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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2020

Commission File Number: 001-38429

Bilibili Inc.

**Building 3, Guozheng Center, No. 485 Zhengli Road
Yangpu District, Shanghai, 200433
People's Republic of China
(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Exhibit Index

99.1 Management's Discussion and Analysis of Financial Condition and Results of Operations

Exhibit 99.1 sets forth the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included in the Registrant's preliminary offering memorandum dated May 27, 2020 in connection with the proposed offering of convertible senior notes

99.2 Unaudited Interim Condensed Consolidated Financial Statements

Exhibit 99.2 sets forth the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2020 incorporated by reference in the Registrant's preliminary offering memorandum dated May 27, 2020 in connection with the proposed offering of convertible senior notes

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BILIBILI INC.

By : /s/ Xin Fan

Name : Xin Fan

Title : Chief Financial Officer

Date: May 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with our consolidated financial statements and the related notes incorporated in this offering memorandum by reference to our 2019 Annual Report, our unaudited interim condensed consolidated financial statements and the related notes included in our current report on Form 6-K furnished with the SEC on May 27, 2020, which is incorporated by reference into this offering memorandum, and "Item 5. Operating and Financial Review and Prospects" in our 2019 Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of various factors, including those we describe under "Risk Factors" and elsewhere in this offering memorandum.

Key Factors Affecting Our Results of Operations

User growth and engagement

Our business depends on our ability to grow our user base, and maintain and increase user engagement. We have experienced rapid user growth since our inception. The following table sets forth our average MAUs for each of the quarters indicated:

	For the Three Months Ended								
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
	(in thousands)								
Average MAUs	77,454.2	85,041.4	92,748.0	92,766.2	101,334.7	110,352.7	127,876.2	130,276.9	172,379.0

Our MAUs include our mobile app MAUs and PC MAUs after eliminating duplicates of users who utilize both terminals. Our active users generally view and consume a multitude of content offered on our platform, including videos, live broadcasting, mobile games and other content. Our mobile games are generally free to play, and we offer in-game virtual items that are available for sale, through which we generate our mobile game revenues. We derive a majority of revenues from our mobile game services, and, to a lesser extent, from VAS, advertising and e-commerce and others. The number of our users and the level of their engagement on our platform indirectly affect our revenues because the more users we have, the more mobile game players, live broadcasting hosts and advertisers we have. In particular, 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.

Monetization of our user base with increasingly diversified product and service offerings

Our revenues and results of operations depend on our ability to monetize our large user base, to convert more users to paying users and to increase the spending of our paying users. Paying users on our platform include users who make payments for various products and services on our platform, including purchases in mobile games offered on our platform, and payments for virtual items in our live broadcasting programs and for other VAS. 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.

The following table sets forth our average MAUs, 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, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Average MAUs	77,454.2	85,041.4	92,748.0	92,766.2	101,334.7	110,352.7	127,876.2	130,276.9	172,379.0
Average monthly paying users	2,472.5	2,966.2	3,540.2	4,415.8	5,742.6	6,258.5	7,946.6	8,817.4	13,426.9
Average monthly revenue per paying user	105.7	102.2	86.0	69.0	67.6	66.4	58.1	54.5	48.3

The number of average monthly paying users has generally been increasing as we expanded our mobile games operations and diversify our value-added services offerings. The decrease of our average monthly revenue per paying user was mainly due to a substantial increase in the number of paying users attributable to our premium membership program, which has relatively low revenue per paying user.

Our brand recognition and market leadership

Our ability to maintain our prominent market leadership and brand recognition as the leading online entertainment platform is key to our ability to maintain and enhance relationships with our users, content providers, advertisers, game developers and other business partners, and increase our revenues. In addition, the reputation and attractiveness of our platform among young users also serves as an efficient marketing channel for our products and services, such as mobile games.

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 costs and e-commerce and other costs. We expect our revenue-sharing costs and content costs will increase in absolute amount as our user base expands and we continue to procure quality content. 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 invest in the growth by incurring sales and marketing expenses.

Investment in technology and talent

Our technology is critical for us to retain and attract users, other customers and business partners. Our current research and development efforts are primarily focused on enhancing our artificial intelligence technology, big data analytics capabilities and cloud technology.

Impact of COVID-19 on Our Operations and Financial Performance

Substantially all of our revenues and workforce are concentrated in China. In response to the intensifying efforts 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 bans, blockade of certain roads and closure of factories and businesses, and may continue to take further measures to keep this epidemic outbreak in check. This outbreak has caused delays in the delivery of our merchandise sold on our platform to the customers in the first quarter of 2020. The delivery has been gradually recovering in the second quarter of 2020. However, 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. The outbreak may also cause delay or cancellation in our offline events in 2020. Furthermore, 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, and we cannot predict user acquisition and engagement levels after various shelter-in-place restrictions are relaxed.

While events related to the outbreak of and response to the COVID-19 are expected to be temporary, there remain significant uncertainties surrounding the COVID-19 outbreak 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 for 2020 cannot be reasonably estimated at this time.

As of March 31, 2020, our cash and cash equivalents, time deposits, as well as short-term investments were RMB7.9 billion (US\$1.1 billion). Our cash and cash equivalents primarily consist of cash at banks and cash held in accounts with third-party online payment platforms. 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 our offerings of convertible senior notes. In addition, in April 2020, we issued 17,310,696 Class Z ordinary shares to Sony Corporation of America for its investment of approximately US\$400 million in cash.

We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty. See also “Risk Factors—Risks Related to Our Business and Industry— Our business may be materially adversely affected by the outbreak of COVID-19.”

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,						For the Three Months Ended March 31,					
	2017		2018		2019		2019		2020			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$		
	(in thousands, except for percentages)											
Net revenues:												
Mobile games	2,058,226	83.4%	2,936,331	71.1%	3,597,809	53.1%	873,455	63.6%	1,150,613	162,498	49.7%	
VAS	176,443	7.1%	585,643	14.2%	1,641,043	24.2%	291,652	21.2%	793,553	112,071	34.3%	
Advertising	159,160	6.5%	463,490	11.2%	817,016	12.1%	112,499	8.2%	214,266	30,260	9.2%	
E-commerce and others	74,620	3.0%	143,467	3.5%	722,054	10.6%	95,901	7.0%	157,103	22,187	6.8%	
Total net revenues	2,468,449	100.0%	4,128,931	100.0%	6,777,922	100.0%	1,373,507	100.0%	2,315,535	327,016	100.0%	

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, the operation of in-game promotions and customer services. We also develop localized versions for such games licensed from overseas developers. For jointly operated mobile game services, we offer our mobile game platform for mobile games developed by third-party game developers. We earn game distribution service revenue within the applicable contract periods by providing payment solutions and market distribution services, while game developers are responsible for providing game products, hosting and maintaining game servers and determining the pricing of in-game virtual items. As of December 31, 2019, we operated 29 exclusively distributed mobile games, over 750 jointly operated mobile games and one self-developed mobile game. Our revenues from mobile games depend on the number of paying users and average revenue per paying user, and ultimately are determined by our ability to select, procure and offer engaging games tailored to our platform and our user preferences.

VAS (formerly known as Live broadcasting and VAS). We generate revenues from our live broadcasting program by sales of in-channel virtual items for use in our live broadcasting program so that users can send them to hosts to show their support. The virtual items sold by us comprise of either consumable items, such as gifts and items that create special visual effects, or time-based items, such as privileges and titles. Under the arrangements with hosts of our live broadcasting program, we share with them a portion of the revenues derived from the sales of virtual items. Meanwhile, we also generate revenues from other VAS including premium membership subscription, paid content and virtual items on our video, audio and comic platforms. Our premium membership program allows paying members to enjoy exclusive or view licensed content as well as original content in advance. We expect revenues from VAS to continue to grow.

Advertising. We generate advertising revenues primarily from display advertising arrangements and performance-based advertisements, and we expect to increase in-program advertisements. Display advertising arrangements allow advertisers to place advertisements on particular areas of our platform, in particular formats and over particular periods. Performance-based advertisements allow advertisers to connect with users who are likely to have demand for the advertisers' products and services based on users' activity and demographic data collected on our platform. We have also worked with our content creators and licensed content providers to offer advertisers in-program advertisements. We expect our advertising revenues to increase in the foreseeable future as we will 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 also include revenues from holding certain 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,						For the Three Months Ended March 31,					
	2017		2018		2019		2019		2020			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
	(in thousands, except for percentages)											
Cost of revenues:												
Revenue-sharing costs	926,315	48.3%	1,630,881	49.8%	2,494,416	44.6%	551,672	46.6%	888,801	125,523	49.8%	
Content costs	261,534	13.6%	543,009	16.6%	1,001,600	17.9%	210,161	17.7%	326,448	46,103	18.3%	
Server and bandwidth costs	468,903	24.4%	618,737	18.9%	919,753	16.5%	217,654	18.4%	269,263	38,027	15.1%	
E-commerce and others	262,489	13.7%	480,866	14.7%	1,171,904	21.0%	204,704	17.3%	300,559	42,447	16.8%	
Total cost of revenues	1,919,241	100%	3,273,493	100%	5,587,673	100%	1,184,191	100%	1,785,071	252,100	100%	

Revenue-sharing costs consist of fees paid to game developers, distribution channels (app stores) and payment channels, as well as fees we pay to hosts of our live broadcasting program 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. 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.

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,						For the Three Months Ended March 31,					
	2017		2018		2019		2019		2020			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
Operating expenses:	(in thousands, except for percentages)											
Sales and marketing expenses	232,489	30.1%	585,758	37.0%	1,198,516	44.6%	181,487	36.6%	605,957	85,577	56.4%	
General and administrative expenses	260,898	33.7%	461,165	29.1%	592,497	22.1%	128,487	25.9%	171,377	24,203	15.9%	
Research and development expenses	280,093	36.2%	537,488	33.9%	894,411	33.3%	186,075	37.5%	297,335	41,992	27.7%	
Total operating expenses	773,480	100%	1,584,411	100%	2,685,424	100%	496,049	100.0%	1,074,669	151,772	100.0%	

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 due to increasing investment to maintain our brand awareness and leadership.

General and administrative expenses. General and administrative expenses consist primarily of salaries and expenses, including share-based compensation expenses for our general and administrative personnel, professional fees and rental expenses. 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.

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.

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 and the related notes incorporated in this offering memorandum by reference to our 2019 Annual Report and our unaudited interim condensed consolidated financial statements and the related notes included in our current report on Form 6-K furnished with the SEC on May 27, 2020, which is incorporated by reference into this offering memorandum. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						For the Three Months Ended March 31,				
	2017		2018		2019		2019		2020		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)										
Net revenues	2,468,449	100.0%	4,128,931	100.0%	6,777,922	100.0%	1,373,507	100.0%	2,315,535	327,016	100.0%
Cost of revenues ⁽¹⁾	(1,919,241)	(77.8)%	(3,273,493)	(79.3)%	(5,587,673)	(82.4)%	(1,184,191)	(86.2)%	(1,785,071)	(252,100)	(77.1)%
Gross profit	549,208	22.2%	855,438	20.7%	1,190,249	17.6%	189,316	13.8%	530,464	74,916	22.9%
Operating expenses:											
Sales and marketing expenses ⁽¹⁾	(232,489)	(9.4)%	(585,758)	(14.2)%	(1,198,516)	(17.7)%	(181,487)	(13.2)%	(605,957)	(85,577)	(26.2)%
General and administrative expenses ⁽¹⁾	(260,898)	(10.6)%	(461,165)	(11.2)%	(592,497)	(8.7)%	(128,487)	(9.4)%	(171,377)	(24,203)	(7.4)%
Research and development expenses ⁽¹⁾	(280,093)	(11.3)%	(537,488)	(13.0)%	(894,411)	(13.2)%	(186,075)	(13.5)%	(297,335)	(41,992)	(12.8)%
Total operating expenses	(773,480)	(31.3)%	(1,584,411)	(38.4)%	(2,685,424)	(39.6)%	(496,049)	(36.1)%	(1,074,669)	(151,772)	(46.4)%
Loss from operations	(224,272)	(9.1)%	(728,973)	(17.7)%	(1,495,175)	(22.0)%	(306,733)	(22.3)%	(544,205)	(76,856)	(23.5)%
Other income/(expenses):											
Investment income/(losses), net (including impairments)	22,957	0.9%	96,440	2.3%	96,610	1.4%	82,047	6.0%	(26,481)	(3,740)	(1.1)%
Interest income	1,483	0.1%	68,706	1.7%	162,782	2.4%	24,407	1.8%	26,652	3,764	1.2%
Interest expense	—	—	—	—	(46,543)	(0.7)%	—	—	(15,172)	(2,143)	(0.7)%
Exchange gains/(losses)	6,445	0.3%	(1,661)	0.0%	(11,789)	(0.2)%	(2,101)	(0.2)%	12,710	1,795	0.5%
Others, net	18,518	0.7%	26,455	0.6%	26,412	0.4%	14,930	1.1%	17,333	2,448	0.7%
Loss before tax	(174,869)	(7.1)%	(539,033)	(13.1)%	(1,267,703)	(18.7)%	(187,450)	(13.6)%	(529,163)	(74,732)	(22.9)%
Income tax	(8,881)	(0.4)%	(25,988)	(0.6)%	(35,867)	(0.5)%	(8,188)	(0.6)%	(9,392)	(1,326)	(0.4)%
Net loss	(183,750)	(7.5)%	(565,021)	(13.7)%	(1,303,570)	(19.2)%	(195,638)	(14.2)%	(538,555)	(76,058)	(23.3)%

Note:

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

	For the Year Ended December 31,			For the Three Months Ended March 31,		
	2017	2018	2019	2019	2020	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Cost of revenues	7,936	28,173	23,281	5,074	6,875	971
Sales and marketing expenses	3,423	11,499	14,269	3,122	6,759	955
General and administrative expenses	56,746	102,544	68,497	13,225	26,416	3,731
Research and development expenses	11,849	38,977	66,503	13,827	15,474	2,185
Total	79,954	181,193	172,550	35,248	55,524	7,842

Three Months ended March 31, 2020 compared to three months ended March 31, 2019

Net revenues

Our net revenues increased by 68.6% from RMB1,373.5 million in the three months ended March 31, 2019 to RMB2,315.5 million (US\$327.0 million) in the three months ended March 31, 2020.

Mobile games. Our net revenues from mobile games increased by 31.7% from RMB873.5 million in the three months ended March 31, 2019 to RMB1,150.6 million (US\$162.5 million) in the three months ended March 31, 2020. The increase was primarily due to the increasing popularity of both existing and newly launched mobile games.

VAS (formerly known as Live broadcasting and VAS). Our net revenues from VAS increased by 172.1% from RMB291.7 million in the three months ended March 31, 2019 to RMB793.6 million (US\$112.1 million) in the three months ended March 31, 2020, mainly attributable to our enhanced monetization efforts, led by increases in the number of paying users for our premium membership program, live broadcasting services and other value-added services.

Advertising. Our net revenues from advertising increased by 90.5% from RMB112.5 million in the three months ended March 31, 2019 to RMB214.3 million (US\$30.3 million) in the three months ended March 31, 2020. This increase was primarily attributable to the increasing number of advertisers, which was driven by further recognition of Bilibili's brand name in China's online advertising market.

E-commerce and Others. We had RMB95.9 million and RMB157.1 million (US\$22.2 million) of e-commerce and other net revenues in the three months ended March 31, 2019 and 2020, respectively. The increase was primarily attributable to the increase in sales of products on our e-commerce platform.

Cost of revenues

Our cost of revenues increased by 50.7% from RMB1,184.2 million in the three months ended March 31, 2019 to RMB1,785.1 million (US\$252.1 million) in the three months ended March 31, 2020 as all components of cost of revenues increased due to our business growth and the expansion of our user base.

Server and bandwidth costs increased by 23.7% from RMB217.7 million in the three months ended March 31, 2019 to RMB269.3 million (US\$38.0 million) in the three months ended March 31, 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.

Revenue-sharing costs increased by 61.1% from RMB551.7 million in the three months ended March 31, 2019 to RMB888.8 million (US\$125.5 million) in the three months ended March 31, 2020, primarily due to an increase in payments made to developers of exclusively distributed games, an increase in payments made to distribution channels and an increase in payments made to hosts of live broadcasting programs and content creators on our platform.

Content costs increased by 55.3% from RMB210.2 million in the three months ended March 31, 2019 to RMB326.4 million (US\$46.1 million) in the three months ended March 31, 2020 as we continued to expand and diversify our content offerings.

Gross profit

As a result of the foregoing, we had gross profit of RMB530.5 million (US\$74.9 million) in the three months ended March 31, 2020, compared to gross profit of RMB189.3 million in the three months ended March 31, 2019.

Operating expenses

Our total operating expenses increased by 116.6% from RMB496.0 million in the three months ended March 31, 2019 to RMB1,074.7 million (US\$151.8 million) in the three months ended March 31, 2020, as sales and marketing expenses, general and administrative expenses, as well as 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 233.9% from RMB181.5 million in the three months ended March 31, 2019 to RMB606.0 million (US\$85.6 million) in the three months ended March 31, 2020, primarily attributable to increased channel and marketing expenses associated with our app and brand, as well as promotional activities for our mobile games, and an increase in headcount in sales and marketing personnel.

General and administrative expenses. Our general and administrative expenses increased by 33.4% from RMB128.5 million in the three months ended March 31, 2019 to RMB171.4 million (US\$24.2 million) in the three months ended March 31, 2020. The increase was primarily attributable to increased headcount in general and administrative personnel and increased share-based compensation expenses.

Research and development expenses. Our research and development expenses increased by 59.8% from RMB186.1 million in the three months ended March 31, 2019 to RMB297.3 million (US\$42.0 million) in the three months ended March 31, 2020, primarily due to increased headcount in research and development personnel.

Loss from operations

As a result of the foregoing, we incurred loss from operations of RMB544.2 million (US\$76.9 million) in the three months ended March 31, 2020, compared to loss from operations of RMB306.7 million in the three months ended March 31, 2019.

Other income/(expenses)

Investment income/(losses), net. Net investment income/(losses) 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 RMB82.0 million in the three months ended March 31, 2019 and a net investment loss of RMB26.5 million (US\$3.7 million) in the three months ended March 31, 2020.

Interest income. Interest income represents interest earned on cash and cash equivalents and time deposits. We had interest income of RMB24.4 million and RMB26.7 million (US\$3.8 million) in the three months ended March 31, 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 RMB15.2 million (US\$2.1 million) in the three months ended March 31, 2020, primarily attributable to interest expense related to our 2026 Notes issued in April 2019, whereas we did not incur such interest expense in the three months ended March 31, 2019.

Income tax

We recorded income tax of RMB9.4 million (US\$1.3 million) in the three months ended March 31, 2020, compared to RMB8.2 million in the three months ended March 31, 2019.

Net loss

As a result of the foregoing, we incurred net loss of RMB538.6 million (US\$76.1 million) in the three months ended March 31, 2020, compared to net loss of RMB195.6 million in the three months ended March 31, 2019.

Financing activities

Net cash provided by financing activities in the three months ended March 31, 2020 was RMB188.8 million (US\$26.7 million), primarily attributable to the proceeds we received from capital injection of RMB103.5 million (US\$14.6 million) and short-term loans of RMB100.0 million (US\$14.1 million).

Capital expenditures

Our capital expenditures are primarily incurred for purchases of intangible assets and property and equipment. Our capital expenditures were RMB283.3 million (US\$40.0 million) in the three months ended March 31, 2020. Purchases of intangible assets, which primarily consist of licensed copyrights of video content, accounted for 76.4% of our total capital expenditures in the three months ended March 31, 2020.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019:

	Payment due by December 31,					After
	Total	2020	2021	2022	2023	
			(in RMB thousands)			
Operating lease commitments ⁽¹⁾	312,249	93,741	100,109	89,399	28,643	357
Long-term debt obligations ⁽²⁾	3,799,847	47,961	47,961	47,961	47,961	3,608,003
Purchase obligation ⁽³⁾	800,000	320,000	240,000	240,000	—	—
Total	<u>4,912,096</u>	<u>461,702</u>	<u>388,070</u>	<u>377,360</u>	<u>76,604</u>	<u>3,608,360</u>

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.
- (3) Purchase obligation consists of the commitment under the a letter of intent signed in December 2019 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\$113.0 million).

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2019.

BILIBILI INC.

INDEX TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Interim Condensed Consolidated Balance Sheets as of December 31, 2019 and March 31, 2020	F-2
Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2019 and 2020	F-4
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2019 and 2020	F-5
Unaudited Interim Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2020	F-7
Notes to Unaudited Interim Condensed Consolidated Financial Statements	F-9

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
 (All amounts in thousands, except for share and per share data)

	December 31, 2019 RMB	March 31, 2020 RMB	March 31, 2020 US\$ Note 2(d)
Assets			
Current assets:			
Cash and cash equivalents	4,962,660	4,445,249	627,789
Time deposits	1,844,558	1,312,445	185,353
Accounts receivable, net	744,845	585,123	82,635
Receivables due from related parties	195,290	227,750	32,164
Prepayments and other current assets	1,315,901	1,473,577	208,109
Short-term investments	1,260,810	2,189,268	309,184
Total current assets	10,324,064	10,233,412	1,445,234
Non-current assets:			
Property and equipment, net	516,087	481,090	67,943
Production cost, net	443,533	495,806	70,021
Intangible assets, net	1,657,333	1,815,081	256,338
Deferred tax assets	10,479	11,710	1,654
Goodwill	1,012,026	1,012,026	142,925
Long-term investments, net	1,251,129	1,446,164	204,237
Other long-term assets	301,916	276,318	39,024
Total non-current assets	5,192,503	5,538,195	782,142
Total assets	15,516,567	15,771,607	2,227,376
Liabilities			
Current liabilities:			
Accounts payable	1,904,042	2,132,377	301,149
Salary and welfare payable	355,936	263,210	37,172
Taxes payable	67,856	54,486	7,695
Short-term loans	—	100,000	14,123
Deferred revenue	1,369,000	1,491,173	210,594
Accrued liabilities and other payables	575,763	761,417	107,533
Total current liabilities	4,272,597	4,802,663	678,266
Non-current liabilities:			
Long-term debt	3,414,628	3,470,785	490,168
Other long-term liabilities	192,882	173,533	24,508
Total non-current liabilities	3,607,510	3,644,318	514,676
Total liabilities	7,880,107	8,446,981	1,192,942

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share and per share data)

	December 31, 2019 RMB	March 31, 2020 RMB	March 31, 2020 US\$ Note 2(d)
Redeemable noncontrolling interests	—	125,609	17,739
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, 2019 and March 31, 2020)	53	53	7
Class Z Ordinary Shares (US\$0.0001 par value; 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, 248,730,234 shares issued, 244,760,141 shares outstanding as of March 31, 2020)	155	156	22
Additional paid-in capital	10,718,190	10,772,444	1,521,360
Statutory reserves	13,463	13,463	1,901
Accumulated other comprehensive income	466,229	510,018	72,028
Accumulated deficit	(4,145,606)	(4,697,477)	(663,410)
Total Bilibili Inc.'s shareholders' equity	7,052,484	6,598,657	931,908
Noncontrolling interests	583,976	600,360	84,787
Total shareholders' equity	7,636,460	7,199,017	1,016,695
Total liabilities, redeemable noncontrolling interests and shareholders' equity	15,516,567	15,771,607	2,227,376

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(All amounts in thousands, except for share and per share data)

	For the Three Months Ended March 31,		
	2019	2020	US\$
	RMB	RMB	Note 2(d)
Net revenues:			
Mobile games	873,455	1,150,613	162,498
Value-added services (formerly known as Live broadcasting and VAS)	291,652	793,553	112,071
Advertising	112,499	214,266	30,260
E-commerce and others	95,901	157,103	22,187
Total net revenues	1,373,507	2,315,535	327,016
Cost of revenues	(1,184,191)	(1,785,071)	(252,100)
Gross profit	189,316	530,464	74,916
Operating expenses:			
Sales and marketing expenses	(181,487)	(605,957)	(85,577)
General and administrative expenses	(128,487)	(171,377)	(24,203)
Research and development expenses	(186,075)	(297,335)	(41,992)
Total operating expenses	(496,049)	(1,074,669)	(151,772)
Loss from operations	(306,733)	(544,205)	(76,856)
Other income/(expenses):			
Investment income/(losses), net (including impairments)	82,047	(26,481)	(3,740)
Interest income	24,407	26,652	3,764
Interest expense	—	(15,172)	(2,143)
Exchange (losses)/gains	(2,101)	12,710	1,795
Others, net	14,930	17,333	2,448
Loss before tax	(187,450)	(529,163)	(74,732)
Income tax	(8,188)	(9,392)	(1,326)
Net loss	(195,638)	(538,555)	(76,058)
Accretion to redeemable noncontrolling interests	—	(1,270)	(179)
Net loss attributable to noncontrolling interests	9,678	4,584	647
Net loss attributable to the Bilibili Inc.'s shareholders	(185,960)	(535,241)	(75,590)
Net loss	(195,638)	(538,555)	(76,058)
Other comprehensive (loss)/income:			
Foreign currency translation adjustments	(96,271)	43,789	6,184
Total other comprehensive (loss)/income	(96,271)	43,789	6,184
Total comprehensive loss	(291,909)	(494,766)	(69,874)
Accretion to redeemable noncontrolling interests	—	(1,270)	(179)
Net loss attributable to noncontrolling interests	9,678	4,584	647
Comprehensive loss attributable to the Bilibili Inc.'s shareholders	(282,231)	(491,452)	(69,406)
Net loss per share, basic	(0.60)	(1.62)	(0.23)
Net loss per share, diluted	(0.60)	(1.62)	(0.23)
Net loss per ADS, basic	(0.60)	(1.62)	(0.23)
Net loss per ADS, diluted	(0.60)	(1.62)	(0.23)
Weighted average number of ordinary shares, basic	311,841,813	329,443,167	329,443,167
Weighted average number of ordinary shares, diluted	311,841,813	329,443,167	329,443,167
Weighted average number of ADS, basic	311,841,813	329,443,167	329,443,167
Weighted average number of ADS, diluted	311,841,813	329,443,167	329,443,167
Share-based compensation expenses included in:			
Cost of revenues	5,074	6,875	971
Sales and marketing expenses	3,122	6,759	955
General and administrative expenses	13,225	26,416	3,731
Research and development expenses	13,827	15,474	2,185

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in thousands, except for share and per share data)

	Ordinary shares				Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income RMB	Accumulated deficit RMB	Noncontrolling interests RMB	Total shareholders' equity RMB
	Class Y Ordinary Shares		Class Z Ordinary Shares							
	Shares	Amount RMB	Shares	Amount 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	—	—	—	—	—	—	—	(185,960)	(9,678)	(195,638)
Share-based compensation	—	—	—	—	35,248	—	—	—	—	35,248
Share issuance from exercise of share options	—	—	261,700	*	—	—	—	—	—	*
Deconsolidation of a subsidiary	—	—	—	—	—	—	—	—	4,199	4,199
Foreign currency translation adjustments	—	—	—	—	—	—	(96,271)	—	—	(96,271)
Balance at March 31, 2019	85,364,814	53	226,584,775	144	9,494,794	7,666	229,806	(3,028,650)	234,927	6,938,740

* Less than 1.

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

(All amounts in thousands, except for share and per share data)

	Ordinary shares				Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income RMB	Accumulated deficit RMB	Noncontrolling interests RMB	Total shareholders' equity RMB
	Class Y Ordinary Shares		Class Z Ordinary Shares							
	Shares	Amount RMB	Shares	Amount 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	—	—	—	—	—	—	—	(533,971)	(4,584)	(538,555)
Cumulative effect of changes in accounting principles (Note 2)	—	—	—	—	—	—	—	(17,900)	—	(17,900)
Share-based compensation	—	—	—	—	55,524	—	—	—	—	55,524
Capital injections from noncontrolling interests	—	—	—	—	—	—	—	—	21,463	21,463
Accretion to redeemable noncontrolling interests	—	—	—	—	(1,270)	—	—	—	(495)	(1,765)
Share issuance from exercise of share options	—	—	2,008,800	1	—	—	—	—	—	1
Foreign currency translation adjustments	—	—	—	—	—	—	43,789	—	—	43,789
Balance at March 31, 2020	85,364,814	53	244,760,141	156	10,772,444	13,463	510,018	(4,697,477)	600,360	7,199,017

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, except for share and per share data)

	For the Three Months Ended March 31,		
	2019	2020	2020 US\$ Note 2(d)
	RMB	RMB	
Cash flows from operating activities:			
Net loss	(195,638)	(538,555)	(76,058)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation of property and equipment	38,917	62,727	8,859
Amortization of intangible assets	194,629	280,317	39,588
Amortization of right-of-use assets	16,049	17,866	2,523
Amortization of debt issuance costs	—	2,617	369
Share-based compensation expenses	35,248	55,524	7,842
Allowance for doubtful accounts	(5,571)	7,692	1,086
Inventory provision	—	2,086	295
Deferred income taxes	—	(1,231)	(174)
Unrealized exchange losses	2,620	196	28
Unrealized fair value changes of short-term investments	(5,663)	22,558	3,186
Fair value changes of long-term investments	1,799	1,564	221
Gain on disposal of long-term investments and subsidiaries	(75,370)	—	—
Loss from equity method investments	5,876	10,623	1,500
Impairments of long-term investments	—	2,000	282
Changes in operating assets and liabilities:			
Accounts receivable	(224,571)	134,130	18,943
Receivables due from related parties	233	3,839	543
Prepayments and other assets	(131,858)	(72,674)	(10,264)
Other long-term assets	(268,562)	7,732	1,092
Accounts payable	187,410	45,245	6,390
Salary and welfare payable	(97,750)	(92,726)	(13,095)
Taxes payable	941	(13,370)	(1,888)
Amount due to related parties	(20,151)	—	—
Deferred revenue	303,963	122,173	17,254
Accrued liabilities and other payables	38,785	247,681	34,979
Other long-term liabilities	218,083	(19,349)	(2,733)
Net cash provided by operating activities	19,419	288,665	40,768
Cash flows from investing activities:			
Purchase of property and equipment	(35,119)	(66,826)	(9,438)
Purchase of intangible assets	(256,039)	(216,513)	(30,577)
Purchase of short-term investments	(1,770,956)	(6,179,709)	(872,742)
Maturities of short-term investments	1,653,550	5,307,406	749,549
Cash consideration paid for purchase of subsidiaries, net of cash acquired	(232,587)	(906)	(128)
Cash paid for long-term investments including loans	(375,553)	(456,111)	(64,415)
Repayment of loans from investees	11,000	—	—
Cash received from disposal of long-term investments	153,905	14,701	2,076
Impact to cash resulting from deconsolidation of a subsidiary	(959)	—	—
Placements of time deposits	(479,935)	(263,079)	(37,154)
Maturities of time deposits	445,910	823,997	116,371
Net cash used in investing activities	(886,783)	(1,037,040)	(146,458)
Cash flows from financing activities:			
Proceeds of short-term loans	100,000	100,000	14,123
Repurchase of noncontrolling interests	—	(14,668)	(2,072)
Capital injections from noncontrolling interests	—	103,450	14,610
Proceeds from exercise of employees' share options	*	1	*
Net cash provided by financing activities	100,000	188,783	26,661

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

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(All amounts in thousands, except for share and per share data)

	For the Three Months Ended March		
	2019	31, 2020	2020 US\$ Note 2(d)
	RMB	RMB	
Effect of exchange rate changes on cash and cash equivalents and restricted cash held in foreign currencies	(58,042)	42,181	5,957
Net decrease in cash and cash equivalents and restricted cash	(825,406)	(517,411)	(73,072)
Cash and cash equivalents and restricted cash at beginning of the period	3,540,031	4,962,660	700,861
Including:			
Cash and cash equivalents at beginning of the period	3,540,031	4,962,660	700,861
Restricted cash at beginning of the period	—	—	—
Cash and cash equivalents and restricted cash at end of the period	2,714,625	4,445,249	627,789
Including:			
Cash and cash equivalents at end of the period	2,714,625	4,445,249	627,789
Restricted cash at end of the period	—	—	—
Supplemental disclosures of cash flows information:			
Cash paid for income taxes, net of tax refund	13,612	23,765	3,356
Cash paid for interest expense	734	25,104	3,545
Supplemental schedule of non-cash investing and financing activities:			
Fixed assets purchases financed by accounts payable	13,859	16,994	2,400
Acquisitions and investments financed by accrued liabilities and other payables	269,537	64,463	9,104
Intangible assets purchases financed by accounts payable	388,623	586,738	82,863

* Less than 1.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Operations

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 March 31, 2020, the Company’s major subsidiaries, VIEs and subsidiaries of the VIEs are as follows:

<u>Major Subsidiaries</u>	<u>Place and Year of Incorporation</u>	<u>Percentage of Direct or Indirect Economic Ownership</u>	<u>Principal Activities</u>
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 Technology”)	PRC Y2014	100	Technology development
Shanghai Bilibili Technology Co., Ltd.	PRC Y2016	100	Technology development

<u>Major VIEs and VIEs’ subsidiaries</u>	<u>Place and Year of Incorporation Acquisition</u>	<u>Percentage of Direct or Indirect Economic Ownership</u>	<u>Principal Activities</u>
Shanghai Hode Information Technology Co., Ltd. (“Shanghai Hode”)	PRC Y2013	100	Mobile game operation
Shanghai Kuanyu Digital Technology Co., Ltd. (“Shanghai Kuanyu”)	PRC Y2014	100	Video distribution
Sharejoy Network Technology Co., Ltd.	PRC Y2014	100	Game promotion and marketing
Shanghai Hehehe Culture Communication Co., Ltd	PRC Y2014	100	Comics distribution
Shanghai Anime Tamashi Cultural Media Co., Ltd.	PRC Y2015	100	E-commerce

Liquidity

The Group incurred net losses of RMB195.6 million and RMB538.6 million for the three months ended March 31, 2019 and 2020, respectively. Net cash provided by operating activities was RMB19.4 million and RMB288.7 million for the three months ended March 31, 2019 and 2020, respectively. Accumulated deficit was RMB4,145.6 million and RMB4,697.5 million as of December 31, 2019 and March 31, 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’s financing activities primarily consisted of issuance and sale of the shares and convertible senior notes to investors. In 2019, the Company has completed its offering of the convertible senior notes due 2026 (the “2026 Notes”), and a public offering of 14,173,813 American depositary shares (“ADSs”), or the Primary Offering, raising approximately US\$733.9 million (RMB5,003.8 million), after deducting commissions and 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 unaudited interim condensed consolidated financial statements. The Group’s unaudited interim condensed 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies**a) Basis of presentation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for a complete set of financial statements. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments as necessary for the fair statement of the Group's financial position as of March 31, 2020, and the results of operations and cash flows for the three months ended March 31, 2019 and 2020. The consolidated balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. GAAP. The unaudited interim condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited interim condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal years. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and related footnotes as of and for the year ended December 31, 2019. Results for the three months ended March 31, 2020 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

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.

There is no VIE in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)**c) Use of estimates**

The preparation of the Group's unaudited interim condensed 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 unaudited interim condensed consolidated financial statements and accompanying notes. Significant accounting estimates include, but are not limited to, determination of the average playing period for paying players, fair value determination and allocation of identifiable assets and liabilities acquired through business combinations, assessment for the impairment of long-lived assets, long-term investments and valuation allowance of deferred tax assets.

d) Convenience translation

Translations of balances on the unaudited interim condensed consolidated balance sheets, unaudited interim condensed consolidated statements of operations and comprehensive loss and unaudited interim condensed consolidated statements of cash flows from RMB into US\$ as of and for the three month ended March 31, 2020 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB 7.0808, 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 March 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 March 31, 2020, or at any other rate.

e) Credit losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. The Group adopted this new standard effective January 1, 2020 on a modified retrospective basis. The cumulative effect adjustments upon adoption includes an increase to the opening balances of accumulated deficit of approximately RMB17.9 million. There is no material impact on the Group's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 upon the adoption of this guidance.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

f) Noncontrolling interests and redeemable 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.

Redeemable noncontrolling interests represent redeemable equity interests issued by the Group's subsidiaries to certain investors, and have been classified as mezzanine classified noncontrolling interests in the unaudited interim condensed consolidated financial statements as these redeemable interests are contingently redeemable upon the occurrence of certain conditional events, which is not solely within the control of the Group. The Group accreted the redeemable equity interests to their redemption value, which is purchase price plus interest per year over the period since issuance to the earliest redemption date. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital had been exhausted, additional charges were recorded by increasing the accumulated deficit.

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 three months ended March 31, 2019 and March 31, 2020 as follows:

	For the Three Months Ended March 31,	
	2019	2020
Total number of telecommunications service providers	73	88
Number of service providers providing 10% or more of the Group's servers and bandwidth expenditure	3	3
Total percentage of the Group's servers and bandwidth expenditure provided by 10% or greater service providers	49%	53%

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Concentrations and Risks (Continued)**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, 2019 and March 31, 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 of December 31, 2019 and March 31, 2020. One distribution channel had receivable balance exceeding 10% of the Group's accounts receivable balance as of December 31, 2019 and March 31, 2020.

d) Major customers and supplying channels

No single customer represented 10% or more of the Group's net revenues for the three months ended March 31, 2019 and March 31, 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 24% and 14% of the Group's total net revenues for the three months ended March 31, 2019 and 2020, respectively.

e) Mobile games

Mobile game revenues accounted for 64% and 50% of the Group's net revenues for the three months ended March 31, 2019 and 2020, respectively.

There are two mobile games individually contributing more than 10% of the Group's total mobile game revenues for the three months ended March 31, 2019 and 2020, respectively.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets:

	December 31, 2019	March 31, 2020
	RMB in thousands	
Prepayments for revenue sharing cost*	542,971	552,480
Prepayments for content cost	226,500	238,628
Loans to investees or ongoing investments	64,463	190,074
Prepayments for sales tax	157,244	173,418
Interest income receivable	93,688	106,712
Prepayments of marketing and other operational expenses	53,246	51,700
Prepayments /receivables relating to jointly invested content	43,838	43,980
Inventories, net	69,914	42,491
Deposits	26,301	30,458
Prepayments to inventory suppliers	9,058	5,416
Others	28,678	38,220
Total	<u>1,315,901</u>	<u>1,473,577</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 sheet 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 unaudited interim condensed consolidated balance sheets.

5. Short-term Investments

The following is a summary of short-term investments:

	December 31, 2019	March 31, 2020
	RMB in thousands	
Financial products	1,070,113	2,006,485
Money market funds	109,779	114,757
Investments in publicly traded companies	80,918	68,026
Total	<u>1,260,810</u>	<u>2,189,268</u>

For the three months ended March 31, 2019 and 2020, the Group recorded investment gain of RMB8.5 million and investment loss of RMB14.9 million related to short-term investments on the unaudited interim condensed consolidated financial statements of operations and comprehensive loss, respectively.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Property and Equipment, Net

The following is a summary of property and equipment, net:

	December 31, 2019	March 31, 2020
	RMB in thousands	
Leasehold improvements	76,772	87,619
Servers and computers	765,110	779,288
Others	23,211	24,624
Total	865,093	891,531
Less: accumulated depreciation	(349,006)	(410,441)
Net book value	516,087	481,090

Depreciation expenses were RMB38.9 million and RMB62.7 million for the three months ended March 31, 2019 and 2020, respectively.

7. Intangible Assets, Net

The following is a summary of intangible assets, net:

	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
Domain names and others	434,089	(148,947)	285,142
Total	3,578,751	(1,921,418)	1,657,333

	As of March 31, 2020		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB in thousands		
Licensed copyrights of content	3,494,650	(2,000,535)	1,494,115
License rights of mobile games	99,357	(50,121)	49,236
Domain names and others	439,085	(167,355)	271,730
Total	4,033,092	(2,218,011)	1,815,081

Amortization expenses were RMB194.6 million and RMB280.3 million for the three months ended March 31, 2019 and 2020, respectively. No impairment charge was recognized for any of the periods presented.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-term Investments, Net

	December 31, 2019 RMB	March 31, 2020 RMB
Equity investments accounted for using the measurement alternative	666,025	785,875
Equity investments accounted for using the equity method	279,854	279,231
Investments accounted for at fair value	305,250	381,058
Total	<u>1,251,129</u>	<u>1,446,164</u>

Equity investments accounted for using the measurement alternative

For the three months ended March 31, 2019 and 2020, no investment income was recognized in “Investment income/(losses), net”, as a result of re-measurement of equity investments accounted for using the measurement alternative.

Equity investments accounted for using the equity method

RMB5.9 million and RMB10.6 million of the Group’s proportionate share of equity investee’s net loss was recognized in “Investment income/(losses), net” for the three months ended March 31, 2019 and 2020, respectively.

Investments accounted for at fair value

A gain of RMB4.0 million and a loss of RMB1.6 million resulted from the change in fair value was recognized in “Investment income/(losses), net” for the three months ended March 31, 2019 and 2020, respectively.

The Group recorded impairment charges for long-term investments of nil and RMB2.0 million as “Investment income/(losses), net” for the three months ended March 31, 2019 and 2020, respectively, as the Group determined the fair value of these investments was less than their carrying value.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Taxation

Composition of income tax

The following table presents the composition of income tax expenses for the three months ended March 31, 2019 and 2020:

	For the Three Months Ended	
	March 31,	
	2019	2020
	RMB in thousands	
Current income tax expense	4,286	7,331
Withholding income tax expense	3,902	3,292
Deferred income tax expense	—	(1,231)
Total	8,188	9,392

The Group's effective tax rate for the three months ended March 31, 2019 and 2020 was -4.4% and -1.8%, respectively. The effective tax rate is based on expected income and statutory tax rates. For interim financial reporting, the Group estimates the annual tax rate based on projected taxable income for the full year and records a quarterly income tax provision in accordance with the guidance on accounting for income taxes in an interim period.

The Group did not incur any interest and penalties related to potential underpaid income tax expenses.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Taxes Payable

The following is a summary of taxes payable as of December 31, 2019 and March 31, 2020:

	December 31, 2019	March 31, 2020
	RMB in thousands	
VAT payable	16,519	23,551
EIT payable	20,599	12,243
Withholding individual income taxes for employees	12,941	9,353
Withholding income tax payable	12,302	7,319
Others	5,495	2,020
Total	67,856	54,486

11. Accrued Liabilities and Other Payables

The following is a summary of accrued liabilities and other payables as of December 31, 2019 and March 31, 2020:

	December 31, 2019	March 31, 2020
	RMB in thousands	
Accrued marketing expenses	229,457	488,664
Leasing liabilities - current portion	95,901	91,312
Consideration payable for acquisitions and investments	79,059	64,463
Payables to producers and licensors	25,898	34,070
Professional fees	22,562	26,294
Other staff related cost	13,791	21,509
Advances to/payables from third parties	76,893	10,862
Interest payable	11,990	121
Others	20,212	24,122
Total	575,763	761,417

12. Deferred Revenue

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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term Debt

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.

The Group accounted for the 2026 Notes as a single instrument as "Long-term debt" on the unaudited interim condensed consolidated financial statements. 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 March 31, 2020, the principal amount of the debt was RMB3,542.6 million and unamortized debt issuance costs were RMB71.8 million.

14. Redeemable Noncontrolling Interests

In the first quarter of 2020, pursuant to the relevant agreements entered into among one of the Group's subsidiary and certain investors, the Group's subsidiary issued equity interests with preferential rights to these investors for a total cash consideration of US\$18.0 million (RMB125.2 million). After the issuance of the equity interests, these investors together held approximately 4.8% equity interests of the Group's subsidiary, on a fully diluted basis.

The Group determined that the equity interests with preferential rights should be classified as redeemable noncontrolling interests since they are contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company.

15. Share-based Compensation

As of March 31, 2020, the total unrecognized compensation expenses, adjusted for estimated forfeitures, was RMB1,186.6 million, which is expected to be recognized over a weighted average period of four years and may be adjusted for future changes in estimated forfeitures.

The following table presents a summary of the Group's share options activities for the three months ended March 31, 2020:

	Total Number of Shares	Weighted Average Exercise Price
	(In thousands)	US\$
Outstanding at January 1, 2020	12,174	0.0001
Granted	6,789	6.7147
Exercised	(2,009)	0.0001
Forfeited	(236)	0.0001
Outstanding at March 31, 2020	<u>16,718</u>	<u>2.7267</u>
Exercisable as of March 31, 2020	<u>1,828</u>	<u>0.0001</u>

The weighted average grant date fair value of share options granted for the three months ended March 31, 2020 was RMB117.5 (US\$16.6) per share.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Net Loss per Share

For the three months ended March 31, 2019 and 2020, the Company had potential ordinary shares, including share options granted and ordinary shares issuable upon the conversion of the 2026 Notes, where applicable. As the Group incurred losses for the three months ended March 31, 2019 and 2020, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share.

For the three months ended March 31, 2019, the numbers of share options which were anti-dilutive and excluded from the computation of diluted net loss per share, were 9,900,087 shares.

For the three months ended March 31, 2020, 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 9,291,827 shares and 20,202,000 shares, respectively.

The following table sets forth the computation of basic and diluted net loss per share for the three months ended March 31, 2019 and 2020:

	For the Three Months Ended March 31,	
	2019	2020
	RMB in thousands, except share and per share data	
Numerator:		
Net loss	(195,638)	(538,555)
Accretion to redeemable noncontrolling interests	—	(1,270)
Net loss attributable to noncontrolling interests	9,678	4,584
Net loss attributable to Bilibili Inc.'s shareholders for basic/diluted net loss per share calculation	<u>(185,960)</u>	<u>(535,241)</u>
Denominator:		
Weighted average number of ordinary shares outstanding, basic	311,841,813	329,443,167
Weighted average number of ordinary shares outstanding, diluted	311,841,813	329,443,167
Net loss per share, basic	(0.60)	(1.62)
Net loss per share, diluted	(0.60)	(1.62)

17. Related Party Transactions and Balances

The Group entered into the following significant related party transactions for each of the periods presented:

	For the Three Months Ended March 31,	
	2019	2020
	RMB in thousands	
Purchases of goods and services	30,170	—

The Group had the following significant related party balances as of December 31, 2019 and March 31, 2020, respectively:

	December 31, 2019	March 31, 2020
	RMB in thousands	
Amount due from related parties	195,290	227,750

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Subsequent Events

Equity Investment from Sony Corporation of America

In April 2020, the Company and Sony Corporation of America (“SCA”) entered into a share purchase agreement. Pursuant to the agreement, SCA subscribed for 17,310,696 newly issued Class Z Ordinary Shares of the Company at a purchase price of US\$23.1071 per share. The deal was closed on April 9, 2020 and the Company received a total consideration of approximately US\$400.0 million. Upon the closing, SCA beneficially owned approximately 4.98% of the Company’s total issued and outstanding shares.

COVID-19 Impact

After March 31, 2020, the extent and duration of the COVID-19 pandemic remains uncertain. The Group will pay close attention to the development of the COVID-19 outbreak and continue evaluating its impact on the financial position and operating results of the Group. As at the date on which this set of unaudited interim condensed consolidated financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. The extent of the related impact on the Group’s financial results and business outlook depends on the future developments of the global pandemic.