and follow-on offerings*

In April 2018, the Company completed its IPO on the NASDAQ Global Select Market (“US IPO”). In the offering, 42,000,000 American depositary shares (“ADSs”), representing 42,000,000 Class Z Ordinary Shares, were issued and sold to the public at a price of US\$11.50 per ADS. The net proceeds to the Company from the US IPO, after deducting commissions and offering expenses, were US\$443.3 million (RMB2,781.8 million).

In October 2018, 25,063,451 ADSs, representing 25,063,451 Class Z Ordinary Shares, were issued and sold to Tencent Holdings Limited (“Tencent”). The net proceeds to the Company from the offering, after deducting offering expenses, were US\$317.2 million (RMB2,170.8 million).

In April 2019, the Company completed an offering of convertible senior notes due 2026 (the “2026 Notes”) in an aggregate principal amount of US\$500.0 million, and a public offering of 14,173,813 ADSs, or the Primary Offering, each ADS representing one Class Z Ordinary Share of the Company at a price of US\$18.00 per ADS. The total net proceeds to the Company from the 2026 Notes and the Primary Offering, after deducting commissions and offering expenses, were US\$733.9 million (RMB5,003.8 million).

In April 2020, 17,310,696 ADSs, representing 17,310,696 Class Z Ordinary Shares, were issued and sold to Sony Corporation of America (“SCA”), a wholly owned subsidiary of Sony Corporation (“Sony”). The net proceeds to the Company from the offering, after deducting offering expenses, were US\$399.4 million (RMB2,817.5 million).

In June 2020, the Company completed an offering of convertible senior notes due 2027 (the “2027 Notes”) in an aggregate principal amount of US\$800.0 million. The total net proceeds to the Company from the 2027 Notes after deducting commissions and offering expenses, were US\$786.1 million (RMB5,594.8 million).

Contractual agreements with major VIEs

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content services, the Group operates its restricted businesses in the PRC through its VIEs, whose equity interests are held by certain founders of the Group. The Company obtained control over these VIEs by entering into a series of contractual arrangements with the legal shareholders who are also referred to as nominee shareholders. These nominee shareholders are the legal owners of the VIEs. However, the rights of those nominee shareholders have been transferred to the Company through the contractual arrangements.

The contractual arrangements that are used to control the VIEs include powers of attorney, exclusive technology consulting and services agreements or exclusive business cooperation

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)***Contractual agreements with major VIEs (continued)*

agreements, equity pledge agreements and exclusive option agreements. Management concluded that the Company, through the contractual arrangements, has the power to direct the activities that most significantly impact the VIEs' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the VIEs, and therefore the Company is the ultimate primary beneficiary of these VIEs. As such, the Company consolidates the financial statements of these VIEs. Consequently, the financial results of the VIEs were included in the Group's consolidated financial statements in accordance with the presentation as stated in Note 2(a).

The following is a summary of the contractual agreements entered into by and among the Company's relevant subsidiaries, the VIEs, and respective nominee shareholders of the VIEs.

Exclusive Technology Consulting and Services Agreements. Under the exclusive technology consulting and services agreements between the Company's relevant subsidiaries and the VIEs, the Company's relevant subsidiaries have the exclusive right to provide the VIEs consulting and services related to, among other things, research and development, system operation, advertising, internal training and technical support. The Company's relevant subsidiaries have the exclusive ownership of intellectual property rights created as a result of the performance of these agreements. These VIEs shall pay the Company's relevant subsidiaries an annual service fee, which are subject to the adjustment by the Company's relevant subsidiaries at its sole discretion. These agreements will remain effective for a 10 year's term and then be automatically renewed, unless the Company's relevant subsidiaries give the VIEs a termination notice 90 days before the term ends. On December 23, 2020, the above agreements were replaced by the exclusive business cooperation agreements, which contain terms substantially similar to the exclusive business cooperation agreements described above, the exclusive business cooperation agreements have an infinite period commencing from December 23, 2020, unless the Company's relevant subsidiaries give the VIEs a termination notice 30 days before the term ends.

Exclusive Option Agreements. Pursuant to the exclusive purchase option agreement, among the Company's relevant subsidiaries, the VIEs and its nominee shareholders, each of the nominee shareholders of the VIEs irrevocably granted the Company's relevant subsidiaries an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of their equity interests in the VIEs, and the purchase price shall be the lowest price permitted by applicable PRC law. In addition, the VIEs irrevocably granted the Company's relevant subsidiaries an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of the VIEs' assets at the book value of such assets, or at the lowest price permitted by applicable PRC law, whichever is higher. The nominee shareholders of the VIEs undertake that, without the prior written consent of the Company's relevant subsidiaries, they shall not increase or decrease the registered capital, dispose of its assets, incur any debts or guarantee liabilities, enter into any material purchase agreements, conduct any merger, acquisition or investments, amend its articles of association or provide any loans to third parties. The exclusive option agreements will remain effective until all equity interests in the VIEs held by their nominee shareholders and all assets of the VIEs are transferred or assigned to the Company's relevant subsidiaries or its designated representatives.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)*****Contractual agreements with major VIEs (continued)***

Powers of Attorney. Pursuant to the powers of attorney, each of the nominee shareholders of the VIEs, executed a power of attorney to irrevocably appoint the Company's relevant subsidiaries or its designated person as nominee shareholder's attorney-in-fact to exercise all of the rights as a shareholder of the VIEs, including, but not limited to, the right to convene and attend shareholders' meeting, vote on any resolution that requires a shareholder vote, such as the appointment or removal of directors and executive officers, other voting rights pursuant to the then-effective articles of association of the VIEs and transfer of VIE's assets. The powers of attorney will remain in force for so long as the nominee shareholders remain shareholders of the VIEs. The powers of attorney were amended on December 23, 2020, which were extended the life to an indefinite terms commencing from December 23, 2020 and will be terminated in the event that (i) the power of attorney is unilaterally terminated by the Company's relevant subsidiaries; or (ii) it is legally permissible for the Company or any of the subsidiaries to hold equity interests directly or indirectly in VIEs or their designated person is registered to be the sole shareholder of VIEs.

Equity Pledge Agreements. Pursuant to the equity pledge agreements, among the Company's relevant subsidiaries, the VIEs and its nominee shareholders, the nominee shareholders of the VIEs pledged all of their equity interests in the VIEs to guarantee their and the VIEs' performance of their obligations under the contractual arrangements. In the event of a breach by the VIEs or the VIEs' shareholders of contractual obligations under these agreements, the Company's relevant subsidiaries, as pledgee, will be entitled the right to dispose of the pledged equity interests in the VIEs. The nominee shareholders of the VIEs also undertake that, during the term of the equity pledge agreements, they shall not dispose of the pledged equity interests or create or allow any encumbrance on the pledged equity interests. During the term of the equity pledge agreements, the Company's relevant subsidiaries has the right to receive all of the dividends and profits distributed on the pledged equity interests. The pledge will remain binding until the VIEs and their nominee shareholders discharge all their obligations under the contractual arrangements.

Risks in relation to the VIE structure

A significant part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. In the opinion of management, the contractual arrangements with the VIEs and the nominee shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The nominee shareholders are also shareholders of the Group and have indicated they will not act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIE were to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, effective on January 1, 2020. The Foreign Investment law has a catch-all provision under the definition of "foreign investment" which includes investments made by foreign investors in China through means

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)*****Risks in relation to the VIE structure (continued)***

stipulated in laws or administrative regulations or other methods prescribed by the State Council. In the event that the State Council in the future promulgates laws and regulations that deem investments made by foreign investors through contractual arrangements as “foreign investment,” the Group’s ability to use the contractual arrangements with its VIEs and the Group’s ability to conduct business through the VIEs could be severely limited.

The Company’s ability to control the VIEs also depends on the powers of attorney the founders have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes these powers of attorney are legally enforceable but may not be as effective as direct equity ownership.

In addition, if the Group’s corporate structure or the contractual arrangements with the VIEs were found to be in violation of any existing or future PRC laws and regulations, the PRC regulatory authorities could, within their respective jurisdictions:

- revoke the Group’s business and/or operating licenses;
- impose fines on the Group;
- confiscate any of the Group’s income that they deem to be obtained through illegal operations;
- discontinue or place restrictions or onerous conditions on the Group’s operations
- restrict the Group’s right to collect revenues;
- shut down the Group’s servers or block the Group’s app/websites;
- require the Group to restructure the operations, re-apply for the necessary licenses or relocate the Group’s businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions against the Group that could be harmful to the Group’s business.

The imposition of any of these restrictions or actions could result in a material adverse effect on the Group’s ability to conduct its business. In such case, the Group may not be able to operate or control the VIEs, which may result in deconsolidation of the VIEs in the Group’s consolidated financial statements. In the opinion of management, the likelihood for the Group to lose such ability is remote based on current facts and circumstances. The Group believes that the contractual arrangements among each of the VIEs, their respective shareholders and relevant wholly foreign-owned enterprises are in compliance with PRC law and are legally enforceable. The Group’s operations depend on the VIEs to honor their contractual arrangements with the Group. These contractual arrangements are

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)*****Risks in relation to the VIE structure (continued)***

governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. Management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those arrangements.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1. Operations and Reorganization (continued)

Risks in relation to the VIE structure (continued)

The following combined financial information of the Group's VIEs as of December 31, 2018, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 included in the accompanying consolidated financial statements of the Group was as follows:

	December 31, 2018	December 31, 2019	December 31, 2020
RMB in thousands			
Current assets:			
Cash and cash equivalents	152,295	201,310	349,190
Time deposits	10,265	7,674	22,161
Accounts receivable, net	130,823	223,438	343,099
Amounts due from the Company and its subsidiaries	165,559	127,944	173,596
Amount due from related parties	—	170,535	59,117
Prepayments and other current assets	841,018	999,780	1,383,648
Short-term investments	252,943	672,787	1,175,309
Non-current assets:			
Long-term investments, net	843,149	794,549	1,223,943
Other non-current assets	943,373	1,483,983	2,183,411
Total assets	3,339,425	4,682,000	6,913,474
Current liabilities:			
Accounts payable	1,078,070	1,454,924	2,332,372
Salary and welfare payable	94,699	128,343	288,686
Taxes payable	27,152	33,611	106,492
Short-term loans	—	—	100,000
Deferred revenue	937,086	1,234,508	1,769,992
Amount due to the Company and its subsidiaries	1,594,527	2,650,499	3,752,973
Accrued liabilities and other payables	318,568	222,078	449,370
Amount due to related parties	23,054	—	—
Non-current liabilities:			
Other long-term liabilities	—	23,108	19,640
Total liabilities	4,073,156	5,747,071	8,819,525
For the Year Ended December 31,			
	2018	2019	2020
RMB in thousands			
Net revenues:			
Revenue from third parties	3,691,219	6,056,332	9,651,207
Revenue from the Company and its subsidiaries	443,405	531,830	667,765
Net revenues	4,134,624	6,588,162	10,318,972
Net loss	(587,932)	(448,114)	(853,970)
For the Year Ended December 31,			
	2018	2019	2020
RMB in thousands			
Net cash provided by operating activities	636,972	271,299	1,476,494
Net cash used in investing activities	(674,483)	(1,518,931)	(2,421,163)
Net cash provided by financing activities	130,592	1,300,740	1,090,287

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)*****Risks in relation to the VIE structure (continued)***

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIEs and can have assets transferred out of the VIEs. Therefore, the Company considers that there are no assets in the respective VIEs that can be used only to settle obligations of the respective VIEs, except for the registered capital of the VIEs amounting to RMB12.2 million, RMB94.8 million and RMB92.1 million, as of December 31, 2018, 2019 and 2020, as well as certain non-distributable statutory reserves amounting to RMB7.7 million, RMB12.5 million and RMB17.9 million, respectively, as of December 31, 2018, 2019 and 2020. As the respective VIEs are incorporated as limited liability companies under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the respective VIEs. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting certain businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

There is no VIE in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

Liquidity

The Group incurred net losses of RMB565.0 million, RMB1,303.6 million and RMB3,054.0 million for the years ended December 31, 2018, 2019 and 2020, respectively. Net cash provided by operating activities was RMB737.3 million, RMB194.6 million and RMB753.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. Accumulated deficit was RMB2,842.7 million, RMB4,145.6 million and RMB7,175.3 million as of December 31, 2018, 2019 and 2020, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract investors' investments. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing. In the past, the Group has been continuously receiving financing support from outside investors through the issuance of preferred shares and public offerings of ordinary shares. In 2018, the Company completed its US IPO, raising US\$443.3 million (RMB2,781.8 million), and issued 25,063,451 Class Z Ordinary Shares to Tencent with net proceed of US\$317.2 million (RMB2,170.8 million). In 2019, the Company completed its offering of the 2026 Notes and the Primary Offering, raising US\$733.9 million (RMB5,003.8 million), after deducting commissions and offering expenses. In 2020, the Company completed an offering of convertible senior notes due 2027 (the "2027 Notes") raising US\$786.1 million (RMB5,594.8 million), after deducting commissions and offering expenses, and the Company issued 17,310,696 Class Z Ordinary Shares to Sony, raising US\$399.4 million (RMB2,817.5 million), after deducting offering expenses. Moreover, the Group can adjust the pace of its operation expansion and control the operating expenses. Based on the above considerations, the Group believes the cash and cash equivalents and the operating cash flows are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the date of the issuance of the consolidated financial

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**1. Operations and Reorganization (continued)*****Liquidity (continued)***

statements. The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

2. Significant Accounting Policies***a) Basis of presentation***

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs for which the Company is the primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company's subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity's economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company's subsidiary is the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries and VIEs have been eliminated upon consolidation.

c) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the balance sheet date and reported revenues and expenses during the reported periods in the consolidated financial statements and accompanying notes. Significant accounting estimates include, but are not limited to, determination of the average playing period for paying players, and assessment for the impairment of long-term investments accounted for using the measurement alternative.

d) Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its overseas subsidiaries incorporated in the Cayman Islands and Hong Kong is United

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****d) Functional currency and foreign currency translation (continued)**

States dollars ("US\$"). The functional currency of the Company's subsidiaries incorporated in Japan is Japanese yen. The functional currency of the Group's PRC entities is RMB.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustments, and are shown as a component of other comprehensive income/(loss) on the consolidated statements of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 exchange gains/(losses) on the consolidated statements of operations and comprehensive loss.

e) Convenience Translation

Translations of balances on the consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2020 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB 6.5250, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US\$ at that rate on December 31, 2020, or at any other rate.

f) Fair value measurements*Financial instruments*

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.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****f) Fair value measurements (continued)**

input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- a. Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- b. 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.
- c. 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 Group's financial instruments include cash and cash equivalents, time deposits, accounts receivable, amount due from/to related parties, short-term investments, and accounts payable of which the carrying values approximate their fair values. Please see Note 22 for additional information.

g) Cash and cash equivalents and time deposits

Cash and cash equivalents mainly represent cash on hand, demand deposits placed with large reputable banks in the United States of America and China, and highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase with terms of three months or less. As of December 31, 2018, 2019 and 2020, there were cash on hand and demand deposits with terms of and less than three months denominated in U.S. dollars amounting to approximately US\$481.6 million, US\$670.1 million and US\$582.2 million, respectively (equivalent to approximately RMB3,305.3 million, RMB4,674.6 million and RMB3,798.5 million, respectively). As of December 31, 2018, 2019 and 2020, the Group had cash held in accounts managed by online payment platforms such as Alipay and Paypal in connection with the collection of online service fees for a total amount of RMB10.8 million, RMB26.8 million and RMB42.0 million, respectively, which have been classified as cash and cash equivalents on the consolidated balance sheets.

As of December 31, 2018, 2019 and 2020, the Group had approximately RMB377.8 million, RMB1,596.0 million and RMB2,144.5 million cash and cash equivalents held by its PRC subsidiaries and VIEs, representing 11%, 32% and 46% of total cash and cash equivalents of the Group, respectively.

Time deposits represent deposits placed with banks with original maturities more than three months but less than one year. As of December 31, 2018, 2019 and 2020, there were time deposits denominated in U.S. dollars amounting to approximately US\$109.2 million, US\$264.4 million and US\$721.1 million, respectively (equivalent to approximately RMB749.4 million, RMB1,844.6 million and RMB4,705.1 million, respectively).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****g) Cash and cash equivalents and time deposits (continued)**

The Group had no other lien arrangements for the years ended December 31, 2018, 2019 and 2020. As of December 31, 2018, 2019 and 2020, the Group had no restricted cash balance.

h) Receivables, net

Prior to January 1, 2020, the Group monitors the collection of its receivables and records allowance for specifically identified non-recoverable amounts. If the economic situation and the financial condition of a customer deteriorate resulting in an impairment of the customer's ability to make payments, additional allowances might be required. Receivable balances are written off when they are determined to be uncollectible.

Starting from January 1, 2020, the Group adopted ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("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 rather than incurred losses. The Group used a modified retrospective approach with a cumulative-effect increase of approximately RMB17.9 million recorded in accumulated deficit.

The Group's accounts receivable and other receivables recorded in prepayments and other current assets are within the scope of ASC Topic 326. Accounts receivable consist primarily of receivables from advertising customers, and receivables from distribution channels.

To estimate expected credit losses, the Group has identified the relevant risk characteristics of its customers and the related receivables and other receivables which include size, type of the services or the products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the past collection experience, current economic conditions, future economic conditions (external data and macroeconomic factors) and changes in the Group's customer collection trends. This is assessed at each quarter based on the Group's specific facts and circumstances. No significant impact of changes in the assumptions since adoption.

The Group recorded a provision for current expected credit loss. The following table sets out movements of the allowance for doubtful accounts for the years ended December 31, 2018, 2019 and 2020:

	For the Year Ended December 31,		
	2018	2019	2020
	RMB in thousands		
Beginning balance prior to ASC 326	—	—	17,696
Impact of adoption to ASC 326	—	—	17,900
Beginning balance	<u>4,516</u>	<u>14,420</u>	<u>35,596</u>
Provisions	10,904	9,396	99,165
Write-offs	(1,000)	(6,120)	(13,758)
Ending balance	<u>14,420</u>	<u>17,696</u>	<u>121,003</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)*****i) Inventories, net***

Inventories, mainly represent products for the Group's e-commerce business, are stated at the lower of cost or net realizable value on the consolidated balance sheets. Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased. Write downs are recorded in cost of revenues on the consolidated statements of operations and comprehensive loss. Certain costs attributable to buying and receiving products, such as purchase freights, are included in cost of inventories.

j) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining lease term. Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized on the consolidated statements of operations and comprehensive loss.

k) Intangible assets, net

Intangible assets acquired through business acquisitions are recognized as assets separate from goodwill if they satisfy either the "contractual-legal" or "separability" criterion. Purchased intangible assets are initially recognized and measured at fair value. Major identifiable intangible assets that have determinable lives continue to be amortized over their estimated useful lives using the straight-line method as follows:

Licensed copyrights of content	shorter of the licensed period or projected useful life of the content, mainly vary from 1 to 8 years
License rights of mobile games	shorter of the licensed period or projected useful life of mobile games, mainly vary from 1 to 3 years
Intellectual property and others	1 - 10 years, based on the underlying intangible assets expected to contribute to the future cash flows

If expectations of the usefulness of the content are revised downward, the unamortized cost is written down to the estimated net realizable value. A write-down from unamortized cost to a lower estimated net realizable value establishes a new cost basis.

l) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity as a result of the Company's acquisitions of interests in its subsidiaries and consolidated VIEs. Goodwill is not depreciated or amortized but is tested for impairment at the reporting unit level on an annual basis,

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)*****l) Goodwill (continued)***

and between annual tests when an event or circumstances change occurs that indicate the asset might be impaired. Under ASC 350-20-35, the Group has the option to choose whether it will apply the qualitative assessment first and then the quantitative assessment, if necessary, or to apply the quantitative assessment directly.

The Group applies the quantitative impairment test, which consists of a two-step quantitative impairment test. The first step was comparing the carrying amount of the reporting unit to the fair value of the reporting unit. If the fair value of the reporting unit exceeded the carrying value of the reporting unit, goodwill was not impaired and the Group was not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Group must perform the second step of the two-step quantitative goodwill impairment test to measure the amount of impairment loss by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill.

On January 1, 2020, the Group adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment to simplify the test for goodwill impairment by removing Step 2, which was issued by the FASB in January 2017. The Group, therefore, performs the goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This adoption did not have a material impact on the consolidated financial statements.

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. The estimated fair value of reporting unit is determined using either an income approach or a market approach, when appropriate. The 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. The Group as a whole is determined to be one reporting unit for goodwill impairment testing. The Group applied the quantitative assessment and performed the goodwill impairment test by quantitatively comparing the fair values of the reporting unit to its carrying amounts. The Group determines the fair value of the reporting unit based on its quoted stock price. The Group concluded that the fair value of its reporting unit remained in excess of the carrying value of the reporting unit, therefore no impairment charge was recognized for any of the periods presented.

m) Impairment of long-lived assets other than goodwill

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)*****m) Impairment of long-lived assets other than goodwill (continued)***

the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets.

n) Research and development expenses

Research and development expenses mainly consist of payroll-related expenses incurred for the innovation of video function, development and enhancement to the Group's websites and platforms of applications and development of online games.

For internal use software, the Group expenses all costs incurred for the preliminary project stage and post implementation-operation stage of development, and costs associated with repair or maintenance of the existing platforms. Costs incurred in the application development stage are capitalized and amortized over the estimated useful life. Since the amount of the Group's research and development expenses qualifying for capitalization has been immaterial, as a result, all development costs incurred for development of internal used software have been expensed as incurred.

For external use software, costs incurred for development of external use software have not been capitalized since the inception of the Group, because the period after the date technical feasibility is reached and the time when the software is marketed is short historically, and the amount of costs qualifying for capitalization has been immaterial.

o) Sales and marketing expenses

Sales and marketing expenses consist primarily of marketing and promotional expenses, salaries and other compensation-related expenses to the Group's sales and marketing personnel. Marketing and promotional expenses consist primarily of costs for the promotion of corporate image and product marketing. The Group expenses all marketing and promotion costs as incurred and classifies these costs under sales and marketing expenses. For the years ended December 31, 2018, 2019 and 2020, the marketing and promotional expenses were RMB436.5 million, RMB934.7 million and RMB3,006.0 million, respectively.

p) General and administrative expenses

General and administrative expenses consist primarily of salaries and other compensation-related expenses to the Group's general and administrative personnel, professional fees, rental expenses and allowance for doubtful accounts.

q) Leases

Prior to 2019, the Group accounted for leases under ASC 840, Leases. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental expense is recognized from the date of initial possession of the leased property on a straight-line basis over the term of the lease. Certain lease agreements contain rent holidays, which are recognized on a straight-line basis over the lease term. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease terms.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****q) Leases (continued)**

On January 1, 2019, the Group adopted ASU No. 2016-02, *Leases (Topic 842)*, as amended, which supersedes the lease accounting guidance under ASC 840, and generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements.

The Group elected to apply practical expedients permitted under the transition method that allow the Group to use the beginning of the period of adoption as the date of initial application, 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. The Group used modified retrospective method and did not 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.

As a result of the adoption, the Group recognized approximately RMB235.7 million of right-of-use assets recorded in "Other long-term assets," and corresponding short-term leasing liabilities recorded in "Accrued liabilities and other payables" and long-term leasing liabilities recorded in "Other long-term liabilities" respectively on the consolidated balance sheet as of January 1, 2019. The adoption had no material impact on the Group's consolidated statements of operations and comprehensive loss and cash flows for the year ended December 31, 2019 or the opening balance of accumulated deficit as of January 1, 2019.

The Group leases office space and staff quarters under non-cancelable operating lease agreements, which expire at various dates through 2025. As of December 31, 2019, and December 31, 2020, the Group's operating leases had a weighted average remaining lease term of 3.2 years and 3.1 years and a weighted average discount rate of 4.75% and 4.75%, respectively. Future lease payments under operating leases as of December 31, 2020 were as follows:

	<u>December 31, 2020</u>
	<u>RMB in thousands</u>
2021	156,869
2022	171,923
2023	106,253
2024	43,575
2025 and thereafter	<u>17,813</u>
Total future lease payments	496,433
Impact of discounting remaining lease payments	<u>(42,642)</u>
Total lease liabilities	<u>453,791</u>

Rent expense under operating leases was RMB55.8 million for the years ended December 31, 2018. Operating lease cost for the year ended December 31, 2019 and 2020 was RMB79.4 million and RMB107.2 million, respectively, which excluded cost of short-term contracts. Short-term lease cost for

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****q) Leases (continued)**

the year ended December 31, 2019 and 2020 was immaterial. Supplemental cash flow information related to operating leases was as follows:

	For the Year Ended December 31,	
	2019	2020
	RMB in thousands	
Cash payments for operating leases	67,535	107,772
Right-of-use assets obtained in exchange for operating lease liabilities	<u>96,692</u>	<u>260,867</u>

Future lease payments under leases as of December 31, 2018 were as follows:

	Operating Leases*
	RMB in thousands
2019	65,400
2020	72,230
2021	73,054
2022	69,681
Beyond 2022	19,544

* Amounts are based on ASC 840, *Leases* that were superseded upon the Company's adoption of ASC 842, *Leases* on January 1, 2019.

r) Share-based compensation

Share based compensation expenses arise from share-based awards, including share options for the purchase of the Company's ordinary shares. The Group accounts for share-based awards granted to employees in accordance with ASC 718 *Compensation—Stock Compensation* and share-based awards granted to nonemployees in accordance with ASC 505. On January 1, 2019, the Group adopted ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvement to Nonemployee Share-based Payment Accounting* to amend the accounting for share-based payment awards issued to nonemployees. Under ASU 2018-07, the accounting for awards to non-employees are similar to the model for employee awards.

For share options for the purchase of ordinary shares granted to employees determined to be equity classified awards, the related share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values which are calculated using the binomial option pricing model. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rates and expected dividends.

For share options granted with service conditions only, share-based compensation expenses are recorded net of estimated forfeitures using straight-line method during the requisite service period, such that expenses are recorded only for those share-based awards that are expected to ultimately vest.

For share options granted with service condition and the occurrence of an US IPO as performance condition, share-based compensation expenses are recorded net of estimated forfeitures

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****r) Share-based compensation (continued)**

using graded-vesting method during the requisite service period. Cumulative share-based compensation expenses for the options that have satisfied the service condition, amounting to RMB28.9 million, were recorded upon the completion of the US IPO in 2018.

s) Employee benefits*PRC Contribution Plan*

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made.

t) Investments*Short-term investments*

Short-term investments primarily include money market funds, financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks or other financial institutions and publicly traded companies with the intention to be sold within twelve months.

In accordance with ASC 825, *Financial Instruments*, for financial products with variable interest rates referenced to performance of underlying assets, the Group elected the fair value method at the date of initial recognition and carries these investments at fair value. Changes in the fair value of these investments are reflected on the consolidated statements of operations and comprehensive loss as "Investment income, net". Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period.

For the investments in publicly traded companies, the Group carries the investments at fair value at the end of each reporting period. Changes in the fair value of these investments are reflected on the consolidated statements of operations and comprehensive loss as "Investment income, net".

Long-term investments, net

The Group's long-term investments primarily consist of equity investments accounted for using the measurement alternative, equity investments accounted for using the equity method and other investments accounted for at fair value.

Equity investments accounted for using the measurement alternative

For those investments over which the Group does not have significant influence and without readily determinable fair value, the Group records them at cost, less impairment, and plus or minus subsequent adjustments for observable price changes, in accordance with ASU 2016-01, *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****t) Investments (continued)**

which was adopted on January 1, 2018. The adoption did not have a significant impact on the Group's consolidated financial statements. Under this measurement alternative, changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Management regularly evaluates the impairment of these investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss recognized equals to the excess of the investment cost over its fair value at the end of each reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

Equity investments accounted for using the equity method

The Group applies the equity method of accounting to account for equity investments and limited partnership in a private equity fund, according to ASC 323 *Investment—Equity Method and Joint Ventures*, over which it has significant influence but does not own a majority equity interest or otherwise control. Under the equity method, the Group initially records the 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 investments on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investments to recognize its proportionate share of each equity investee's net income or loss into earnings and cash distributions from investees, 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 as "Investment income, net" in the consolidated statements of operations and comprehensive loss when the decline in value is determined to be other-than-temporary.

Investments accounted for at fair value

In accordance with ASC 825, *Financial Instruments*, for financial products with variable interest rates referenced to performance of underlying assets and with original maturities greater than one year, the Group elected the fair value method at the date of initial recognition and carries these investments at fair value. Changes in the fair value of these investments are reflected on the consolidated statements of operations and comprehensive loss as "Investment income, net". Fair value is estimated based on quoted prices of similar products provided by financial institutions at the end of each reporting period. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements. Please see Note 22 for additional information.

u) Taxation*Income taxes*

Current income taxes are provided on the basis of income/(loss) for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)*****u) Taxation (continued)***

are provided using the assets and liabilities method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statement of operations and comprehensive loss in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more-likely-than-not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

In order 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% likelihood of being realized upon settlement. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under income tax expenses in its consolidated statements of operations and comprehensive loss. The Group did not have any significant unrecognized uncertain tax positions as of and for the years ended December 31, 2018, 2019 and 2020. The Group also did not expect any significant increase or decrease in unrecognized tax liability within 12 months following the reporting date.

v) Revenue recognition

On January 1, 2018, the Group adopted ASC 606, *Revenue from Contracts with Customers* using the modified retrospective method for all contracts not completed as of the date of adoption.

Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive 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 adoption of ASC 606 did not significantly change (1) the timing and pattern of revenue recognition for all of the Group's revenue streams, and (2) the presentation of revenue as gross versus net. Therefore, the adoption of ASC 606 did not have a significant impact on the Group's financial position, results of operations, equity, cash flows or any adjustment on the Group's consolidated financial statements as of the adoption date and for the years ended December 31, 2018, 2019 and 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****v) Revenue recognition (continued)**

The Group's revenue recognition policies effective upon the adoption of ASC 606 are as follows:

Mobile game services***Exclusively distributed mobile games***

For the years ended December 31, 2018, 2019 and 2020, the Group primarily generates revenues from the sale of in-game virtual items to enhance the game-playing experience.

In accordance with ASC 606, the Group evaluates the contracts with its customers and determines that the Group has a single combined performance obligation which is to make the game and the ongoing game related services available to the paying players. The transaction price, which is the amount paid for in-game virtual items by the paying player, is allocated entirely to this single combined performance obligation. The Group recognizes revenue from in-game virtual items over the estimated average playing period of paying players, starting from the point-in-time when related in-game virtual items are delivered to the paying players' accounts.

The Group has estimated the average playing period of the paying players for each game, usually between three to eight months. The Group considers the average period that players typically play the games and other game player behavior patterns, as well as various other factors to arrive at the best estimates for the estimated playing period of the paying players. To compute the estimated average playing period for paying players, the Group considers the initial purchase date as the starting point of a paying player's lifespan. The Group tracks populations of paying players who made their initial purchases during the interval period (the "Cohort") and tracks each Cohort to understand the subsequent churn rate of the paying players of each Cohort, i.e. the number of paying players from each Cohort who left subsequent to their initial purchases. To determine the ending point of a paying player's lifespan beyond the date for which observable data are available, the Group extrapolates the actual observed churn rate to arrive at an estimated weighted average playing lifespan for paying players of the selected games. If a new game is launched and only a limited period of paying player data is available, then the Group considers other qualitative factors, such as the playing patterns for paying players for other games with similar characteristics with the new game, including paying player type and purchasing frequency. While the Group believes its estimates to be reasonable based on available game player information, the Group may revise such estimates based on new information indicating a change in the game player behavior patterns and any adjustments are applied prospectively.

In accordance with ASC 606-10-55-39, the Group assesses whether it acts as the principal or as an agent in the arrangement with each party respectively. The Group records revenue generated from exclusively distributed mobile games on a gross basis as the Group is acting as the principal to fulfill all obligations related to the mobile game operations. The Group is responsible for the launch of the games, hosting and maintenance of game servers, and determination of when and how to operate the in-game promotions and customer services. The Group is also determining the pricing of in-game virtual items and making a localized version for overseas licensed games.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****v) Revenue recognition (continued)*****Mobile game services (continued)***

Proceeds earned from selling in-game virtual items are shared between the Group and the third-party game developers, with the amount paid to the third-party game developers generally calculated based on amounts paid by paying players, after deducting the fees paid to the payment channels and the distribution channels. Fees paid to third-party game developers, distribution channels and payment channels are recorded as "Cost of revenues" on the consolidated statements of operations and comprehensive loss.

Jointly operated mobile game distribution services

The Group is also offering distribution services for mobile games developed by the third-party game developers. In accordance with ASC 606, the Group evaluates the contracts with the third-party game developers and identifies the performance obligations as distributing games and providing payment solution and market promotion service to the game developers. Accordingly, the Group earns service revenue by distributing them to the game players.

In accordance with ASC 606-10-55-39, the Group assesses whether it acts as the principal or as an agent in the arrangement with each party respectively. With respect to the jointly operated licensed arrangements between the Group and the third-party game developers, the Group considered it does not have the primary responsibility for fulfillment and acceptability of the game services. The Group's responsibilities are distributing games, providing payment solution and market promotion service, and thus the Group views the third-party game developers to be its customers. Accordingly, the Group records the game distribution service revenue from these games, on a net basis based on the ratios pre-determined with the third-party game developers when the performance obligations are satisfied, which is generally when the paying players purchase virtual currencies issued by the third-party game developers.

Valued added services ("VAS")

The Group offers premium membership subscription, live broadcasting and other video, audio and comic content to the customers.

The Group offers premium membership subscription services which provide subscribing members access to streaming of premium content in exchange for a non-refundable upfront premium membership fee. When the receipt of premium membership fees is for services to be delivered over a period of time, generally from one month to twelve months, the receipt is initially recorded as "Deferred revenue" and revenue is recognized ratably over the membership period as services are rendered.

The Group operates and maintains live broadcasting channel whereby users can enjoy live performances provided by the hosts and interact with the hosts. Most of the hosts host the performance on their own. The Group creates and sells virtual items to users so that the users present them simultaneously to hosts to show their support. The virtual items sold by the Group comprise of either (i) consumable items or (ii) time-based items, such as privilege titles etc. Revenues derived from the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****v) Revenue recognition (continued)*****Mobile game services (continued)***

sale of virtual items are recorded on a gross basis as the Group acts as the principal to fulfill all obligations related to the sale of virtual items in accordance with ASC 606-10-55-39. Accordingly, revenue is recognized at point-in-time when the virtual item is delivered and consumed if the virtual item is a consumable item or, in the case of time-based virtual item, recognized ratably over the period each virtual item is made available to the user, which generally does not exceed one year. Proceeds received from the sales of virtual items before they consumed are recorded as "Deferred revenue".

Under the arrangements with the hosts, the Group shares with them a portion of the revenues derived from the sales of virtual items. The portion paid to hosts is recognized as "Cost of revenues" on the consolidated statements of operations and comprehensive loss.

Advertising services

The Group provides various advertising formats, mainly include but not limited to advertisements appearing on the app opening page, banner text-links, logos, buttons and rich media, performance-based advertising and native advertisements which are customized according to advertisers' needs. The Group determines each format of advertisements which is a distinct performance obligation. Consideration is allocated to each performance obligation based on its standalone selling price. The Group recognizes revenue on a pro-rata basis for each performance obligation, commencing on the date the advertisements are displayed on the Group's platform or upon the performance obligations are satisfied, generally when users click on links.

Sales incentives to customers

The Group provides various sales incentives to its customers, including cash incentives in the form of commissions to certain third-party advertising agencies and noncash incentives such as discounts and advertising services provided free of charge in certain bundled arrangements, which are negotiated on a contract by contract basis with customers. The Group accounts for these incentives granted to customers as variable consideration in accordance with ASC 606. The amount of variable consideration is measured based on the most likely amount of incentive to be provided to customers.

E-commerce and other revenues

E-commerce and other revenues are mainly from the sales of products through the Group's e-commerce platform, as well as revenues from holding certain offline performance activities. E-commerce and other revenues are recognized when control of promised goods or services is transferred to the customers, which generally occurs upon the acceptance of the goods or services by the customers. Pursuant to ASC 606-10-55-39, for arrangements where the Group is primarily responsible for fulfilling the promise to provide the goods or services, are subject to inventory risk, and have latitude in establishing prices and selecting suppliers, revenues are recorded on a gross basis. Otherwise, revenues are recorded on a net basis. Cash coupons, granted to the customers for free at the Group's discretion, are recorded as a reduction of the arrangement's transaction price thereby reducing the amount of revenue recognized as the payment is not for a distinct good or service received from the customer in accordance with ASC 606-10-32-25.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****v) Revenue recognition (continued)*****Mobile game services (continued)***

Net revenues presented on the consolidated statements of operations and comprehensive loss are net of sales discount and sales tax.

Other Estimates and Judgments

The Group estimates revenue of mobile game, VAS from the third-party payment processors in the current period when reasonable estimates of these amounts can be made. The processors provide reliable interim preliminary reporting within a reasonable time frame following the end of each month and the Group maintains records of sales data, both of which allow the Group to make reasonable estimates of revenue and therefore to recognize revenue during the reporting period. Determination of the appropriate amount of revenue recognized involves judgments and estimates that the Group believes are reasonable, but actual results may differ from the Group's estimates. When the Group receives the final reports, to the extent not received within a reasonable time frame following the end of each month, the Group records any differences between estimated revenue and actual revenue in the reporting period when the Group determines the actual amounts. The revenue on the final revenue report have not differed significantly from the reported revenue for the periods presented.

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable represent amounts invoiced, and revenue recognized prior to invoicing when the Group has satisfied its performance obligations and has the unconditional right to consideration.

Deferred revenue relates to unsatisfied performance obligations at the end of each reporting period and consists of cash payment received in advance from game players in mobile games, from customers in advertising services, live broadcasting services and other VAS, and e-commerce platforms. Due to the generally short-term duration of the relevant contracts, the majority of the performance obligations are satisfied within one year. The amount of revenue recognized that was included in the receipts in advance balance at the beginning of the year was RMB571.4 million, RMB943.4 million, and RMB1,238.8 million for the years ended December 31, 2018, 2019 and 2020, respectively.

Practical expedients

The Group has used the following practical expedients as allowed under ASC 606:

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the contracts have an original expected duration of one year or less.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2. Significant Accounting Policies (continued)

v) Revenue recognition (continued)

Mobile game services (continued)

The following table presents the Group's net revenues disaggregated by revenue sources:

	For the Year Ended December 31,		
	2018	2019	2020
	RMB in thousands		
Mobile games	2,936,331	3,597,809	4,803,382
Value-added services	585,643	1,641,043	3,845,663
Advertising	463,490	817,016	1,842,772
E-commerce and others	143,467	722,054	1,507,159
Total net revenues	4,128,931	6,777,922	11,998,976

w) Cost of revenues

Costs of revenues consist primarily of revenue sharing costs to mobile games developers and distribution channels and payment channels, revenue sharing with the hosts and content creators, staff costs, content costs, server and bandwidth service costs, depreciation expenses and other direct costs of providing these services as well as cost of merchandise sold. These costs are charged to the consolidated statements of operations and comprehensive loss as incurred.

x) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

y) Net loss per share

Loss per share is computed in accordance with ASC 260, *Earnings per Share*. The two-class method is used for computing earnings per share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's Pre-IPO Preferred Shares and other permanent equities are participating securities because they are entitled to receive dividends or distributions on an as-converted basis. Prior to the US IPO, the computation of basic loss per share using the two-class method is not applicable as the Group is in a net loss position and net loss is not allocated to other participating securities because in accordance with their contractual terms they are not obligated to share in the losses.

Basic net loss per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. Potential ordinary shares include ordinary shares issuable upon the conversion of the Pre-IPO Preferred Shares and other permanent equities, using the if-converted method, for periods prior to the completion of the US IPO, ordinary shares issuable upon the exercise of outstanding share options using the treasury

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****y) Net loss per share (continued)**

stock method and ordinary shares issuable upon the conversion of the 2026 Notes and 2027 Notes using the if-converted method. The computation of diluted net loss 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 loss per share. After the completion of the US IPO, net loss per ordinary share is computed on Class Y Ordinary Shares and Class Z Ordinary Shares combined basis, because both classes have the same dividend rights in the Company's undistributed net income.

z) Statutory reserves

In accordance with China's Company Laws, the Company's VIEs in PRC must make appropriations from their after-tax profit, as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP"), to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's FIEs, the Company's subsidiaries that are FIEs in China have to make appropriations from their after-tax profit (as determined under PRC GAAP) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion.

The following table presents the Group's appropriations to general reserve funds and statutory surplus funds for the years ended December 31, 2018, 2019 and 2020:

	<u>For the Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB in thousands</u>		
Appropriations to general reserve funds and statutory surplus funds	3,591	5,797	4,421

aa) Noncontrolling interests

For the Company's majority-owned subsidiaries and consolidated VIEs, noncontrolling interests are recognized to reflect the portion of the equity which is not attributable, directly or indirectly, to the Company as the controlling shareholder. Noncontrolling interests acquired through a business combination are recognized at fair value at the acquisition date, which is estimated with reference to the purchase price per share as of the acquisition date.

The noncontrolling interests will continue to be attributed with its share of losses even if that attribution results in a deficit noncontrolling interest balance.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****bb) Comprehensive loss**

Comprehensive loss is defined to include all changes in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Accumulated other comprehensive income, as presented on the consolidated balance sheets, consists of accumulated foreign currency translation adjustments.

cc) Segment reporting

Based on the criteria established by ASC 280, *Segment Reporting*, the Group's chief operating decision maker has been identified as the Chairman of the Board of Directors and CEO, who reviews consolidated results of the Group when making decisions about allocating resources and assessing performance. The Group has internal reporting of revenue, cost and expenses by nature as a whole. Hence, the Group has only one operating segment. The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns majority of the revenues from external customers attributed to the PRC.

dd) Business combinations

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities incurred by the Group to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost 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 operations and comprehensive loss. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded on the consolidated statements of operations and comprehensive loss.

In a business combination achieved in stages, the Group re-measures the previously held equity interests in the acquiree when obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized on the consolidated statements of operations and comprehensive loss.

For the Company's majority-owned subsidiaries and consolidated VIEs, noncontrolling interests are recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2. Significant Accounting Policies (continued)****dd) Business combinations (continued)**

If a business combination is under common control, the acquired assets and liabilities are recognized at their historical book value. The consolidated financial statements include the results of the acquired entities from the earliest date presented or, if more recent, from the date when the entities first came under common control, regardless of the date of the combination. Consolidated financial statements for prior years would also be retrospectively adjusted for periods during which the entities were under common control.

ee) Recently issued accounting pronouncements

Simplifying the Accounting for Income Taxes. 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 simplifies 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.

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. 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 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.

3. Concentrations and Risks**a) Telecommunications service provider**

The Group relied on telecommunications service providers and their affiliates for servers and bandwidth services to support its operations for the years ended December 31, 2018, 2019 and 2020 as follows:

	For the Year Ended December 31,		
	2018	2019	2020
Total number of telecommunications service providers	88	107	116
Number of service providers providing 10% or more of the Group's servers and bandwidth expenditure	3	2	3
Total percentage of the Group's servers and bandwidth expenditure provided by 10% or greater service providers	48%	45%	55%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**3. Concentrations and Risks (continued)****b) Foreign currency exchange rate risk**

The functional currency and the reporting currency of the Company are U.S. dollars and RMB, respectively. The Group's exposure to foreign currency exchange rate risk primarily relates to cash and cash equivalents, time deposits, short-term and long-term investments, long-term debt and accounts payable denominated in the U.S. dollars. Most of the Group's revenues, costs and expenses are denominated in RMB, while the long-term debt and a portion of cash and cash equivalents, time deposits, short-term and long-term investments, and accounts payable are denominated in U.S. dollars. Any significant fluctuation of RMB against U.S. dollars may materially and adversely affect the Company's cash flows, revenues, earnings and financial positions.

c) Credit risk

The Group's financial instruments potentially subject to significant concentrations of credit risk primarily consist of cash and cash equivalents, time deposits, accounts receivable, and money market funds and financial products with variable interest rates referenced to performance of underlying assets issued by commercial banks and other financial institutions. As of December 31, 2018, 2019 and 2020, substantially all of the Group's cash and cash equivalents and time deposits were held in major financial institutions located in the United States of America and China, which management consider being of high credit quality. Accounts receivable is typically unsecured and is primarily derived from revenue earned from mobile game services (mainly relates to remittances due from payment channels and distribution channels) and advertising services. There was no individual payment channel that had receivable balance exceeding 10% of the Group's accounts receivable balance as of December 31, 2018, 2019 and 2020. One distribution channel had receivable balance exceeding 10% of the Group's accounts receivable balance as of December 31, 2018, 2019 and 2020, respectively, as follows:

	December 31,		
	2018	2019	2020
	RMB in thousands		
Distribution channel A	63,762	118,860	146,907

d) Major customers and supplying channels

No single customer represented 10% or more of the Group's net revenues for the years ended December 31, 2018, 2019 and 2020.

The Group relied on a distribution channel to publish and generate the iOS version of its mobile games. Mobile game revenues generated through this distribution channel accounted for approximately 29%, 17% and 11% of the Group's total net revenues for the years ended December 31, 2018, 2019 and 2020, respectively.

e) Mobile games

Mobile game revenues accounted for 71%, 53% and 40% of the Group's total net revenues for the years ended December 31, 2018, 2019 and 2020, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3. Concentrations and Risks (continued)

e) Mobile games (continued)

One mobile game individually contributing more than 10% of the Group's total net revenues for the years ended December 31, 2018, 2019 and 2020, as follows:

	<u>For the Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Mobile game 1	53%	31%	11%

4. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets:

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
	RMB in thousands		
Prepayments for revenue sharing cost*	462,883	542,971	782,518
Prepayments for content cost	130,619	226,500	195,175
Prepayments for sales tax	80,487	157,244	202,025
Interest income receivable	26,812	93,688	6,396
Inventories, net	55,032	69,914	160,006
Loans to investees or ongoing investments	84,075	64,463	187,672
Prepayments of marketing and other operational expenses ...	33,198	53,246	64,068
Prepayments /receivables relating to jointly invested content	44,951	43,838	28,664
Deposits	20,447	26,301	51,661
Prepayments to inventory suppliers	12,901	9,058	19,970
Others	39,446	28,678	67,632
Total	<u>990,851</u>	<u>1,315,901</u>	<u>1,765,787</u>

* App stores retain commissions on each purchase made by the users through the App stores. The Group is also obligated to pay ongoing licensing fees in form of royalties to the third-party game developers. Licensing fees consist of fees that the Group pays to content owners for the use of licensed content, including trademarks and copyrights, in the development of games. Licensing fees are either paid in advance and recorded on the balance sheets as prepayments or accrued as incurred and subsequently paid. Additionally, the Group defers the revenue from licensed mobile games over the estimated average playing period of paying players given that there is an implied obligation to provide on-going services to end-users. The related direct and incremental platform commissions as well as game developers' licensing fees are deferred and reported in "Prepayments and Other Current Assets" on the consolidated balance sheets.

5. Short-term Investments

The following is a summary of short-term investments:

	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2020</u>
	RMB in thousands		
Financial products	858,021	1,070,113	2,866,643
Investments in publicly traded companies	—	80,918	434,609
Money market funds	87,317	109,779	55,937
Total	<u>945,338</u>	<u>1,260,810</u>	<u>3,357,189</u>

For the years ended December 31, 2018, 2019 and 2020, the Group recorded investment income of RMB13.8 million, investment loss of RMB3.1 million and investment income of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5. Short-term Investments (continued)

RMB74.0 million related to short-term investments on the consolidated statements of operations and comprehensive loss, respectively.

6. Property and Equipment, Net

The following is a summary of property and equipment, net:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Leasehold improvements	51,186	76,772	118,581
Servers and computers	481,695	765,110	1,286,310
Others	19,127	23,211	30,750
Total	552,008	865,093	1,435,641
Less: accumulated depreciation	(157,110)	(349,006)	(673,700)
Net book value	394,898	516,087	761,941

Depreciation expenses were RMB99.7 million, RMB191.8 million and RMB326.5 million for the years ended December 31, 2018, 2019 and 2020, respectively. The Group had performed the impairment assessment of property and equipment and considered the relevant events and circumstances that might indicate potential impairment and concluded that there was no impairment indicator. No impairment charge was recognized for any of periods presented.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

7. Intangible Assets, Net

The following is a summary of intangible assets, net:

	As of December 31, 2018		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB in thousands		
Licensed copyrights of content	1,997,175	(921,565)	1,075,610
License rights of mobile games	18,098	(15,163)	2,935
Intellectual property and others	412,202	(71,312)	340,890
Total	2,427,475	(1,008,040)	1,419,435

	As of December 31, 2019		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB in thousands		
Licensed copyrights of content	3,072,959	(1,736,608)	1,336,351
License rights of mobile games	71,703	(35,863)	35,840
Intellectual property and others	434,089	(148,947)	285,142
Total	3,578,751	(1,921,418)	1,657,333

	As of December 31, 2020		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB in thousands		
Licensed copyrights of content	4,556,683	(2,891,742)	1,664,941
License rights of mobile games	299,786	(119,493)	180,293
Intellectual property and others	753,282	(241,557)	511,725
Total	5,609,751	(3,252,792)	2,356,959

Amortization expenses were RMB542.7 million, RMB905.6 million, and RMB1,395.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. The Group had performed impairment assessment of intangible assets and considered the relevant events and circumstances that might indicate potential impairment and concluded that there was no impairment indicator. No impairment was recognized for any of the periods presented.

As of December 31, 2020, the licensed copyrights of content have weighted-average useful lives of 3.7 years. The intangible assets amortization expense for future years is expected to be as follows:

	Intangible assets amortization expense
	RMB in thousands
2021	843,542
2022	575,491
2023	340,301
2024	205,238
2025	134,128
Thereafter	258,259
Total expected amortization expense	2,356,959

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

8. Goodwill

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Beginning balance	50,967	941,488	1,012,026
Additions (Note 24)	890,521	70,538	283,760
Ending balance	<u>941,488</u>	<u>1,012,026</u>	<u>1,295,786</u>

No impairment charge was recognized for the years ended December 31, 2018, 2019 and 2020, respectively.

9. Long-term Investments, Net

The Group's long-term investments primarily consist of equity investments accounted for using the measurement alternative, equity investments accounted for using the equity method and other investments accounted for at fair value.

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Equity investments accounted for using the measurement alternative	793,149	666,025	1,791,393
Equity investments accounted for using the equity method . . .	—	279,854	188,199
Investments accounted for at fair value	186,838	305,250	253,346
Total	<u>979,987</u>	<u>1,251,129</u>	<u>2,232,938</u>

Equity investments using the measurement alternative

The Group did not disclose the fair value of alternative measure method investments if it is not practicable to estimate the fair value of its alternative measure method investments for which a quoted market price is not available due to both excessive cost as well as lack of available information on fair value of such investments. Specifically, many of the investees are start-up companies in China and operate in emerging industries for which the Group has not been able to estimate their fair values. For those equity investments having observable price changes in orderly transactions for the identical or similar investments of the same issuers, the Group would disclose the fair value of the alternative measure method investments. RMB34.2 million of investment income was recognized in "Investment income, net", as a result of re-measurement of equity investments using the measurement alternative, for the year ended December 31, 2018. There was no re-measurement gain or loss was recognized of equity investments accounted for using the measurement alternative for the years ended December 31, 2019 and 2020.

As of December 31, 2018, 2019 and 2020, the carrying value of equity investments accounted for using the measurement alternative was RMB793.1 million, RMB666.0 million and RMB1,791.4 million, respectively.

The Group recorded impairment charges for long-term investments of RMB46.4 million, RMB5.9 million and RMB8.0 million as "Investment income, net" for the years ended December 31, 2018, 2019 and 2020, respectively, as the Group determined the fair value of these investments was less than their carrying value.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**9. Long-term Investments, Net (continued)***Equity investments accounted for using the equity method*

Nil, RMB24.2 million and RMB50.5 million of the Group's proportionate share of equity investee's net loss was recognized in "Investment income, net" for the years ended December 31, 2018, 2019 and 2020, respectively.

Investments accounted for at fair value

Investments accounted for at fair value primarily include financial products with variable interest rates referenced to performance of underlying assets and with original maturities great than one year. A loss of RMB2.9 million, a gain of RMB13.2 million and a gain of RMB24.9 million resulted from the change in fair value was recognized in "Investment income, net" for the years ended December 31, 2018, 2019 and 2020, respectively.

10. Taxation*Composition of income tax*

The following table presents the composition of income tax expenses for the years ended December 31, 2018, 2019 and 2020:

	For the Year Ended December 31,		
	2018	2019	2020
	RMB in thousands		
Current income tax expenses	14,909	29,452	48,081
Withholding income tax expenses	11,079	16,894	18,754
Deferred tax benefits	—	(10,479)	(13,466)
Total	<u>25,988</u>	<u>35,867</u>	<u>53,369</u>

a) Income taxes*Cayman Islands*

Under the current laws of the Cayman Islands, the Company and its intermediate holding companies in the Cayman Islands are not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company or its subsidiaries in the Cayman Islands to their shareholders, no withholding tax will be imposed.

British Virgin Islands ("BVI")

Subsidiaries in the BVI are exempted from income tax on their foreign-derived income in the BVI. There are no withholding taxes in the BVI.

Hong Kong

Subsidiaries in Hong Kong are subject to 16.5% income tax on their taxable income generated from operations in Hong Kong. The payments of dividends by these companies to their shareholders are not subject to any withholding tax in Hong Kong. Commencing from the year of assessment of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. Taxation (continued)

a) *Income taxes (continued)*

2018, 2019 and 2020, the first HK\$2 million of profits earned by the Company's subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

China

On March 16, 2007, the National People's Congress of the PRC enacted the Enterprise Income Tax ("EIT") Law, under which FIEs and domestic companies would be subject to EIT at a uniform rate of 25%. Preferential tax treatments will continue to be granted to FIEs or domestic companies which conduct businesses in certain encouraged sectors and to entities otherwise classified as "Software Enterprises", "Key Software Enterprises", "Encouraged Enterprises" and/or "High and New Technology Enterprises" ("HNTEs"). The EIT Law became effective on January 1, 2008.

The aforementioned preferential tax rates are subject to annual review by the relevant tax authorities in China. Certain subsidiaries were qualified as HNTEs or Encouraged Enterprises and enjoyed a preferential income tax rate at 15% for the corresponding years from the year they are qualified, respectively, provided that they continue to qualify as HNTEs or Encouraged Enterprises during such periods.

The following table presents a reconciliation of the differences between the statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2018, 2019 and 2020:

	For the Year Ended December 31,		
	2018	2019	2020
	%	%	%
Statutory income tax rate	25.00	25.00	25.00
Permanent differences	(3.76)	(0.83)	0.60
Tax rate difference from statutory rate in other jurisdictions*	(0.92)	(0.39)	(3.90)
Tax effect of preferential tax treatments	(3.15)	(8.48)	(8.29)
Withholding tax	(2.05)	(1.33)	(0.63)
Change in valuation allowance	(19.94)	(16.80)	(14.56)
Effective income tax rate	(4.82)	(2.83)	(1.78)

* It is primarily due to the tax effect of the Company as a tax-exempt entity incorporated in the Cayman Islands.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. Taxation (continued)

a) *Income taxes (continued)*

As of December 31, 2020, certain entities of the Group had net operating tax loss carry forwards as follows:

	RMB in thousands
Loss expiring in 2021	43,751
Loss expiring in 2022	44,711
Loss expiring in 2023	83,876
Loss expiring in 2024	208,366
Loss expiring in 2025 and thereafter	3,201,799
Total	<u>3,582,503</u>

b) *Sales tax*

The Group's subsidiaries and VIEs incorporated in China are subject to value added tax ("VAT") for services rendered at a rate of 6% and for goods sold at a rate varying from 0% to 17% depending on their categories in different periods. All Entities in China are also subject to surcharges on value-added tax payments in accordance with PRC law. In addition, the Group's advertising and marketing revenues are also subject to culture business construction fee at a rate of 3% in 2018, which was reduced to 1.5% since July 1, 2019, valid until December 31, 2024.

c) *Deferred tax assets and liabilities*

The following table presents the tax impact of significant temporary differences that give rise to the deferred tax assets and liabilities as of December 31, 2018, 2019 and 2020:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Deferred tax assets:			
Deferred revenue	90,311	95,806	163,620
Accrued expenses and other payables	25,984	82,351	128,886
Advertising expenses in excess of deduction limit	312	7,507	65,674
Net operating tax loss carry forwards	176,439	360,975	621,035
Others	909	1,199	19,036
Total deferred tax assets	<u>293,955</u>	<u>547,838</u>	<u>998,251</u>
Less: valuation allowance	(293,955)	(537,359)	(977,333)
Net deferred tax assets	<u>—</u>	<u>10,479</u>	<u>20,918</u>
Deferred tax liabilities:			
Acquired intangible assets (Note 24)	—	—	(46,112)
Total deferred tax liabilities	<u>—</u>	<u>—</u>	<u>(46,112)</u>

Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing deductible temporary differences and tax loss or credit carry forwards. The Group evaluates the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10. Taxation (continued)

c) *Deferred tax assets and liabilities (continued)*

potential realization of deferred tax assets on an entity-by-entity basis. As of December 31, 2018, 2019 and 2020, valuation allowances were provided against deferred tax assets in entities where it was determined it was more-likely-than-not that the benefits of the deferred tax assets will not be realized.

The following table sets forth the movement of the aggregate valuation allowances for deferred tax assets for the periods presented:

	Balance at January 1	Re-measurement due to applicable preferential tax rate	Addition	Expiration of loss carry forward and impact of disposal of subsidiaries	Balance at December 31
	RMB in thousands				
2018	(157,264)	22,502	(159,690)	497	(293,955)
2019	(293,955)	—	(248,896)	5,492	(537,359)
2020	(537,359)	105	(484,445)	44,366	(977,333)

d) *Withholding income tax on dividends*

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE 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 was 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 FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate that may be lowered to 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). 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.

To the extent that subsidiaries and VIEs of the Group have undistributed earnings, the Group will accrue appropriate expected withholding tax associated with repatriation of such undistributed earnings. As of December 31, 2018, 2019 and 2020, the Group did not record any withholding tax on the retained earnings of its subsidiaries and VIEs in the PRC as they were still in accumulated deficit position.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**11. Taxes Payable**

The following is a summary of taxes payable as of December 31, 2018, 2019 and 2020:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
VAT payable	13,920	16,519	50,881
EIT payable	6,913	20,599	31,181
Withholding individual income taxes for employees	7,844	12,941	20,465
Withholding income tax payable	5,510	12,302	18,300
Others	4,318	5,495	6,365
Total	38,505	67,856	127,192

12. Accrued Liabilities and Other Payables

The following is a summary of accrued liabilities and other payables as of December 31, 2018, 2019 and 2020:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Accrued marketing expenses	71,217	229,457	783,455
Leasing liabilities—current portion	—	95,901	150,402
Consideration payable for acquisitions and investments	502,279	79,059	125,363
Payables to producers and licensors	9,357	25,898	63,307
Professional fees	13,492	22,562	38,573
Other staff related cost	18,685	13,791	13,872
Interest payable	—	11,990	14,041
Advances from/payables to third parties	21,966	76,893	5,869
Others	33,446	20,212	42,794
Total	670,442	575,763	1,237,676

13. Long-term Debt**2026 Notes**

In April 2019, the Group issued US\$500.0 million of 2026 Notes with an interest rate of 1.375% per annum. The net proceeds to the Company from the issuance of the 2026 Notes were US\$488.2 million (RMB3,356.1 million), net of issuance costs of US\$11.8 million (RMB81.1 million). The 2026 Notes may be converted, at an initial conversion rate of 40.4040 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$24.75 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of April 1, 2026.

Holder of the 2026 Notes may require the Company to repurchase all or part of their 2026 Notes in cash on April 1, 2024 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

The issuance costs of the 2026 Notes were amortized to interest expense over the contractual life to the maturity date (i.e., April 1, 2026). For the years ended December 31, 2019 and 2020, the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**13. Long-term Debt (continued)**

2026 Notes related interest expense was US\$6.4 million (RMB44.9 million) and US\$8.5 million (RMB58.6 million), respectively.

2027 Notes

In June 2020, the Group issued US\$800.0 million of 2027 Notes with an interest rate of 1.25% per annum. The net proceeds to the Company from the issuance of the 2027 Notes were US\$786.1 million (RMB5,594.8 million), net of issuance costs of US\$13.9 million (RMB98.6 million). The 2027 Notes may be converted, at an initial conversion rate of 24.5516 ADSs per US\$1,000 principal amount (which represents an initial conversion price of US\$40.73 per ADS) at each holder's option at any time prior to the close of business on the second business day immediately preceding the maturity date of June 15, 2027.

Holders of the 2027 Notes may require the Company to repurchase all or part of their 2027 Notes in cash on June 15, 2023 and June 15, 2025, or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

The issuance costs of the 2027 Notes were amortized to interest expense over the contractual life to the maturity date (i.e., June 15, 2027). For the years ended December 31, 2019 and 2020, the 2027 Notes related interest expense was nil and US\$6.9 million (RMB46.8 million), respectively.

The Group assessed the 2026 Notes and 2027 Notes under ASC 815 and concluded that:

Since the conversion option is considered indexed to the Company's own stock and classified in stockholders' equity, bifurcation of conversion option from the 2026 Notes and 2027 Notes is not required as the scope exception prescribed in ASC 815-10-15-74 is met;

- The repurchase option is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation;

- There was no beneficial conversion feature attributed to the 2026 Notes or 2027 Notes as the conversion prices for the 2026 Notes and 2027 Notes were greater than the fair value of the Company's ordinary share price at date of issuance;

Therefore, the Group accounted for the 2026 Notes and 2027 Notes as single instruments as "Long-term debt" on the consolidated balance sheets. The issuance costs were recorded as an adjustment to the long-term debt and are amortized as interest expense using the effective interest method.

As of December 31, 2019 and 2020, the principal amount of 2026 Notes was RMB3,488.1 million and RMB3,262.5 million, respectively. The unamortized debt issuance costs were RMB73.5 million and RMB58.1 million as of December 31, 2019 and 2020, respectively.

As of December 31, 2020, the principal amount of 2027 Notes was RMB5,219.9 million. The unamortized debt issuance costs were RMB83.3 million as of December 31, 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13. Long-term Debt (continued)

The following table provides a summary of the Company's unsecured senior notes as of December 31, 2019 and December 31, 2020:

	December 31, 2019	December 31, 2020	Effective interest rate
	<u>Amounts</u>	<u>Amounts</u>	
	RMB in thousands		
US\$500,000 1.375% notes due 2026	3,414,628	3,204,309	1.74%
US\$800,000 1.25% notes due 2027	—	5,136,613	1.52%
Carrying value	3,414,628	8,340,922	
Unamortized discount and debt issuance costs	73,472	141,448	
Total principal amounts of unsecured senior notes	<u>3,488,100</u>	<u>8,482,370</u>	

14. Ordinary Shares

Since the inception, the Company issued Pre-IPO Class A, Pre-IPO Class B, Pre-IPO Class C, and Pre-IPO Class D Ordinary Shares, or collectively referred to as "Pre-IPO Ordinary Shares". Holders of Pre-IPO Class B, Pre-IPO Class C and Pre-IPO Class D Ordinary Shares have rights to convert their shares into Pre-IPO Class A Ordinary Shares on 1:1 ratio at any time after the date of issuance.

According to the revised memorandum of association of the Company dated April 1, 2017, all the Pre-IPO Ordinary Shares held by the founders shall have the right to ten votes for each outstanding Pre-IPO ordinary share they held. Each of the Pre-IPO Ordinary Shares held by a person other than the founders and all Pre-IPO Preferred Shares shall have the right to one vote for each outstanding Pre-IPO Ordinary Share or Pre-IPO Preferred Share they held (on an as-converted basis).

Immediately prior to the completion of the US IPO, the Company adopted a dual-class share structure, consisting of Class Y Ordinary Shares and Class Z Ordinary Shares, par value US\$0.0001 per share. As set forth in the Sixth Amended and Restated Memorandum and Articles of Association of the Company effective immediately prior to the completion of the IPO, holders of Class Y Ordinary Shares and Class Z Ordinary Shares have the same rights except that the holders of Class Z Ordinary Shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class Y Ordinary Shares are entitled to ten votes per share. Each Class Y Ordinary Share is convertible into one Class Z Ordinary Share at any time by the holder thereof. Class Z Ordinary Shares are not convertible into Class Y Ordinary Shares under any circumstances. The Group concluded that the adoption of dual-class share structure did not have a material impact on its consolidated financial statements.

Other permanent equities

The Pre-IPO Class B, Pre-IPO Class C and Pre-IPO Class D Ordinary Shares are preferred shares in nature as they have liquidation preference compared to Pre-IPO Class A Ordinary Shares. The Group classified Pre-IPO Class B Ordinary Shares as permanent equity as they are not redeemable. Pre-IPO Class C and Pre-IPO Class D Ordinary Shares are redeemable upon certain liquidation events, including a change in control, which is deemed to be a liquidation event. However, as stipulated in the article of association of the Company, change in control will trigger the legal

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**14. Ordinary Shares (continued)**

liquidation and termination of the Company, unless both majority of preferred shareholders and majority of ordinary shareholders otherwise agree on the exemption. Therefore, upon occurrence of the change in control, the Company will be liquidated and terminated, all the holders of equity shares of the Company are entitled to redeem, and form of consideration (cash or share) should be the same. Accordingly, such liquidation feature meets the exception in ASC 480-10-S99-3A(f) and therefore Pre-IPO Class C and Pre-IPO Class D Ordinary Shares were classified as permanent equity on the consolidated balance sheets.

In April 2018, the Company completed its IPO on the NASDAQ Global Select Market. In the offering, 42,000,000 ADSs, representing 42,000,000 Class Z Ordinary Shares, were issued and sold to the public at a price of US\$11.50 per ADS. The net proceeds to the Company from the IPO, after deducting commissions and offering expenses, were US\$443.3 million (RMB2,781.8 million).

Upon the completion of the US IPO, the Company completed the redesignation on a one-for-one basis of: (i) 60,027,926 shares of Pre-IPO Class A Ordinary Shares, 13,600,000 shares of Pre-IPO Class B Ordinary Shares, 8,500,000 shares of Pre-IPO Class C Ordinary Shares, and 2,132,353 shares of Pre-IPO Class D Ordinary Shares into Class Y Ordinary Shares; and 9,309,000 shares of Pre-IPO Class A Ordinary Shares into Class Z Ordinary Shares; (ii) 1,104,535 shares of Pre-IPO Series C1 Preferred Shares into Class Y Ordinary Shares, 7,078,502 shares of Pre-IPO Series A Preferred Shares, 14,643,281 shares of Pre-IPO Series A+ Preferred Shares, 22,794,876 shares of Pre-IPO Series B Preferred Shares, 27,996,184 shares of Pre-IPO Series C Preferred Shares, 41,480,769 shares of Pre-IPO Series C1 Preferred Shares, 954,605 shares of Pre-IPO Series C2 Preferred Shares, 13,101,189 shares of Pre-IPO Series D1 Preferred Shares and 13,759,564 shares of Pre-IPO Series D2 Preferred Shares into Class Z Ordinary Shares.

In October 2018, 25,063,451 ADSs, representing 25,063,451 Class Z Ordinary Shares, were issued and sold to Tencent. The net proceeds to the Company from the offering, after deducting offering expenses, were US\$317.2 million (RMB2,170.8 million).

In April 2019, the Company completed the Primary Offering. The total net proceeds to the Company, after deducting commissions and offering expenses, were US\$245.7 million (RMB1,647.7 million).

In April 2020, 17,310,696 ADSs, representing 17,310,696 Class Z Ordinary Shares, were issued and sold to Sony Corporation of America (“SCA”), a wholly owned subsidiary of Sony Corporation (“Sony”). The net proceeds to the Company from the offering, after deducting offering expenses, were US\$399.4 million (RMB2,817.5 million).

15. Pre-IPO Preferred Shares

The Pre-IPO Series A, A+, B, C, C1/C2 and D1/D2 Preferred Shares are collectively referred to as the “Pre-IPO Preferred Shares”. The Group classified the Pre-IPO Preferred Shares as mezzanine equity on the consolidated balance sheets, as they were contingently redeemable at the options of the holders, and recorded accretion on the Pre-IPO Preferred Shares to the redemption value from the issuance dates to the earliest redemption dates. Upon the completion of the Company’s US IPO, all of the issued and outstanding Pre-IPO Preferred Shares were redesignated into Class Y Ordinary Shares and Class Z Ordinary Shares, respectively. See Note 14 for additional information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15. Pre-IPO Preferred Shares (continued)

The Group's Pre-IPO Preferred Shares activities for the year ended December 31, 2018 are summarized below:

	Pre-IPO Series A Preferred Shares		Pre-IPO Series A+ Preferred Shares		Pre-IPO Series B Preferred Shares		Pre-IPO Series C Preferred Shares		Pre-IPO Series C1 Preferred Shares		Pre-IPO Series C2 Preferred Shares		Pre-IPO Series D1 Preferred Shares		Pre-IPO Series D2 Preferred Shares		Total Mezzanine Equity	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance as of December 31, 2017	7,078,502	16,625	14,643,281	85,681	22,794,876	325,559	27,996,184	797,355	42,585,304	1,442,351	954,605	36,763	13,101,189	586,385	13,759,564	724,324	142,913,505	4,015,043
Accretion to																		
Pre-IPO Preferred Shares																		
redemption value	242	—	1,448	—	5,328	—	13,633	—	23,024	—	578	—	9,124	—	11,228	—	—	64,605
Redesignation of																		
Pre-IPO Preferred Shares into Class Y Ordinary Shares	—	—	—	—	—	—	—	—	(1,104,535)	(38,007)	—	—	—	—	—	—	(1,104,535)	(38,007)
Redesignation of Pre-IPO Preferred Shares into Class Z Ordinary Shares	(7,078,502)	(16,867)	(14,643,281)	(87,129)	(22,794,876)	(330,887)	(27,996,184)	(810,988)	(41,480,769)	(1,427,368)	(954,605)	(37,341)	(13,101,189)	(595,509)	(13,759,564)	(735,552)	(141,808,970)	(4,041,641)
Balance as of December 31, 2018	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**16. Employee Benefits**

The Company's subsidiaries and VIEs incorporated in China participate in a government-mandated multi-employer defined contribution plan under which certain retirement, medical, housing and other welfare benefits are provided to employees. Chinese labor regulations require the Company's Chinese subsidiaries and VIEs to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The relevant local labor bureau is responsible for meeting all retirement benefit obligations; hence, the Group has no further commitments beyond its monthly contribution. The following table presents the Group's employee welfare benefits expenses for the years ended December 31, 2018, 2019 and 2020:

	For the Year Ended December 31,		
	2018	2019	2020
	RMB in thousands		
Contributions to medical and pension schemes	158,113	215,553	195,655
Other employee benefits	23,958	24,180	40,216
Total	<u>182,071</u>	<u>239,733</u>	<u>235,871</u>

17. Share-based Compensation**a) Description of share option plans**

In July 2014, the Group adopted its Global Share Incentive Plan (the "Global Share Plan"), which permits the grant of options, restricted shares and restricted share units of the Company to relevant directors, officers, other employees and consultants of the Group. The maximum aggregate number of Class Z Ordinary Shares, which may be issued pursuant to all awards under the Global Share Plan, is 19,880,315 shares.

In February 2018, the Group adopted its 2018 Share Incentive Plan (the "2018 Plan") to provide additional incentives to employees, directors and consultants and promote the success of our business. The maximum aggregate number of Class Z Ordinary Shares, which may be issued pursuant to all awards under the 2018 Plan as at December 31, 2020, is 23,367,875 shares.

Option awards are granted with an exercise price determined by the Board of Directors. Those option awards generally vest over a period of two to six years and expire in six to seven years.

As of December 31, 2020, total unrecognized compensation expenses related to unvested awards granted under the Global Share Plan and the 2018 Plan, adjusted for estimated forfeitures, was RMB 3,787.3 million, which is expected to be recognized over a weighted-average period of 4.5 years and may be adjusted for future changes in estimated forfeitures.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**17. Share-based Compensation (continued)****b) Valuation assumptions**

The Group uses binomial option pricing model to determine the fair value of share options. The estimated fair value of each share option granted is estimated on the date of grant using the binomial option-pricing model with the following assumptions:

	For the Year Ended December 31,		
	2018	2019	2020
Expected volatility	47.8%-48.4%	49.6%-52.1%	50.1%-55.0%
Weighted average volatility	48.3%	50.8%	51.9%
Expected dividends	—	—	—
Risk-free rate	2.6%-2.8%	1.4%-2.4%	0.4%-0.7%
Contractual term (in years)	6	6	6-7

The expected volatility at each grant date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term of the share options. The weighted average volatility is the expected volatility at the grant date weighted by the number of the share options. The Company has never declared or paid any cash dividends on its capital stock, and the Company does not anticipate any dividend payments in the foreseeable future. Contractual term is the remaining contract life of the share options. The Group estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US dollars at the share option grant date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17. Share-based Compensation (continued)

c) Share options activities

The following table presents a summary of the Group's share options activities for the years ended December 31, 2018, 2019 and 2020:

	Employees	Senior Management	Consultants	Total	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(In thousands)	(In thousands)	(In thousands)	(In thousands)	US\$	(In years)	(RMB in thousands)
Outstanding at							
January 1, 2018	8,124	10,595	700	19,419	0.0001	4.80	880,197
Granted	2,587	620	—	3,207	0.0001		
Exercised	(2,387)	(5,543)	(212)	(8,142)	0.0001		
Forfeited	(683)	(1,437)	(50)	(2,170)	0.0001		
Outstanding at							
December 31, 2018	<u>7,641</u>	<u>4,235</u>	<u>438</u>	<u>12,314</u>	<u>0.0001</u>	<u>4.46</u>	<u>1,233,028</u>
Outstanding at							
January 1, 2019	7,641	4,235	438	12,314	0.0001	4.46	1,233,028
Granted	2,464	730	—	3,194	0.0001		
Exercised	(1,352)	(710)	(193)	(2,255)	0.0001		
Forfeited	(479)	(600)	—	(1,079)	0.0001		
Outstanding at							
December 31, 2019	<u>8,274</u>	<u>3,655</u>	<u>245</u>	<u>12,174</u>	<u>0.0001</u>	<u>4.13</u>	<u>1,581,408</u>
Outstanding at							
January 1, 2020	8,274	3,655	245	12,174	0.0001	4.13	1,581,408
Granted	6,966	8,700	50	15,716	2.9007		
Exercised	(2,784)	(1,643)	(65)	(4,492)	0.0001		
Forfeited	(1,101)	—	—	(1,101)	0.4234		
Outstanding at							
December 31, 2020	<u>11,355</u>	<u>10,712</u>	<u>230</u>	<u>22,297</u>	<u>2.0236</u>	<u>5.41</u>	<u>12,177,047</u>
Exercisable at							
December 31, 2020	<u>830</u>	<u>130</u>	<u>155</u>	<u>1,115</u>	<u>0.0001</u>	<u>2.97</u>	<u>623,376</u>

The weighted average grant date fair value of share options granted for the years ended December 31, 2018, 2019 and 2020 was RMB76.2 (US\$11.7), RMB104.4 (US\$15.0) and RMB262.0 (US\$38.8) per share, respectively.

It is the Group's policy to issue new shares upon exercise of share options. The aggregate number of Class Z Ordinary Shares available for future grant under the Global Share Plan and the 2018 Plan was 6,062,751 as of December 31, 2020.

18. Net Loss per Share

For the years ended December 31, 2018, 2019 and 2020, the Company had potential ordinary shares, including share options granted, Pre-IPO Preferred Shares and other permanent equities, and ordinary shares issuable upon the conversion of the 2026 Notes and 2027 Notes, where applicable. As

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18. Net Loss per Share (continued)

the Group incurred losses for the years ended December 31, 2018, 2019 and 2020, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share. Considering that the holders of Pre-IPO Preferred Shares and other permanent equities have no contractual obligations to participate in the Group's losses, any losses from the Group was not be allocated to them.

Upon the completion of the Company's US IPO in April 2018, all of the outstanding Pre-IPO Preferred Shares and other permanent equities were converted into 25,336,888 shares of Class Y Ordinary Shares and 141,808,970 shares of Class Z Ordinary Shares. The number of share options, which was anti-dilutive and excluded from the computation of diluted net loss per share for the year ended December 31, 2018, was 15,594,490 shares.

For the year ended December 31, 2019, the numbers of share options and the number of ordinary shares issuable upon the conversion of the 2026 Notes, which were anti-dilutive and excluded from the computation of diluted net loss per share, were 9,328,721 shares and 20,202,000 shares, respectively.

For the year ended December 31, 2020, the numbers of share options and the number of ordinary shares issuable upon the conversion of the 2026 Notes and 2027 Notes, which were anti-dilutive and excluded from the computation of diluted net loss per share, were 8,927,697 shares, 20,202,000 shares and 19,641,280 shares, respectively.

The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31, 2018, 2019 and 2020:

	For the Year Ended December 31,		
	2018	2019	2020
	RMB in thousands, except for share and per share data		
Numerator:			
Net loss	(565,021)	(1,303,570)	(3,054,017)
Accretion to redeemable noncontrolling interests	—	—	(4,292)
Accretion to Pre-IPO Preferred Shares redemption value . . .	(64,605)	—	—
Net loss attributable to noncontrolling interests	<u>13,301</u>	<u>14,597</u>	<u>46,605</u>
Net loss attributable to Bilibili Inc.'s shareholders for basic/ dilutive net loss per share calculation	<u>(616,325)</u>	<u>(1,288,973)</u>	<u>(3,011,704)</u>
Denominator:			
Weighted average number of ordinary shares outstanding, basic	233,047,703	323,161,680	345,816,023
Weighted average number of ordinary shares outstanding, diluted	233,047,703	323,161,680	345,816,023
Net loss per share, basic	(2.64)	(3.99)	(8.71)
Net loss per share, diluted	(2.64)	(3.99)	(8.71)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**19. Commitments and Contingencies****(a) Commitments***Purchase obligations*

In September 2020, the Group signed a contract to purchase the three-year license for live broadcasting the League of Legends World Championship starting from 2020 at an aggregate purchase price of RMB800.0 million (US\$122.6 million). The unpaid purchase price was RMB622.5 million (US\$95.4 million) as of December 31, 2020.

Long-term debt obligations

The Group's long-term debt obligations are to repay the principal amount and cash interests in connection with the 2026 Notes and 2027 Notes. The expected repayment schedules of the 2026 Notes and 2027 Notes has been disclosed in Note 13.

(b) Litigation

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of any unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows.

However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded material liabilities in this regard as of December 31, 2018, 2019 and 2020.

20. Related Party Transactions and Balances

The Group entered into the following significant related party transactions for the periods presented:

	<u>For the Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	RMB in thousands		
Purchase of goods and services	162,992	87,597	35,131
Transfer of/(acquire of) long-term investments*	3,250	539,646	(110,039)
Purchase of noncontrolling interests of Chaodian Inc. ("Chaodian") (See note 24)	—	—	257,288
Investment income	—	73,884	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**20. Related Party Transactions and Balances (continued)**

The Group had the following significant related party balances as of December 31, 2018, 2019 and 2020, respectively:

	December 31, 2018	December 31, 2019	December 31, 2020
	RMB in thousands		
Amount due from related parties			
Due from an investment fund*	—	170,535	74,235
Due from an equity investee**	—	24,755	90,497
Total	<u>—</u>	<u>195,290</u>	<u>164,732</u>
Amount due to related parties	<u>50,331</u>	<u>—</u>	<u>—</u>

* The transactions in 2018 referred to the investments transferred to an entity controlled by the Group's major shareholders. In June 2019, to focus the Company's efforts and resources on its core businesses, the Company transferred several equity investments of the Group to an investment fund. The Group contributed a total of RMB220.0 million cash into this fund as a limited partner, which is accounted for as an equity method investment. The cost of the equity investments transferred was RMB465.8 million. The consideration was RMB539.6 million, which was based on the estimated fair value of the investments. The difference between the consideration and cost of the investments was recognized as investment income. In July 2020, the Company acquired certain equity interests of two investments from the investment fund. The consideration was RMB110.0 million. The balances due from an investment fund as of December 31, 2019 and December 31, 2020 were consideration receivables related to the equity investments transferred in 2019 and dividend receivables, which is non-trade in nature.

** The balances as of December 31, 2020 mainly represent interest-bearing loans and interest expenses of RMB105.6 million related to an equity investee, which is non-trade in nature and partially offset by the trade payables to the equity investee. The annual interest rates of the loans were 2.8% and all the loans were within one year.

Amount due to related parties as of December 31, 2018 was trade in nature.

21. Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Group's CODM is Mr. Rui Chen, the Chairman of the Board of Directors and CEO.

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but not limited to, customer base, homogeneity of products and technology. The Group's operating segments are based on such organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results. The Group has internal reporting of revenue, cost and expenses by nature as a whole. Hence, the Group has only one operating segment.

Substantially the majority of the Group's revenues are derived from China based on the geographical locations where services are provided to customers. In addition, the Group's long-lived assets are substantially all located in and derived from China, and the amount of long-lived assets attributable to any individual other country is not material. Therefore, no geographical segments are presented.

22. Fair Value Measurement

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**22. Fair Value Measurement (continued)**

techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group measures investments in money market funds, financial products and equity investments in publicly traded companies at fair value.

Money market funds and equity investments in publicly traded companies. The Group values its money market funds and equity investments in publicly traded companies using observable inputs that reflect quoted prices for securities with identical characteristics, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 1.

Financial products. The Group values its financial products investments held in certain banks or other financial institutions using quoted prices for securities with similar characteristics and other observable inputs, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2.

Accounts receivable, amount due from/to related parties and other current assets are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable and accrued liabilities and other payables are financial liabilities with carrying values that approximate fair value due to their short-term nature.

The Group measures equity investments accounted for using the equity method at fair value on a non-recurring basis only if an impairment charge were to be recognized. Equity investments accounted for using the measurement alternative are generally not categorized in the fair value hierarchy. However, if equity investments without readily determinable fair values were re-measured during the years ended December 31, 2018, 2019 and 2020, they were classified within Level 3 in the fair value hierarchy because the Group estimated the value of the instruments based on valuation methods using the observable transaction price at the transaction date and other unobservable inputs.

23. Restricted Net Assets

Relevant PRC laws and regulations permit the PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, the Company's PRC subsidiaries and VIEs can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the generically reserve fund and the statutory surplus fund respectively. The general reserve fund and the statutory surplus fund require that annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends. As a result of these and other restrictions under the PRC laws and regulations, the PRC subsidiaries and VIEs are restricted in their abilities to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB1.2 billion or 16.1% of the Company's total consolidated net assets as of December 31, 2020. Even though the Company currently does not require any such dividends, loans or advances from the PRC subsidiaries and VIEs for working capital and other funding purposes, the Company may in the future require additional cash resources from its PRC subsidiaries and VIEs due to changes in business conditions, to fund future acquisitions and developments, or merely declare and pay dividends to or distributions to the Company's shareholders.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24. Acquisitions

Transaction with Zenith Group Holdings Co., Limited ("Zenith")

In September 2018, the Group entered into an agreement to increase its shareholding to acquire the majority of equity interests in Zenith, the owner of a series of famous virtual singers, such as Luo Tianyi. Prior to this transaction, the Group owned 7.4% of equity interest in Zenith, which was accounted for as long-term investments using alternative measure method. The total consideration was RMB296.8 million in cash. Following the completion of this transaction in September 2018, the Group held approximately 71.9% of equity interests in Zenith and Zenith became a consolidated subsidiary of the Group.

The Group made estimates and judgments in determining the fair value of the assets acquired and liabilities assumed with the assistance from an independent valuation firm. The purchase price allocation as the date of the acquisition is as follows:

	<u>Amount</u>	<u>Amortization</u>
	<u>RMB in thousands</u>	<u>Period</u>
Net assets acquired	30,252	
Intangible assets		
— Tradename	54,974	8 years
— Non-compete clause	2,230	3 years
Noncontrolling interests	(121,154)	
Goodwill	360,039	
Total	<u>326,341</u>	

Total purchase price comprised of:

	<u>Amount</u>
	<u>RMB in thousands</u>
Cash consideration	296,796
Fair value of previously held equity interests	29,545
Total	<u>326,341</u>

A gain of RMB5.8 million in relation to the revaluation of the previously held equity interests in Zenith was recorded in "Investment income, net" on the consolidated statements of operations and comprehensive loss for the year ended December 31, 2018. The fair value of the previously held equity interests was estimated based on the purchase price per share as of the acquisition date.

Goodwill arising from this acquisition was attributable to the synergies between virtual idols and the Group's multiple business streams, including live broadcasting, advertising, games, virtual idol related derivative products and offline performance events. The goodwill recognized was not expected to be deductible for income tax purpose.

In the fourth quarter of 2019, the Group acquired the remaining 28.1% of equity interests in Zenith from noncontrolling shareholders with a total consideration of US\$22.4 million (RMB156.5 million), which was accounted for as an equity transaction pursuant to ASC 810-10-45-23. The difference between the fair value of the consideration and the carrying value of the noncontrolling

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24. Acquisitions (continued)

interests was accounted for as deemed dividend to the noncontrolling shareholders and was recorded against additional paid-in capital. No gain or loss was recorded by the Group.

Transactions with Chaodian

In July 2019, the Group entered into a series of agreements to acquire 72.0% of equity interests in Chaodian, which was subsequently diluted to 63.6% with capital injections from certain other noncontrolling interests. The total consideration of this acquisition consisted of RMB288.6 million paid to the existing third party shareholders and a direct capital injection amounting to RMB909.6 million. Chaodian runs various offline events such as flagship concerts and exhibitions, and operates an industry-related talent agency. The Company and Chaodian were under the same control of the Controlling Shareholder since July 2019. Therefore, this transaction was accounted for as a business combination under common control and the Company's consolidated financial statements included the acquired assets and liabilities of Chaodian, at their historical carrying amounts of RMB986.4 million. The consolidated financial statements as of and for the year ended December 31, 2019 reflected the results of the Company and Chaodian as if they had been combined since July 1, 2019. The excess of the consideration over the historical carrying amount of the acquired assets and liabilities, as well as noncontrolling interests, was accounted for deemed dividend to the other shareholders of Chaodian.

The allocation of the consideration of the assets acquired and liabilities assumed based on their historical carrying amounts was as follows:

	<u>Amount</u>
	<u>RMB in thousands</u>
Consideration	1,198,198
Cash and cash equivalents	1,199,117
Accounts receivable, net	95,147
Goodwill	36,120
Other asset acquired	68,214
Total assets acquired	1,398,598
Accrued liabilities and other payables	(323,025)
Other liabilities assumed	(89,217)
Total liability assumed	(412,242)
Noncontrolling interests	(276,621)
Deemed dividend	488,463
Total	1,198,198

In September 2020, the Company acquired the rest of noncontrolling interests of Chaodian, with the total consideration of RMB744.6 million including with a cash consideration of RMB250.5 million and 1,731,100 Class Z ordinary shares. The consideration was determined by referenced to a third-party valuer's valuation. The difference between the total consideration and the carrying value of the noncontrolling interest of Chaodian was recognized as additional paid-in capital, amounting to RMB193.3 million. Following the completion of this transaction, the Company held 100% of equity interest in Chaodian.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24. Acquisitions (continued)

Other acquisitions

For the years ended December 31, 2018, 2019 and 2020, the Group completed several other acquisitions, to complement its existing businesses and achieve synergies. The acquired entities individually and in aggregate were insignificant. The Group's other acquisitions are summarized in the following table:

	For the Year Ended December 31,			Amortization Period
	2018	2019	2020	
	Amount			
RMB in thousands				
Net assets acquired	62,800	65,582	18,495	
Intangible assets				
—Tradename	104,000	—	—	5 to 10 years
—User base	21,500	—	700	3 to 5 years
—Copyrights	23,500	—	49,000	9 months to 10 years
—Technology	9,000	—	—	6 to 8 months
—Vendor relationship	—	—	86,000	10 years
—On-going projects	—	—	69,000	4.5 years
Noncontrolling interests	(107,505)	(30,000)	(44,064)	
Deferred tax liabilities	—	—	(49,140)	
Goodwill	530,482	34,418	283,760	
Total	643,777	70,000	413,751	

Total purchase price comprised of:

	Amount		
	RMB in thousands		
	2018	2019	2020
Cash consideration	391,071	70,000	295,323
Share consideration	—	—	118,428
Fair value of previously held equity interests	252,706	—	—
Total	643,777	70,000	413,751

In relation to the revaluation of previously held equity interests, the Group recognized a gain of RMB138.6 million in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2018, for the other acquisitions that constitute business combinations.

Pro forma results of operations for all the acquisitions have not been presented because they were not material to the consolidated statements of operations and comprehensive loss for the years ended December 31, 2018, 2019 and 2020, either individually or in aggregate.

25. Subsequent Events

The Group has established an entity in Shanghai, China with Zhuhai Hengqin Wangfu Project Investment LLP (“Wangfu”), and two entities controlled by Mr. Rui Chen and Ms. Ni Li, respectively (the “Management Entities”), to acquire the land use rights for a parcel of land in Shanghai. The Group holds 30.01% of the shares of the entity, Wangfu holds 45%, and the Management Entities collectively hold the remaining 24.99% of the shares. The total investment for the acquisition of land use rights is

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**25. Subsequent Events (continued)**

estimated to be approximately RMB8.1 billion. Pursuant to the shareholders agreement among the shareholders of the entity, the Group has committed to funding the acquisition of land use rights up to RMB1.2 billion, of which RMB975 million has been made and the remaining is expected to be made before March 31, 2021.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to December 31, 2020. No dividend or distribution has been declared or made by the Company in respect of any period subsequent to December 31, 2020.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to the ordinary shareholders of the Company as at December 31, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group, had the Global Offering been completed as of December 31, 2020 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 as derived from the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per ADS
	(in thousands of RMB) (Note 1)	(in thousands of RMB) (Note 2)	(in thousands of RMB)	RMB (Note 3)	RMB (Note 4)	HK\$ (Note 5)	HK\$ (Note 5)
Based on the indicative Offer Price of HK\$988.00 per Offer Share . .	4,114,017	20,468,250	24,582,267	65.22	65.22	77.53	77.53

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 is derived from the Accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to ordinary shareholders of the Company as of December 31, 2020 of RMB7,600,200,000 with adjustment for net intangible assets and goodwill of the Group attributable to the ordinary shareholders of the Company of RMB2,316,453,000 and RMB1,169,730,000, respectively.
- (2) The estimated net proceeds from the Global Offering is based on the indicative Offer Price of HK\$988.00 per Share, after deduction of the estimated underwriting fees and other related expenses payable by the Company subsequent to December 31, 2020 and without taking into account 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans, any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and any issuance or repurchase of Shares and/or ADSs by the Company.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 376,919,952 Shares were in issue assuming that the Global Offering had been completed on December 31, 2020 without taking into account 3,302,327 Class Z ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Share Incentive Plans, any allotment and issuance of Class Z ordinary shares upon exercise of the Over-allotment Option, and any issuance or repurchase of Shares and/or ADSs by the Company.
- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.000 to HK\$1.18878. No representation is made that Renminbi amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2020.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Bilibili Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bilibili Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated March 18, 2021, in connection with the proposed global offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at December 31, 2020 as if the proposed global offering had taken place at December 31, 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended December 31, 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at December 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 18, 2021

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS
COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the “**Companies Act**”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 23, 2013 under the Companies Act. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (“**Memorandum**”) and its Amended and Restated Articles of Association (“**Articles**”).

Notwithstanding the current provisions of the Articles, the Company undertakes to comply with (a) the applicable articles requirements under Chapter 8A of, and Appendix 3 and Appendix 13 to, the Hong Kong Listing Rules that are not currently met by the Articles and (b) the requirement that where a general meeting is postponed by the directors, the specific date, time and place of the postponed meeting must be specified, before the Articles are formally amended in an extraordinary general meeting to be convened in September 2021 such that immediately upon the Listing, the Company will be subject to, and will fully comply with, such articles requirements as if they have already been incorporated into the existing Articles upon the Listing (save for certain specified exceptions). For further details, please see “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company.”

1 MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on February 27, 2018. A summary of certain provisions of the Articles is set out below.

2.1 Shares**(a) Classes of shares**

The share capital of the Company consists of Class Y Ordinary Shares, Class Z Ordinary Shares, and shares of such class or classes (however designated) as the board of directors may determine in accordance with the Articles.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) only be materially adversely varied, modified or abrogated either with the consent in writing of the holders of not less than two-thirds in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of two-thirds of the issued shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be one or more persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be materially adversely varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum, 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 the case of the share from which the reduced share is derived; and
- (iv) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the

transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 8% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 8% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, at any time and for so long as any part of the call or installment remains unpaid, serve notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the shares forfeited.

2.2 Directors***(a) Appointment, retirement and removal***

Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three Directors, the exact number of Directors to be determined from time to time by the Board of Directors.

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting.

A Director is not required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for

any breach of any contract between him and the Company) and the Company may by ordinary resolution or an affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting may appoint another in his place. The number of Directors shall not be less than three.

The office of a Director shall be vacated if he:

- (i) resign;
- (ii) dies;
- (iii) is declared to be of unsound mind;
- (iv) becomes bankrupt or makes any arrangement or composition with his creditors;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave of absence from the Board, is absent from meetings of the Board for three consecutive meetings, and the Board resolves that his office is vacated;
- (vii) is removed from office otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Articles and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which

may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period

and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting of the Directors whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than two-thirds of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the “**Registrar of Companies**”) within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have ten votes for each Class Y Ordinary Share and one vote for every Class Z Ordinary Share of which he is the holder which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a recognized clearing house or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

- (iii) At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the meeting or any member present in person or by proxy, and unless a poll is so demanded, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of, or against, that resolution.

Should a recognized clearing house or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any

particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company may (but shall not be obliged to) in each calendar year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors. At these meetings the report of the Directors (if any) shall be presented.

(d) Notices of meetings and business to be conducted

At least ten calendar days' notice shall be given for any general meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the day, hour, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except as otherwise provided in the Articles, any notice or document may be served by the Company or by the person entitled to give notice to any member either personally, or by posting it by airmail or a recognized courier service in prepaid letter addressed to such member at his address as appearing in the register of members, or by electronic mail to any electronic mail address such member may be specified in writing for the purpose of such service of notices, or by facsimile to any facsimile number such member may have specified in writing for the purpose of such service of notices, or by placing it on the Company's website should the Directors deem it appropriate. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register of members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

The Company undertakes to give notice sufficient to enable members whose registered addresses are in Hong Kong to exercise their rights or comply with the terms of the notice.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by two-thirds of the members having a right to attend and vote at the meeting, present in person or by proxy or, in the case of a corporation or other non-natural person, by its duly authorized representative or proxy.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one-third of all votes attaching to all issued and outstanding shares of the Company that as at the date of the deposit carry the right to vote at general meetings of the Company.

(e) Quorum for meetings and separate class meetings

No business except for the appointment of a chairman shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business.

The quorum for a general meeting shall be one or more members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote carrying in aggregate not less than one-third of all votes attaching to all shares in issue and entitled to vote at such general meeting. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be one or more persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the registered office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting a copy of the Directors' report (if any).

2.7 Dividends and other methods of distribution

Subject to any rights and restrictions for the time being attached to any shares, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorize the payment of the same out of the funds of the Company available lawfully therefor. Subject to any rights and restrictions for the time being attached to any shares, the Company in general meeting may declare dividends to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on December 23, 2013 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in Section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable

to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

- (a) all sums of money received and expended by it;
- (b) all sales and purchases of goods by it; and
- (c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in- Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
- (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 20 years from March 14, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

- (a) an order of the court;
- (b) voluntarily by its members; or
- (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

- (a) the company is or is likely to become insolvent; or
- (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

Further Information About Us***Our Incorporation***

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on December 23, 2013. We have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance with an address at Suite 603, 6th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong. Tsang Kwok Fai (曾國輝) has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of our Constitution and Cayman Companies Act” in Appendix III.

Changes in Our Share Capital

As at December 31, 2020, we had an authorized share capital of US\$1,000,000 divided into 100,000,000 Class Y ordinary shares of a nominal or par value of US\$0.0001 each, 9,800,000,000 Class Z ordinary shares of a nominal or par value of US\$0.0001 each, 100,000,000 undesignated ordinary shares of a nominal or par value of US\$0.0001, and our issued share capital was 83,715,114 Class Y ordinary shares and 271,507,165 Class Z ordinary shares.

The following tables set out the changes in the share capital of our Company during the periods presented in this document:

	Fiscal year ended December 31, 2018			
	Pre-IPO Class A ordinary share	Class Y ordinary share	Class Z ordinary share	Shareholders' Equity
Balances as at January 1, 2018	69,336,926	—	—	(US\$) 6,934
Issuance of Shares	—	85,364,814	226,323,075	31,169
Repurchase and/or retirement of Shares	(69,336,926)	—	—	(6,934)
Balances as at December 31, 2018	—	85,364,814	226,323,075	31,169
	Fiscal year ended December 31, 2019			
	Class Y ordinary share	Class Z ordinary share	Shareholders' Equity	
Balances as at January 1, 2019	85,364,814	226,323,075	(US\$) 31,169	
Issuance of Shares	—	16,428,266	1,643	
Repurchase and/or retirement of Shares	—	—	—	
Balances as at December 31, 2019	85,364,814	242,751,341	32,812	
	Fiscal year ended December 31, 2020			
	Class Y ordinary share	Class Z ordinary share	Shareholders' Equity	
Balances as at January 1, 2020	85,364,814	242,751,341	(US\$) 32,812	
Issuance of Shares	—	25,453,497	2,545	
Repurchase and/or retirement of Shares	(1,649,700)	—	(165)	
Balances as at December 31, 2020	83,715,114	268,204,838	35,192	

Changes in the Share Capital of Our Major Subsidiaries

The following alterations in the share capital of our Major Subsidiaries have taken place within the two years immediately preceding the date of this document:

- (a) On April 24, 2019, the registered capital of Shanghai Kuanyu Digital Technology Co., Ltd. was increased from RMB21,000,000 to RMB100,000,000;
- (b) On December 18, 2019, the registered capital of Hode Shanghai Limited was increased from US\$50,000,000 to US\$200,000,000; and
- (c) On March 5, 2020, the registered capital of Shanghai Hehehe Culture Communication Co., Ltd was increased from RMB20,000,000 to RMB120,000,000;
- (d) On November 11, 2020, the registered capital of Shanghai Bilibili Technology Co., Ltd. was increased from US\$200,000,000 to US\$400,000,000.

Further Information About Our Business***Summary of Material Contracts***

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material, as well as contracts required to be disclosed pursuant to the Hong Kong Stock Exchange's Guidance Letter HKEX-GL94-18 and Listing Decision HKEX-LD43-3:

1. a power of attorney dated December 23, 2020 and executed by Rui Chen, pursuant to which he, among others, authorized Hode Shanghai Limited or its designated person to exercise all of his rights as a shareholder of Shanghai Kuanyu Digital Technology Co., Ltd.
2. a power of attorney dated December 23, 2020 and executed by each of Yi Xu, Rui Chen, and Ni Li, pursuant to which each of them, among others, authorized Hode Shanghai Limited or its designated person to exercise all of their rights as shareholders of Shanghai Hode Information Technology Co., Ltd.
3. an equity pledge agreement dated December 23, 2020 and executed by Hode Shanghai Limited, Shanghai Kuanyu Digital Technology Co., Ltd. and Rui Chen, pursuant to which Rui Chen agreed to pledge all of his equity interests in Shanghai Kuanyu Digital Technology Co., Ltd. to Hode Shanghai Limited as a first priority charge.
4. an equity pledge agreement dated December 23, 2020 and executed by Hode Shanghai Limited, Shanghai Hode Information Technology Co., Ltd., Yi Xu, Rui Chen, and Ni Li, pursuant to which each of Yi Xu, Rui Chen and Ni Li agreed to pledge all of their respective equity interests in Shanghai Hode Information Technology Co., Ltd. to Hode Shanghai Limited as a first priority charge.
5. an exclusive business cooperation agreement dated December 23, 2020 and executed by Hode Shanghai Limited and Shanghai Kuanyu Digital Technology Co., Ltd., pursuant to which, among others, Shanghai Kuanyu Digital Technology Co., Ltd. engaged Hode Shanghai Limited to provide a wide range of business support, technical services and consultation services in exchange for service fees.
6. an exclusive business cooperation agreement dated December 23, 2020 and executed by Hode Shanghai Limited and Shanghai Hode Information Technology Co., Ltd., pursuant to which,

among others, Shanghai Hode Information Technology Co., Ltd. engaged Hode Shanghai Limited to provide a wide range business support, technical services and consultation services in exchange for service fees.

7. an exclusive option agreement dated December 23, 2020 and executed by Hode Shanghai Limited, Shanghai Kuanyu Digital Technology Co., Ltd. and Rui Chen, pursuant to which, among others, Rui Chen irrevocably and unconditionally granted Hode Shanghai Limited or its designated person an exclusive option to purchase all or part of his equity interests in Shanghai Kuanyu Digital Technology Co., Ltd. and Shanghai Kuanyu Digital Technology Co., Ltd. irrevocably and unconditionally granted Hode Shanghai Limited or its designated person an exclusive option to purchase all or part of Shanghai Kuanyu Digital Technology Co., Ltd.'s assets.
8. an exclusive option agreement dated December 23, 2020 and executed by Hode Shanghai Limited, Shanghai Hode Information Technology Co., Ltd., Yi Xu, Rui Chen, and Ni Li, pursuant to which, among others, each of Yi Xu, Rui Chen, and Ni Li irrevocably and unconditionally granted Hode Shanghai Limited or its designated person an exclusive option to purchase all or part of their equity interests in Shanghai Hode Information Technology Co., Ltd. and Shanghai Hode Information Technology Co., Ltd. irrevocably and unconditionally granted Hode Shanghai Limited or its designated person an exclusive option to purchase all or part of Shanghai Hode Information Technology Co., Ltd.'s assets.
9. the Hong Kong Underwriting Agreement.

Our Intellectual Property Rights

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2020, we held 459 patents, 467 registered copyrights, 270 registered domain names, including “www.bilibili.com”, and 2,987 registered trademarks, including “Bilibili” (哔哩哔哩). In addition, as of December 31, 2020, we had submitted 808 additional patent applications and 1,833 trademark applications for registrations.

Further Information About Directors and Executive Officers

Disclosure of Interests

See “Major Shareholders” for disclosure of interests of directors and executive officers.

Directors’ Service Contracts

We have entered into employment agreements with each of our directors who is also an officer. See “Directors and Senior Management—Compensation—Employment Agreements.”

Directors’ Remuneration

See “Directors and Senior Management—Compensation” for a discussion of Directors’ remuneration.

Disclosures relating to Directors and Experts

Save as disclosed in this document:

- None of our directors nor any of the persons listed in “—Other Information—Qualification of Experts” below is materially interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this

document, acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities, or are proposed to be acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities.

- None of our directors nor any of the persons listed in “—Other Information—Qualification of Experts” below is materially interested in any contract or arrangement with us subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to our business as a whole.
- None of the persons listed in “—Other Information—Qualification of Experts” below has any shareholding in us or any of our Major Subsidiaries or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us or any of our Major Subsidiaries.

Share Incentive Plans

See “Directors and Senior Management—Compensation” for details about our Share Incentive Plans.

Other Information

Estate duty

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

See “Our Business—Legal Proceedings and Compliance” for further information.

Joint Sponsors

The Joint Sponsors made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities (Far East) Limited and UBS Securities Hong Kong Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The fee payable to each of the Joint Sponsors is US\$500,000 and is payable by our Company.

No Material Adverse Change

Our directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date to which our latest audited consolidated financial statements were prepared).

Qualification of Experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
Morgan Stanley Asia Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
J.P. Morgan Securities (Far East) Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountant under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Shanghai iResearch Co., Ltd, China	Industry consultant
Tian Yuan Law Firm	Legal adviser to Company as to PRC law
Walkers (Hong Kong)	Legal adviser to Company as to Cayman Islands law

Consents of Experts

Each of the experts above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document.

Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

- Save as disclosed in this document or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in this document, within the two years immediately preceding the date of this document:
 - to the best of our knowledge, neither we nor any of our Major Subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share capital or debentures of our Company or any of our Major Subsidiaries;
 - no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - there is no arrangement under which future dividends are waived or agreed to be waived.
- Our branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- Our directors confirm that:
 - there has not been any interruption in our business which may have or have had a material adverse effect on our financial position in the 12 months immediately preceding the date of this document;
 - there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group; and
 - Save for our issuance of convertible senior notes due 2026 in the aggregate principal amount of US\$500 million in April 2019 and our issuance of convertible senior notes

due 2027 in the aggregate principal amount of US\$800 million in June 2020, we and our Major Subsidiaries have no outstanding debentures or convertible debt securities.

- The English version of this document shall prevail over the Chinese version.

Documents Delivered to the Registrar of Companies

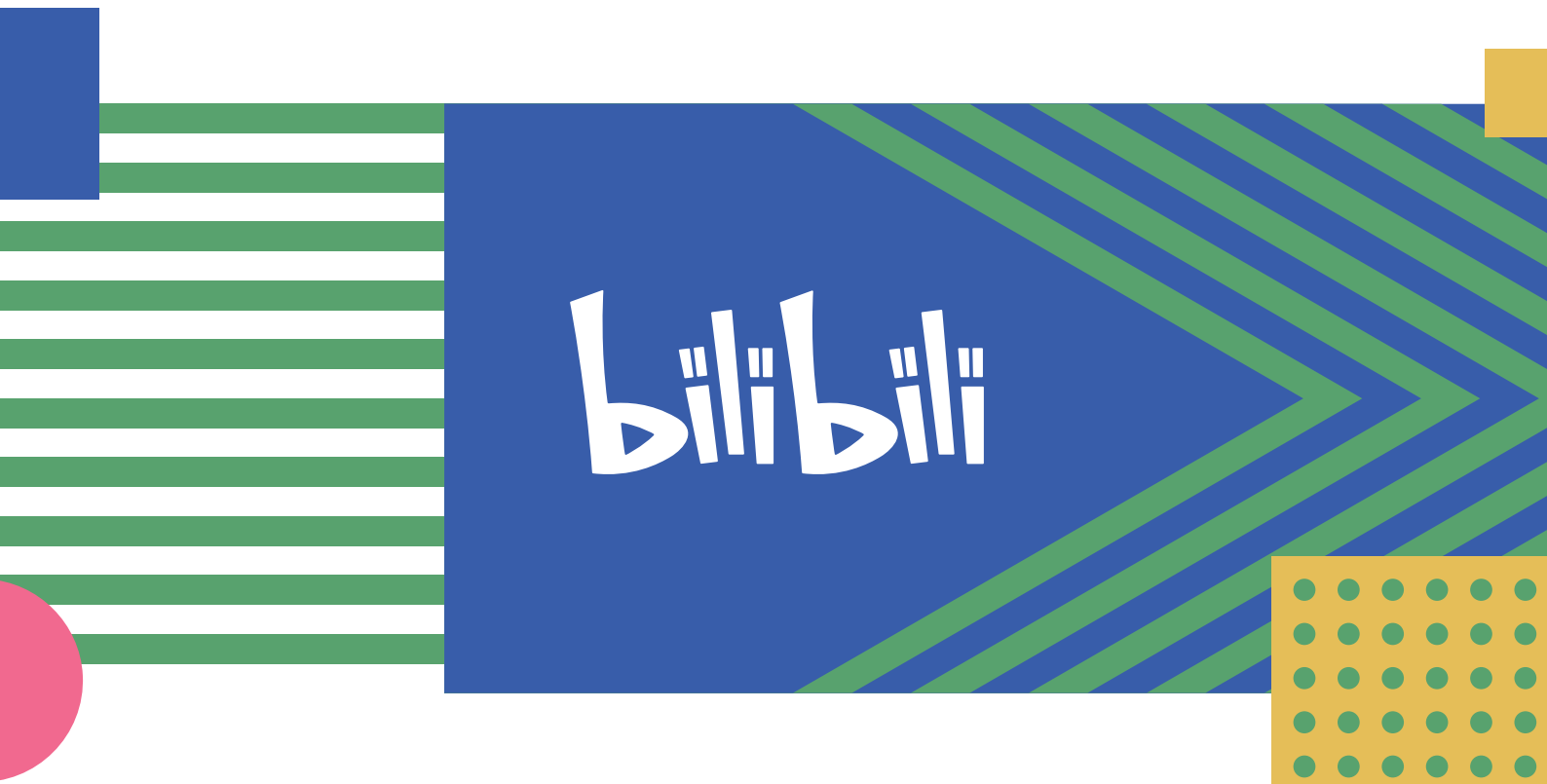
The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- a copy of the **GREEN** Application Form;
- a copy of each of the material contracts referred to in the section headed “Statutory and General Information—Further Information About Our Business—Summary of Material Contracts” in Appendix IV to this document; and
- the written consents referred to in the section headed “Statutory and General Information—Other Information—Consents of Experts” in Appendix IV to this document.

Documents Available for Inspection

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- the Memorandum and Articles of Association of our Company;
- our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020;
- the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I;
- the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II;
- the legal opinion issued by Tian Yuan Law Firm, our PRC Legal Adviser, in respect of certain aspects of us;
- the letters of advice prepared by Walkers (Hong Kong), our Cayman Islands legal adviser, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this document and their view on certain Cayman matters as set out in this document;
- the report issued by Shanghai iResearch Co., Ltd., China, a summary of which is set forth in “Industry Overview”;
- the material contracts referred to in the section headed “Statutory and General Information—Further Information About Our Business—Summary of Material Contracts” in Appendix IV to this document;
- the written consents referred to in the section headed “Statutory and General Information—Other Information—Consents of Experts” in Appendix IV to this document; and
- the Cayman Companies Act.



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