
**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 November 2021

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 November 18, 2021 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 nine months periods ended September 30, 2020 and 2021 included in the Registrant's preliminary offering memorandum dated November 18, 2021 in connection with the proposed offering of convertible senior notes.

99.3 Supplemental Disclosure

Exhibit 99.3 sets forth certain extracted disclosure from the "Offering Summary" and "Risk Factors" sections included in the Registrant's preliminary offering memorandum dated November 18, 2021 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: November 18, 2021

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes incorporated in this offering memorandum by reference to our 2020 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 November 18, 2021, which is incorporated by reference into this offering memorandum, and "Item 5. Operating and Financial Review and Prospects" in our 2020 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:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	For the Three Months Ended			December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
					March 31, 2020	June 30, 2020	September 30, 2020				
Average MAUs ⁽¹⁾	101.3	110.4	127.9	130.3	172.4	171.6	197.2	202.0	223.3	237.1	267.2

Note:

(1) Our MAUs include mobile apps MAUs and PC MAUs after eliminating duplicates of users who utilize both terminals. We calculate mobile apps MAUs based on the number of mobile devices (including smart TV and other smart devices) that launched our mobile apps during a given month.

Our active users generally view and consume a multitude of content offered on our platform, including videos, live broadcasting, mobile games and other content. The number of our users and the level of their engagement on our platform affect our revenues. We derive a significant 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 program 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.

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:

	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	For the Three Months Ended			December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
					March 31, 2020	June 30, 2020	September 30, 2020				
Average MAUs	101.3	110.4	127.9	130.3	172.4	171.6	197.2	202.0	223.3	237.1	267.2
Average monthly paying users	5.7	6.3	7.9	8.8	13.4	12.9	15.0	17.9	20.5	20.9	23.9
	(in RMB)										
Average monthly revenue per paying user	67.6	66.4	58.1	54.5	48.3	53.8	50.1	44.2	43.4	45.8	46.0

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 offer, 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 a 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.

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.

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 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 offering memorandum. 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 since then. Our MAU increased by 35.4% of the third quarter of 2021 compared with the third 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.”

As of September 30, 2021, our cash and cash equivalents, time deposits, as well as short-term investments were RMB24.4 billion (US\$3.8 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 our offerings of convertible senior notes and other financing activities.

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

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 Nine Months Ended September 30,					
	2018		2019		2020		2020		2021			
	RMB	%	RMB	%	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	40.0%	3,673,726	45.0%	3,795,576	589,064	27.9%	
VAS	585,643	14.2%	1,641,043	24.2%	3,845,663	32.0%	2,598,437	31.8%	5,040,368	782,253	37.1%	
Advertising	463,490	11.2%	817,016	12.1%	1,842,772	15.4%	1,120,348	13.7%	2,935,805	455,630	21.6%	
E-commerce and others	143,467	3.5%	722,054	10.6%	1,507,159	12.6%	766,338	9.5%	1,831,152	284,190	13.4%	
Total net revenues	4,128,931	100.0%	6,777,922	100.0%	11,998,976	100.0%	8,158,849	100.0%	13,602,901	2,111,137	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, 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. As of September 30, 2021, we operated 57 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 and other 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 and other VAS.

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. 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 Nine Months Ended September 30,					
	2018		2019		2020		2020		2021			
	RMB	%	RMB	%	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	47.7%	3,095,610	49.4%	5,304,845	823,299	49.8%	
Content costs	543,009	16.6%	1,001,600	17.9%	1,875,546	20.5%	1,138,937	18.2%	1,868,595	290,001	17.5%	
Server and bandwidth costs	618,737	18.9%	919,753	16.5%	1,141,257	12.5%	838,988	13.4%	1,098,202	170,438	10.3%	
E-commerce and others	480,866	14.7%	1,171,904	21.0%	1,775,507	19.3%	1,189,262	19.0%	2,385,914	370,289	22.4%	
Total cost of revenues	3,273,493	100.0%	5,587,673	100.0%	9,158,800	100.0%	6,262,797	100.0%	10,657,556	1,654,027	100.0%	

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 mainly 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.

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 Nine Months Ended September 30,					
	2018		2019		2020		2020		2021			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
Operating expenses:	(in thousands, except for percentages)											
Sales and marketing expenses	585,758	37.0%	1,198,516	44.6%	3,492,091	58.4%	2,471,403	59.8%	4,033,248	625,950	54.7%	
General and administrative expenses	461,165	29.1%	592,497	22.1%	976,082	16.3%	633,263	15.3%	1,299,386	201,662	17.6%	
Research and development expenses	537,488	33.9%	894,411	33.3%	1,512,966	25.3%	1,028,993	24.9%	2,042,245	316,951	27.7%	
Total operating expenses	1,584,411	100.0%	2,685,424	100.0%	5,981,139	100.0%	4,133,659	100.0%	7,374,879	1,144,563	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 as we increase our investment in boosting our brand recognition, user base and market leadership and promoting our services.

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.

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 2020 Annual Report and our unaudited interim condensed consolidated financial statements and the related notes 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 Nine Months Ended September 30,					
	2018		2019		2020		2020		2021			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$		%
	(in thousands, except for percentages)											
Net revenues	4,128,931	100.0%	6,777,922	100.0%	11,998,976	100.0%	8,158,849	100.0%	13,602,901	2,111,137	100.0	
Cost of revenues ⁽¹⁾	(3,273,493)	(79.3)%	(5,587,673)	(82.4)%	(9,158,800)	(76.3)%	(6,262,797)	(76.8)%	(10,657,556)	(1,654,027)	(78.3)	
Gross profit	855,438	20.7%	1,190,249	17.6%	2,840,176	23.7%	1,896,052	23.2%	2,945,345	457,110	21.7	
Operating expenses:												
Sales and marketing expenses ⁽¹⁾	(585,758)	(14.2)%	(1,198,516)	(17.7)%	(3,492,091)	(29.1)%	(2,471,403)	(30.3)%	(4,033,248)	(625,950)	(29.6)	
General and administrative expenses ⁽¹⁾	(461,165)	(11.2)%	(592,497)	(8.7)%	(976,082)	(8.1)%	(633,263)	(7.8)%	(1,299,386)	(201,662)	(9.6)	
Research and development expenses ⁽¹⁾	(537,488)	(13.0)%	(894,411)	(13.2)%	(1,512,966)	(12.6)%	(1,028,993)	(12.6)%	(2,042,245)	(316,951)	(15.0)	
Total operating expenses	(1,584,411)	(38.4)%	(2,685,424)	(39.6)%	(5,981,139)	(49.8)%	(4,133,659)	(50.7)%	(7,374,879)	(1,144,563)	(54.2)	
Loss from operations	(728,973)	(17.7)%	(1,495,175)	(22.0)%	(3,140,963)	(26.1)%	(2,237,607)	(27.5)%	(4,429,534)	(687,453)	(32.5)	
Other income/(expenses):												
Investment income/(losses), net (including impairments)	96,440	2.3%	96,610	1.4%	28,203	0.2%	19,187	0.2%	(100,852)	(15,652)	(0.7)	
Interest income	68,706	1.7%	162,782	2.4%	83,301	0.7%	68,306	0.8%	43,784	6,795	0.3	
Interest expense	—	—	(46,543)	(0.7)%	(108,547)	(0.9)%	(73,804)	(0.9)%	(105,370)	(16,353)	(0.8)	
Exchange (losses)/gains	(1,661)	(0.0)%	(11,789)	(0.2)%	41,717	0.3%	28,329	0.3%	(19,560)	(3,036)	(0.1)	
Others, net	26,455	0.6%	26,412	0.4%	95,641	0.8%	23,891	0.3%	(38,938)	(6,043)	(0.3)	
Loss before tax	(539,033)	(13.1)%	(1,267,703)	(18.7)%	(3,000,648)	(25.0)%	(2,171,698)	(26.8)%	(4,650,470)	(721,742)	(34.1)	
Income tax	(25,988)	(0.6)%	(35,867)	(0.5)%	(53,369)	(0.4)%	(38,608)	(0.5)%	(62,502)	(9,700)	(0.5)	
Net loss	(565,021)	(13.7)%	(1,303,570)	(19.2)%	(3,054,017)	(25.4)%	(2,210,306)	(27.3)%	(4,712,972)	(731,442)	(34.6)	

Note:

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Cost of revenues	28,173	23,281	37,087	24,427	50,069	7,771
Sales and marketing expenses	11,499	14,269	40,808	28,728	38,195	5,928
General and administrative expenses	102,544	68,497	181,753	109,346	387,857	60,194
Research and development expenses	38,977	66,503	126,250	76,036	216,226	33,558
Total	181,193	172,550	385,898	238,537	692,347	107,451

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020

Net revenues

Our net revenues increased by 66.7% from RMB8,158.8 million in the nine months ended September 30, 2020 to RMB13,602.9 million (US\$2,111.1 million) in the nine months ended September 30, 2021. In addition, our paying ratio (average monthly paying user/average MAUs) increased from 7.6% in the nine months ended September 30, 2020 to 9.0% in the nine months ended September 30, 2021. We set forth below our key operating metrics.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
	(in millions, except for percentages)				
Average MAUs	87.0	117.5	185.8	180.4	242.5
Average monthly paying user	3.4	7.2	14.8	13.8	21.8
Paying ratio % (average monthly paying user/average MAUs)	3.9%	6.1%	8.0%	7.6%	9.0%

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2018	2019	2020	2020	2021
	RMB	RMB	RMB	RMB	RMB
Average monthly revenue per MAU ⁽¹⁾	4.0	4.8	5.4	5.0	6.2
Average monthly revenue per paying user ⁽²⁾	87.6	60.7	48.7	50.7	45.1

Notes:

- (1) Numerator is the total net revenues.
- (2) Numerator includes only revenues from mobile games and VAS.

Mobile games. Our net revenues from mobile games increased by 3.3% from RMB3,673.7 million in the nine months ended September 30, 2020 to RMB3,795.6 million (US\$589.1 million) in the nine months ended September 30, 2021. The increase was primarily due to the popularity of our newly operated exclusively distributed and jointly operated mobile games. As of September 30, 2021, we operated 57 exclusively distributed mobile games and hundreds of jointly operated mobile games.

VAS. Our net revenues from VAS increased by 94.0% from RMB2,598.4 million in the nine months ended September 30, 2020 to RMB5,040.4 million (US\$782.3 million) in the nine months ended September 30, 2021, 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.

Advertising. Our net revenues from advertising increased by 162.0% from RMB1,120.3 million in the nine months ended September 30, 2020 to RMB2,935.8 million (US\$455.6 million) in the nine months ended September 30, 2021. 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 as well as our offering of innovative, industry-tailored advertising solutions. The increase in our user base also attracted more advertisers to promote their products and services on our platform, especially for the advertisers who operate in our leading verticals, due to the greater exposure that the advertisements could enjoy on our platform. Our average MAU increased from 180.4 million in the nine months ended September 30, 2020 to 242.5 million in the nine months ended September 30, 2021.

E-commerce and Others. We had RMB766.3 million and RMB1,831.2 million (US\$284.2 million) of e-commerce and other net revenues in the nine months ended September 30, 2020 and 2021, respectively. The increase was primarily attributable to the increase in sales of products 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 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 70.2% from RMB6,262.8 million in the nine months ended September 30, 2020 to RMB10,657.6 million (US\$1,654.0 million) in the nine months ended September 30, 2021 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 71.4% from RMB3,095.6 million in the nine months ended September 30, 2020 to RMB5,304.8 million (US\$823.3 million) in the nine months ended September 30, 2021, primarily due to an increase in revenue-sharing payments made to hosts and content creators and an increase in payments made to distribution channels as we expanded our mobile games and VAS offerings.

Content costs increased by 64.1% from RMB1,138.9 million in the nine months ended September 30, 2020 to RMB1,868.6 million (US\$290.0 million) in the nine months ended September 30, 2021 as we continued to expand and diversify our content offerings. We procured anime, documentaries, selected TV shows and movies to enrich our content library. 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 30.9% from RMB839.0 million in the nine months ended September 30, 2020 to RMB1,098.2 million (US\$170.4 million) in the nine months ended September 30, 2021, 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 100.6% from RMB1,189.3 million in the nine months ended September 30, 2020 to RMB2,385.9 million (US\$370.3 million) in the nine months ended September 30, 2021, primarily attributable to an increase in cost of goods 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 RMB2,945.3 million (US\$457.1 million) in the nine months ended September 30, 2021, compared to gross profit of RMB1,896.1 million in the nine months ended September 30, 2020.

Operating expenses

Our total operating expenses increased by 78.4% from RMB4,133.7 million in the nine months ended September 30, 2020 to RMB7,374.9 million (US\$1,144.6 million) in the nine months ended September 30, 2021, 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 increased.

Sales and marketing expenses.

Our sales and marketing expenses increased by 63.2% from RMB2,471.4 million in the nine months ended September 30, 2020 to RMB4,033.2 million (US\$626.0 million) in the nine months ended September 30, 2021, 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 63.5% from RMB2,164.6 million in the nine months ended September 30, 2020 to RMB3,540.0 million (US\$549.4 million) in the nine months ended September 30, 2021, primarily attributable to increased expenses associated with the promotion of our brand and other marketing activities and the promotion of our newly launched mobile games that are exclusively distributed on our platform. We launched a series of campaigns aimed at spreading the Bilibili brand name among a broader audience since the second quarter of 2020, and continue to launch more promotional activities this year, to help bring an uptick in brand perception and increase brand awareness across different demographics. Our marketing and promotional efforts also include placing advertisements for our newly launched mobile games that are exclusively distributed on our platform, such as Guardian Tales. As a result, our marketing and promotional expenses increased by 63.5% in the nine months ended September 30, 2021 compared with the nine months ended September 30, 2020.

General and administrative expenses.

Our general and administrative expenses increased by 105.2% from RMB633.3 million in the nine months ended September 30, 2020 to RMB1,299.4 million (US\$201.7 million) in the nine months ended September 30, 2021. The increase was primarily attributable to an increase in headcount in general and administrative personnel, and increase in share-based compensation expenses for these personnel, allowance for doubtful accounts, rental expenses and other general and administrative expenses.

Research and development expenses.

Our research and development expenses increased by 98.5% from RMB1,029.0 million in the nine months ended September 30, 2020 to RMB2,042.2 million (US\$317.0 million) in the nine months ended September 30, 2021, primarily due to an increase in headcount in research and development personnel and an increase in share-based compensation expenses for these personnel.

Loss from operations

As a result of the foregoing, we incurred loss from operations of RMB4,429.5 million (US\$687.5 million) in the nine months ended September 30, 2021, compared to loss from operations of RMB2,237.6 million in the nine months ended September 30, 2020.

Other income/(expenses)

Investment income/(loss), 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, and the fair value change of investments in publicly traded companies. We had net investment income of RMB19.2 million and net investment loss of RMB100.9 million (US\$15.7 million) in the nine months ended September 30, 2020 and 2021, respectively.

Interest income. Interest income primarily represents interest earned on cash and cash equivalents and time deposits. We had interest income of RMB68.3 million and RMB43.8 million (US\$6.8 million) in the nine months ended September 30, 2020 and 2021, respectively.

Interest expense. Interest expense primarily represents interest payment and amortized issuance costs related to long-term debt. We had interest expense of RMB73.8 million and RMB105.4 million (US\$16.4 million) in the nine months ended September 30, 2020 and 2021, respectively, primarily attributable to interest expense related to our 2027 Notes issued in June 2020 and our 2026 Notes issued in April 2019.

Income tax

We recorded income tax of RMB62.5 million (US\$9.7 million) in the nine months ended September 30, 2021, compared to RMB38.6 million in the nine months ended September 30, 2020.

Net loss

As a result of the foregoing, we incurred net loss of RMB4,713.0 million (US\$731.4 million) in the nine months ended September 30, 2021, compared to net loss of RMB2,210.3 million in the nine months ended September 30, 2020.

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,			For the Nine Months Ended September 30,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands)						
Summary Consolidated Statements of Cash Flow Data:						
Net cash provided by/(used in) operating activities	737,286	194,551	753,103	338,321	(2,024,278)	(314,161)
Net cash used in investing activities	(3,196,394)	(3,958,277)	(8,906,821)	(7,524,533)	(12,094,503)	(1,877,035)
Net cash provided by financing activities	4,974,810	5,078,842	8,335,419	8,368,151	20,051,892	3,112,005
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	261,447	107,513	(466,252)	(217,128)	(140,983)	(21,885)
Net increase/(decrease) in cash and cash equivalents	2,777,149	1,422,629	(284,551)	964,811	5,792,128	898,924
Cash and cash equivalents at beginning of the year/period	762,882	3,540,031	4,962,660	4,962,660	4,678,109	726,031
Cash and cash equivalents at end of the year/period	<u>3,540,031</u>	<u>4,962,660</u>	<u>4,678,109</u>	<u>5,927,471</u>	<u>10,470,237</u>	<u>1,624,955</u>

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. As of September 30, 2021, our cash and cash equivalents were RMB10,470.2 million (US\$1,625.0 million). Our cash and cash equivalents primarily consist of 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 several one-year revolving loan facilities with an aggregate principal amount of RMB1,400.0 million provided by certain financial institutions as of September 30, 2021. As of September 30, 2021, such credit facility had been utilized for RMB945.9 million.

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, our offerings of convertible senior notes and other financing activities. Our financing activities primarily consist of issuance and sale of our shares and convertible senior notes to investors. In April 2019, we issued US\$500 million in an aggregate principal amount of convertible senior notes due 2026, or the 2026 Notes. Concurrently with the issuance of 2026 Notes, we also 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 the concurrent registered offering of ADSs a total of US\$733.9 million in net proceeds after deducting commissions and offering expenses. 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, or the 2027 Notes. We raised from the 2027 Notes US\$786.1 million (RMB5,594.8 million) after deducting commissions and offering expenses. In March and April 2021, in connection with our Hong Kong secondary listing, we issued 28,750,000 Class Z Ordinary Shares (including over-allotment of an aggregate of 3,750,000 Class Z ordinary shares in April 2021), consisting of an international offering of 28,000,000 Class Z ordinary shares and a Hong Kong public offering of 750,000 Class Z ordinary shares. We raised from the Global Offering approximately HK\$22.9 billion (RMB19.3 billion), after deducting underwriting expenses and other offering expenses.

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 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.

As of September 30, 2021, 19% of our cash and cash equivalents were held in China, and 3% were held by our VIEs and denominated in Renminbi. Although we consolidate the results of our VIEs and their subsidiaries, we only have access to the assets or earnings of our VIEs and their subsidiaries through our contractual arrangements with our VIEs and their shareholders. See “Offering Summary—Corporate History and Structure.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “Offering Summary—Holding Company Structure.”

Operating activities

Net cash used in operating activities in the nine months ended September 30, 2021 was RMB2,024.3 million (US\$314.2 million), as compared to net loss of RMB4,713.0 million (US\$731.4 million) in the same period. The difference was primarily due to an increase of RMB357.0 million (US\$55.4 million) in accounts receivable and an increase of RMB1,230.3 million (US\$190.9 million) in prepayments and other assets, partially offset by an increase of RMB698.0 million (US\$108.3 million) in accounts payable, an increase of RMB509.2 million (US\$79.0 million) in deferred revenue and an increase of RMB189.4 million (US\$29.4 million) in accrued liabilities and other payables. 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 used in operating activities in the nine months ended September 30, 2021 were RMB1,719.7 million (US\$266.9 million) in depreciation and amortization of property and equipment and intangible assets, and RMB692.3 million (US\$107.5 million) in share-based compensation expenses.

Investing activities

Net cash used in investing activities in the nine months ended September 30, 2021 was RMB12.1 billion (US\$1.9 billion), primarily due to purchase of short-term investments, primarily 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 RMB45.8 billion (US\$7.1 billion), placements of time deposits of RMB6.6 billion (US\$1.0 billion), cash paid for long-term investments including loans of RMB4.3 billion (US\$669.1 million), and purchase of intangible assets of RMB2.0 billion (US\$312.9 million), which primarily consist of licensed copyrights of video content, partially offset by proceeds from maturities of short term investments of RMB40.2 billion (US\$6.2 billion) and maturity of time deposits of RMB6.7 billion (US\$1.0 billion).

Financing activities

Net cash provided by financing activities in the nine months ended September 30, 2021 was RMB20.1 billion (US\$3.1 billion), primarily attributable to the proceeds we received from our Global Offering of approximately RMB19.3 billion (US\$3.0 billion).

Capital expenditures

Our capital expenditures are primarily incurred for purchases of intangible assets and property and equipments. Our capital expenditures were RMB2,619.0 million (US\$406.5 million) in the nine months ended September 30, 2021. Purchases of intangible assets, which primarily consist of licensed copyrights of video content, accounted for 77.0% of our total capital expenditures in the nine months ended September 30, 2021.

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\$124.2 million). The unpaid purchase price was RMB395 million (US\$61.3 million) as of September 30, 2021.

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.

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BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(All amounts in thousands, except for share data)

	December 31, 2020 RMB	September 30, 2021 RMB	September 30, 2021 US\$ Note 2(d)
Assets			
Current assets:			
Cash and cash equivalents	4,678,109	10,470,237	1,624,955
Time deposits	4,720,089	4,521,003	701,649
Accounts receivable, net	1,053,641	1,347,468	209,124
Amount due from related parties	164,732	1,470,094	228,155
Prepayments and other current assets	1,765,787	2,525,591	391,967
Short-term investments	3,357,189	9,439,311	1,464,958
Total current assets	15,739,547	29,773,704	4,620,808
Non-current assets:			
Property and equipment, net	761,941	1,363,808	211,660
Production cost, net	667,876	893,204	138,623
Intangible assets, net	2,356,959	3,259,237	505,826
Deferred tax assets	20,918	20,918	3,246
Goodwill	1,295,786	1,633,509	253,517
Long-term investments, net	2,232,938	4,186,112	649,674
Other long-term assets	789,643	1,336,589	207,435
Total non-current assets	8,126,061	12,693,377	1,969,981
Total assets	23,865,608	42,467,081	6,590,789
Liabilities			
Current liabilities:			
Accounts payable	3,074,298	4,198,301	651,566
Salary and welfare payable	734,376	902,181	140,016
Taxes payable	127,192	148,421	23,035
Short-term loans	100,000	934,306	145,002
Deferred revenue	2,118,006	2,661,401	413,043
Accrued liabilities and other payables	1,237,676	1,917,825	297,642
Amount due to related parties	—	84,117	13,055
Total current liabilities	7,391,548	10,846,552	1,683,359
Non-current liabilities:			
Long-term debt	8,340,922	7,856,580	1,219,322
Other long-term liabilities	350,934	340,708	52,877
Total non-current liabilities	8,691,856	8,197,288	1,272,199
Total liabilities	16,083,404	19,043,840	2,955,558

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(All amounts in thousands, except for share data)

	December 31, 2020 RMB	September 30, 2021 RMB	September 30, 2021 US\$ Note 2(d)
Shareholders' equity			
Ordinary shares:			
Class Y Ordinary Shares (US\$0.0001 par value; 100,000,000 shares authorized, 83,715,114 shares issued and outstanding as of December 31, 2020; US\$0.0001 par value; 100,000,000 shares authorized, 83,715,114 shares issued and outstanding as of September 30, 2021)	52	52	8
Class Z Ordinary Shares (US\$0.0001 par value; 9,800,000,000 shares authorized, 271,507,165 shares issued, 268,204,838 shares outstanding as of December 31, 2020; US\$0.0001 par value; 9,800,000,000 shares authorized, 306,931,325 shares issued, 303,872,227 shares outstanding as of September 30, 2021)	172	197	31
Additional paid-in capital	14,616,302	35,277,795	5,475,028
Statutory reserves	17,884	17,884	2,776
Accumulated other comprehensive income/(loss)	141,129	(32,991)	(5,120)
Accumulated deficit	(7,175,339)	(11,876,553)	(1,843,212)
Total Bilibili Inc.'s shareholders' equity	7,600,200	23,386,384	3,629,511
Noncontrolling interests	182,004	36,857	5,720
Total shareholders' equity	7,782,204	23,423,241	3,635,231
Total liabilities and shareholders' equity	23,865,608	42,467,081	6,590,789

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 Nine Months Ended September 30		
	2020	2021	2021
	RMB	RMB	US\$ Note 2(d)
Net revenue			
Mobile games	3,673,726	3,795,576	589,064
Value-added services	2,598,437	5,040,368	782,253
Advertising	1,120,348	2,935,805	455,630
E-commerce and others	766,338	1,831,152	284,190
Total net revenues	8,158,849	13,602,901	2,111,137
Cost of revenues	(6,262,797)	(10,657,556)	(1,654,027)
Gross profit	1,896,052	2,945,345	457,110
Operating expenses:			
Sales and marketing expenses	(2,471,403)	(4,033,248)	(625,950)
General and administrative expenses	(633,263)	(1,299,386)	(201,662)
Research and development expenses	(1,028,993)	(2,042,245)	(316,951)
Total operating expenses	(4,133,659)	(7,374,879)	(1,144,563)
Loss from operations	(2,237,607)	(4,429,534)	(687,453)
Other income/(expenses):			
Investment income/(loss), net (including impairments)	19,187	(100,852)	(15,652)
Interest income	68,306	43,784	6,795
Interest expense	(73,804)	(105,370)	(16,353)
Exchange gains/(losses)	28,329	(19,560)	(3,036)
Others, net	23,891	(38,938)	(6,043)
Total other income/(expenses), net	65,909	(220,936)	(34,289)
Loss before tax	(2,171,698)	(4,650,470)	(721,742)
Income tax	(38,608)	(62,502)	(9,700)
Net loss	(2,210,306)	(4,712,972)	(731,442)
Accretion to redeemable noncontrolling interests	(4,292)	—	—
Net loss attributable to noncontrolling interests	30,693	11,758	1,825
Net loss attributable to the Bilibili Inc.'s shareholders	(2,183,905)	(4,701,214)	(729,617)
Net loss	(2,210,306)	(4,712,972)	(731,442)
Other comprehensive loss:			
Foreign currency translation adjustments	(115,950)	(174,120)	(27,023)
Total other comprehensive loss	(115,950)	(174,120)	(27,023)
Total comprehensive loss	(2,326,256)	(4,887,092)	(758,465)
Accretion to redeemable noncontrolling interests	(4,292)	—	—
Net loss attributable to noncontrolling interests	30,693	11,758	1,825
Comprehensive loss attributable to the Bilibili Inc.'s shareholders	(2,299,855)	(4,875,334)	(756,640)
Net loss per share, basic	(6.36)	(12.50)	(1.94)
Net loss per share, diluted	(6.36)	(12.50)	(1.94)
Net loss per ADS, basic	(6.36)	(12.50)	(1.94)
Net loss per ADS, diluted	(6.36)	(12.50)	(1.94)
Weighted average number of ordinary shares, basic	343,156,614	376,073,065	376,073,065
Weighted average number of ordinary shares, diluted	343,156,614	376,073,065	376,073,065
Weighted average number of ADS, basic	343,156,614	376,073,065	376,073,065
Weighted average number of ADS, diluted	343,156,614	376,073,065	376,073,065
Share-based compensation expenses included in:			
Cost of revenues	24,427	50,069	7,771
Sales and marketing expenses	28,728	38,195	5,928
General and administrative expenses	109,346	387,857	60,194
Research and development expenses	76,036	216,226	33,558

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 data)

	Ordinary shares				Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) 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	—	—	—	—	—	—	—	(2,179,613)	(30,693)	(2,210,306)
Impact of adoption of credit loss guidance	—	—	—	—	—	—	—	(17,900)	—	(17,900)
Share-based compensation	—	—	—	—	238,537	—	—	—	—	238,537
Share issuance from exercise of share options	—	—	3,740,852	3	—	—	—	—	—	3
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)
Foreign currency translation adjustment	—	—	—	—	—	—	(115,950)	—	—	(115,950)
Balance at September 30, 2020	83,715,114	52	267,454,124	172	14,191,474	13,463	350,279	(6,343,119)	197,916	8,410,237

* 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 data)

	Ordinary shares				Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) 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, 2020	83,715,114	52	268,204,838	172	14,616,302	17,884	141,129	(7,175,339)	182,004	7,782,204
Net loss	—	—	—	—	—	—	—	(4,701,214)	(11,758)	(4,712,972)
Share-based compensation	—	—	—	—	692,347	—	—	—	—	692,347
Share issuance from exercise of share options	—	—	2,533,229	2	—	—	—	—	—	2
Share issuance upon secondary public offering ("HK IPO"), net of issuance costs of HKD 337,143	—	—	28,750,000	18	19,266,792	—	—	—	—	19,266,810
Issuance ordinary shares related to long-term investment	—	—	1,045,700	1	(1)	—	—	—	—	—
Share issuance upon the conversion of convertible bonds	—	—	2,854,277	3	449,908	—	—	—	—	449,911
Capital injection in subsidiaries by noncontrolling interests	—	—	—	—	—	—	—	—	2,040	2,040
Acquisition of subsidiaries	—	—	484,183	1	265,060	—	—	—	(14,749)	250,312
Purchase of noncontrolling interests	—	—	—	—	(12,613)	—	—	—	(120,680)	(133,293)
Foreign currency translation adjustment	—	—	—	—	—	—	(174,120)	—	—	(174,120)
Balance at September 30, 2021	<u>83,715,114</u>	<u>52</u>	<u>303,872,227</u>	<u>197</u>	<u>35,277,795</u>	<u>17,884</u>	<u>(32,991)</u>	<u>(11,876,553)</u>	<u>36,857</u>	<u>23,423,241</u>

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)

	For the Nine Months Ended September 30,		
	2020	2021	2021
	RMB	RMB	US\$ Note 2(d)
Cash flows from operating activities:			
Net loss	(2,210,306)	(4,712,972)	(731,442)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation of property and equipment	227,841	371,172	57,605
Amortization of intangible assets	888,777	1,348,504	209,285
Amortization of right-of-use assets	66,206	117,451	18,228
Amortization of debt issuance costs	13,059	16,621	2,580
Share-based compensation expenses	238,537	692,347	107,451
Allowance for doubtful accounts	61,168	103,408	16,049
Inventory provision	5,542	12,269	1,904
Deferred income taxes	(6,941)	(4,541)	(705)
Unrealized exchange losses/(gains)	1,008	(1,282)	(199)
Unrealized fair value changes of investments	(18,583)	88,155	13,681
Loss on disposal of property and equipment	—	611	95
Loss from equity method investments	5,663	19,548	3,034
Revaluation of previously held equity interests	—	12,562	1,950
Impairments of long-term investments	8,000	65,432	10,155
Changes in operating assets and liabilities:			
Accounts receivable	(514,830)	(356,950)	(55,398)
Amount due from related parties	(12,571)	(9,098)	(1,412)
Prepayments and other assets	(367,983)	(1,230,303)	(190,940)
Other long-term assets	(62,308)	(134,362)	(20,853)
Accounts payable	413,902	697,953	108,321
Salary and welfare payable	170,371	164,397	25,514
Taxes payable	38,321	21,916	3,401
Deferred revenue	734,362	509,174	79,023
Accrued liabilities and other payables	672,644	189,396	29,394
Other long-term liabilities	(13,558)	(5,686)	(882)
Net cash provided by/(used in) operating activities	338,321	(2,024,278)	(314,161)
Cash flows from investing activities:			
Purchase of property and equipment	(450,515)	(603,001)	(93,584)
Purchase of intangible assets	(927,751)	(2,015,992)	(312,877)
Purchase of short-term investments	(21,581,502)	(45,832,390)	(7,113,075)
Maturities of short-term investments	19,891,098	40,173,128	6,234,772
Cash consideration paid for purchase of subsidiaries, net of cash acquired	(280,555)	(230,770)	(35,815)
Cash paid for long-term investments including loans	(1,032,056)	(4,310,998)	(669,056)
Repayment of loans from investees	3,500	534,125	82,895
Cash received from disposal/return of investments	75,171	45,842	7,115
Placements of time deposits	(7,825,593)	(6,582,567)	(1,021,598)
Maturities of time deposits	4,603,670	6,728,120	1,044,188
Net cash used in investing activities	(7,524,533)	(12,094,503)	(1,877,035)
Cash flows from financing activities:			
Proceeds of short-term loans	200,000	1,034,797	160,598
Repayment of short-term loans	(100,000)	(214,882)	(33,349)
Purchase of noncontrolling interests	(247,539)	(58,488)	(9,077)
Capital injections from noncontrolling interests	103,450	2,040	317
Proceeds from exercise of employees' share options	3	2	*
Proceeds from issuance of ordinary shares, net of issuance costs of US\$563 and HKD337,143, respectively	2,817,458	19,288,423	2,993,516
Proceeds from issuance of convertible senior notes, net of issuance costs of US\$13,857	5,594,779	—	—
Net cash provided by financing activities	8,368,151	20,051,892	3,112,005
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	(217,128)	(140,983)	(21,885)
Net increase in cash and cash equivalents	964,811	5,792,128	898,924
Cash and cash equivalents at beginning of the period	4,962,660	4,678,109	726,031
Cash and cash equivalents at end of the period	5,927,471	10,470,237	1,624,955

* Less than 1.

BILIBILI INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(All amounts in thousands)

	For the Nine Months Ended September 30,		
	2020	2021	2021
	RMB	RMB	US\$ Note 2(d)
Supplemental disclosures of cash flows information:			
Cash paid for income taxes, net of tax refund	54,172	56,237	8,728
Cash paid for interest expense	50,251	77,667	12,054
Supplemental schedule of non-cash investing and financing activities:			
Accretion to redeemable noncontrolling interests	5,964	—	—
Property and equipment purchases financed by accounts payable	104,700	393,431	61,060
Acquisitions and investments financed by payables	64,182	281,889	43,748
Intangible assets purchases financed by accounts payable	929,786	801,547	124,398
Issuance of ordinary shares in the business combination, purchase of noncontrolling interests and investment addition	612,492	829,748	128,775
Issuance of ordinary shares in connection with debt conversion	—	449,911	69,825

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”), a company incorporated in the Cayman Islands on December 23, 2013 as an exempted company 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 September 30, 2021, 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

1. Operations (Continued)***Liquidity***

The Group incurred net losses of RMB2,210.3 million and RMB4,713.0 million for the nine months ended September 30, 2020 and 2021, respectively. Net cash provided by and used in operating activities was RMB338.3 million and RMB2,024.3 million for the nine months ended September 30, 2020 and 2021, respectively. Accumulated deficit was RMB7,175.3 million and RMB11,876.6 million as of December 31, 2020 and September 30, 2021, 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. 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 Corporation of America, raising US\$399.4 million (RMB2,817.5 million), after deducting offering expenses. On March 29, 2021, Bilibili successfully listed its Class Z ordinary shares on the main board of the Hong Kong Stock Exchange. The Company issued a total of 28,750,000 Class Z ordinary shares in the global offering, including the fully exercised over-allotment option of 3,750,000 Class Z ordinary shares on April 21, 2021. Net proceeds from the global offering, including the over-allotment option, after deducting underwriting fees and other offering expenses, were approximately HKD22.9 billion (RMB19.3 billion). 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 of the Group have been prepared in accordance with the 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 September 30, 2021, and the results of operations and cash flows for the nine months ended September 30, 2020 and 2021. The consolidated balance sheet at December 31, 2020 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, 2020. Results for the nine months ended September 30, 2021 are not necessarily indicative of the results expected for the full fiscal year or for any future period.

Significant accounting policies followed by the Group in the preparation of the accompanying unaudited interim condensed consolidated financial statements are summarized below.

b) Principles of consolidation

The unaudited interim condensed 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, and assessment for the impairment of long-term investments accounted for using the measurement alternative.

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 nine months ended September 30, 2021 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.4434, 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 September 30, 2021. 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 September 30, 2021, or at any other rate.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 nine months ended September 30, 2020 and 2021 as follows:

	For the Nine Months Ended September 30,	
	2020	2021
Total number of telecommunications service providers	107	120
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	55%	57%

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, and long-term debt 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 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, 2020 and September 30, 2021, 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, 2020 and September 30, 2021. One distribution channel had receivable balance exceeding 10% of the Group's accounts receivable balance as of December 31, 2020 and September 30, 2021, respectively, as follows:

RMB in thousands	December 31,	September 30,
	2020	2021
Distribution channel A	146,907	211,593

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Concentrations and Risks (Continued)

d) Major customers and supplying channels

No single customer represented 10% or more of the Group's net revenues for the nine months ended September 30, 2020 and 2021.

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 13% of the Group's total net revenues for the nine months ended September 30, 2020, and there is no single distribution channel of mobile games generated 10% or more of the Group's net revenues for the nine months ended September 30, 2021.

e) Mobile games

Mobile game revenues accounted for 45% and 28% of the Group's total net revenues for the nine months ended September 30, 2020 and 2021, respectively.

One mobile game individually contributing more than 10% of the Group's total net revenues for the nine months ended September 30, 2020 was as follows. No mobile games individually contributed more than 10% of the Group's total net revenues for the nine months ended September 30, 2021.

	For the Nine Months Ended	
	September 30,	
	2020	2021
Mobile game 1	13%	N/A

4. Prepayments and Other Current Assets

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

	December 31, 2020	September 30, 2021
	RMB in thousands	
Prepayments for revenue-sharing cost*	782,518	1,052,535
Prepayments for sales tax	202,025	420,339
Inventories, net	160,006	356,388
Loans to investees or ongoing investments	187,672	186,513
Prepayments of marketing and other operational expenses	64,068	181,657
Prepayments to inventory suppliers	19,970	96,587
Deposits	51,661	81,667
Prepayments/receivables relating to jointly invested content	28,664	34,022
Prepayments for content cost	195,175	23,249
Interest income receivable	6,396	7,361
Others	67,632	85,273
Total	1,765,787	2,525,591

* 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 unaudited interim condensed consolidated balance sheets.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Short-term Investments

The following is a summary of short-term investments:

	December 31, 2020	September 30, 2021
RMB in thousands		
Financial products	2,866,643	8,082,156
Investments in publicly traded companies	434,609	1,288,907
Money market funds	55,937	68,248
Total	<u>3,357,189</u>	<u>9,439,311</u>

The Group recorded investment income of RMB29.9 million and RMB194.3 million related to short-term investments on the unaudited interim condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2020 and 2021, respectively.

6. Property and Equipment, Net

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

	December 31, 2020	September 30, 2021
RMB in thousands		
Leasehold improvements	118,581	193,268
Servers and computers	1,286,310	2,159,871
Others	30,750	48,297
Total	<u>1,435,641</u>	<u>2,401,436</u>
Less: accumulated depreciation	<u>(673,700)</u>	<u>(1,037,628)</u>
Net book value	<u>761,941</u>	<u>1,363,808</u>

Depreciation expenses were RMB227.8 million and RMB371.2 million for the nine months ended September 30, 2020 and 2021, respectively. No impairment charge was recognized for any of periods presented.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Intangible Assets, Net

The following is a summary of intangible assets, net:

	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

	As of September 30, 2021		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB in thousands		
Licensed copyrights of content	6,231,069	(4,018,309)	2,212,760
License rights of mobile games	434,634	(205,570)	229,064
Intellectual property and others	1,195,125	(377,712)	817,413
Total	7,860,828	(4,601,591)	3,259,237

Amortization expenses were RMB888.8 million and RMB1,348.5 million for the nine months ended September 30, 2020 and 2021, respectively. No impairment charge was recognized for any of periods presented.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. 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, 2020	September 30, 2021
	RMB in thousands	
Equity investments using the measurement alternative	1,791,393	3,102,798
Equity investments accounted for using the equity method	188,199	168,650
Investments accounted for at fair value	253,346	914,664
Total	<u>2,232,938</u>	<u>4,186,112</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.

Nil and RMB12.6 million re-measurement loss of equity investments accounted for using the measurement alternative was recognized for the nine months ended September 30, 2020 and 2021, respectively.

Equity investments accounted for using the equity method

RMB5.7 million and RMB19.5 million of the Group's proportionate share of equity investee's net loss, was recognized in "Investment income/(loss), net" for the nine months ended September 30, 2020 and 2021, 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 and investments in publicly traded companies with an intention of holding greater than one year. A gain of RMB15.2 million and a loss of RMB175.7 million resulted from the change in fair value was recognized in "Investment income/(loss), net" for the nine months ended September 30, 2020 and 2021, respectively.

The Group also received cash dividends of nil and RMB26.5 million from certain investees for the nine months ended September 30, 2020 and 2021, respectively.

The Group recorded impairment charges for long-term investments of RMB8.0 million and RMB65.4 million as "Investment income/(loss), net" for the nine months ended September 30, 2020 and 2021, 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 nine months ended September 30, 2020 and 2021:

	For the Nine Months Ended September 30,	
	2020	2021
	RMB in thousands	
Current income tax expenses	32,606	54,341
Withholding income tax expenses	12,943	12,702
Deferred tax benefits	(6,941)	(4,541)
Total	<u>38,608</u>	<u>62,502</u>

The Group's effective tax rate for the nine months ended September 30, 2020 and 2021 was -1.8% and -1.3%, 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, 2020 and September 30, 2021:

	December 31, 2020	September 30, 2021
	RMB in thousands	
VAT payable	50,881	45,168
EIT payable	31,181	37,793
Withholding individual income taxes for employees	20,465	32,090
Withholding income tax payable	18,300	30,316
Others	6,365	3,054
Total	<u>127,192</u>	<u>148,421</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Accrued Liabilities and Other Payables

The following is a summary of accrued liabilities and other payables as of December 31, 2020 and September 30, 2021:

	December 31, 2020	September 30, 2021
	RMB in thousands	
Accrued marketing expenses	783,455	886,910
Payables to producers and licensors	63,307	418,513
Leasing liabilities-current portion	150,402	197,477
Consideration payable for acquisitions and investments	125,363	189,607
Professional fees	38,573	69,658
Deposits	14,791	38,617
Interest payable	14,041	24,223
Other staff related cost	13,872	23,356
Advances from/payables to third parties	5,869	17,935
Others	28,003	51,529
Total	<u>1,237,676</u>	<u>1,917,825</u>

12. 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.

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 nine months ended September 30, 2020 and 2021, the 2026 Notes related interest expense was US\$6.4 million (RMB44.5 million) and US\$6.3 million (RMB40.5 million), respectively.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Debt (Continued)

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.

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 nine months ended September 30, 2020 and 2021, the 2027 Notes related interest expense was US\$3.9 million (RMB27.1 million) and US\$8.9 million (RMB57.8 million), respectively.

As of December 31, 2020 and September 30, 2021, the principal amount of 2026 Notes was RMB3,262.5 million and RMB2,784.6 million, respectively. The unamortized debt issuance costs were RMB58.1 million and RMB42.8 million as of December 31, 2020 and September 30, 2021, respectively.

As of December 31, 2020 and September 30, 2021, the principal amount of 2027 Notes was RMB5,219.9 million and RMB5,188.3 million, respectively. The unamortized debt issuance costs were RMB83.3 million and RMB73.5 million as of December 31, 2020 and September 30, 2021, respectively.

The following table provides a summary of the Company's unsecured senior notes as of December 31, 2020 and September 30, 2021:

	December 31, 2020	September 30, 2021	Effective interest rate
	Amounts	Amounts	
	RMB in thousands		
2026 Notes	3,204,309	2,741,803	1.74%
2027 Notes	5,136,613	5,114,777	1.52%
Carrying value	8,340,922	7,856,580	
Unamortized discount and debt issuance costs	141,448	116,292	
Total principal amounts of unsecured senior notes	8,482,370	7,972,872	

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Share-based Compensation

As of September 30, 2021, total unrecognized compensation expenses related to unvested awards granted under the Global Share Plan and the 2018 Plan, adjusted for estimated forfeitures, was RMB4,621.6 million, which is expected to be recognized over a weighted-average period of 4.0 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 nine months ended September 30, 2021:

	Total Number of shares	Weighted Average Exercise Price
	(In thousands)	US\$
Outstanding at January 1, 2021	22,297	2.0236
Granted	3,551	0.0001
Exercised	(2,533)	0.0001
Forfeited	(233)	0.0001
Outstanding at September 30, 2021	<u>23,082</u>	<u>1.9548</u>
Exercisable at September 30, 2021	<u>1,339</u>	<u>0.0001</u>

The weighted average grant date fair value of share options granted for the nine months ended September 30, 2021 was RMB457.8 (US\$70.6) per share, respectively.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Net Loss per Share

For the nine months ended September 30, 2020 and 2021, the Company had potential ordinary shares, including share options granted and ordinary shares issuable upon the conversion of the 2026 Notes and 2027 Notes, where applicable. As the Group incurred losses for the nine months ended September 30, 2020 and 2021, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share.

For the nine months ended September 30, 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 7,297,562 shares, 20,202,000 shares and 19,641,280 shares, respectively.

For the nine months ended September 30, 2021, 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 13,143,917 shares, 19,164,376 shares and 19,641,280 shares, respectively.

The following table sets forth the computation of basic and diluted net loss per share for the nine months ended September 30, 2020 and 2021:

	For the Nine Months Ended September 30,	
	2020	2021
	RMB in thousands, except for share and per share data	
Numerator:		
Net loss	(2,210,306)	(4,712,972)
Accretion to redeemable noncontrolling interests	(4,292)	—
Net loss attributable to noncontrolling interests	30,693	11,758
Net loss attributable to Bilibili Inc.'s shareholders for basic/dilutive net loss per share calculation	<u>(2,183,905)</u>	<u>(4,701,214)</u>
Denominator:		
Weighted average number of ordinary shares outstanding, basic	343,156,614	376,073,065
Weighted average number of ordinary shares outstanding, diluted	343,156,614	376,073,065
Net loss per share, basic	(6.36)	(12.50)
Net loss per share, diluted	(6.36)	(12.50)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Related Party Transactions and Balances

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

	For the Nine Months Ended	
	September 30,	
	2020	2021
	RMB in thousands	
Purchases of goods and services	5,895	56,494
Acquire of long-term investments	110,039	—
Purchase of noncontrolling interests	257,288	—
Sales of goods and services	2,725	11,078

The Group had the following significant related party balances as of December 31, 2020 and September 30, 2021, respectively:

	December 31, 2020	September 30, 2021
	RMB in thousands	
Amount due from related parties		
Due from an investment fund	74,235	51,135
Due from other investees	90,497	1,418,959
Total	164,732	1,470,094
Amount due to related parties	—	84,117

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Acquisitions

Transactions with one animation content production company (“Anime Business”)

Prior to 2021, the Group held 8.1% equity share of Anime Business through several investments with preferred rights, which was accounted for as long-term investments using alternative measure method. In January 2021, the Group acquired remaining equity with the total consideration of RMB612.3 million, including the cash consideration of RMB369.1 million and 400,000 restricted Class Z ordinary shares. Upon the completion of this transaction in January 2021, the Group held 100% of equity interests in the Anime Business, which became a consolidated subsidiary of the Group.

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

	<u>Amount</u> RMB in thousands	<u>Amortization</u> <u>Period</u>
Net assets acquired	189,763	
Intangible assets		
—Brand	85,000	8 years
—Vendor relationship	75,000	10 years
—Non-compete clause	54,000	6 years
Goodwill	283,402	
Total	<u>687,165</u>	

Total purchase price comprised of:

	<u>Amount</u> RMB in thousands
Cash consideration	369,124
Share consideration	243,203
Fair value of previously held equity interests	74,838
Total	<u>687,165</u>

Goodwill arising from this acquisition was attributable to the synergies between ability of animation content production and the Group’s strategy to expand its content library.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Acquisitions (Continued)

Other acquisitions

For the year ended December 31, 2020, and for the nine months ended September 30, 2021, 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 were summarized in the following table:

	For the Year Ended December 31, 2020	For the Nine Months Ended September 30, 2021	Amortization Period
	Amount RMB in thousands		
Net assets/(liabilities) acquired	18,495	(33,466)	
Intangible assets			
—Projects	69,000	64,000	3 to 4.5 years
—Copyrights	49,000	2,100	3 to 10 years
—Non-compete clause	—	12,000	6 years
—Vendor relationship	86,000	—	10 years
—Others	700	1,500	5 years
Noncontrolling interests	(44,064)	—	
Deferred tax liabilities	(49,140)	—	
Goodwill	283,760	54,321	
Total	413,751	100,455	

Total purchase price comprised of:

	For the Year Ended December 31, 2020	For the Nine Months Ended September 30, 2021
	Amount RMB in thousands	
Cash consideration	295,323	76,900
Share consideration	118,428	23,555
Total	413,751	100,455

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, 2020 and to the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2021, either individually or in aggregate.

17. Subsequent Events

The Group has evaluated subsequent events through the date the unaudited interim condensed consolidated financial statements are issued, with no other material events or transactions identified that should have been recorded or disclosed in the unaudited interim condensed consolidated financial statements.

Supplemental Disclosure

Recent Regulatory Developments

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law, or the Opinions, which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies, and effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-based overseas listed companies. As of the date of this offering memorandum, we have not received any inquiry, notice, warning, or sanctions from PRC governmental authorities in connection with the above contents of Opinions. Based on the foregoing and the currently effective PRC laws, our PRC legal counsel is of the view that, as of the date of this offering memorandum, the Opinions do not materially and adversely affect our disclosure, including PRC counsel's opinions, taken as a whole, as stated in "Risk Factors — Risks Related to Doing Business in China — 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" and "Risk Factors — 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."

On June 10, 2021, for purpose of further regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, the Standing Committee of the PRC National People's Congress published the Data Security Law of the People's Republic of China (the "Data Security Law"), which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision and publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e., data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data processing activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data stored in the territory of the PRC without the approval of the competent PRC governmental authorities.

On August 20, 2021, the Standing Committee of the National People's Congress of the PRC promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law raises the protection requirements for processing personal information, and many specific requirements of the Personal Information Protection Law remain to be clarified by the CAC, other regulatory authorities, and PRC courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations including the Personal Information Protection Law.

On July 10, 2021, the CAC published the Measures for Cybersecurity Review (Revised Draft for Comments), which will replace the current Measures for Cybersecurity Review after it is adopted and becomes effective. Under the current Measures for Cybersecurity Review and other PRC cybersecurity laws and regulations, as well as the draft measures, critical information infrastructure operators that intend to purchase internet products and services that affect or may affect national security must be subject to a cybersecurity review by the CAC. In addition, the draft measures stipulate that any data processor carrying out data processing activities that affect or may affect national security should also be subject to a cybersecurity review. The draft measures further stipulate that if an operator has personal information of over one million users and intends to be listed in a foreign country, it must be subject to a cybersecurity review. As advised by our PRC legal counsel, the draft measures were released for public comment only, and its provisions and anticipated adoption or effective date may be subject to change and thus its interpretation and implementation remain substantially uncertain. The draft measures remain unclear on whether the relevant requirements will be applicable to further equity or debt offerings by companies that have completed the initial public offering in the United States. We cannot predict the impact of the draft measures at this stage, and we will closely monitor and assess the statutory developments in this regard. As of the date of this offering memorandum, we have not been involved in any investigations on cybersecurity review initiated by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect.

On August 17, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, critical information infrastructure refers to any important network facilities and information systems of an important industry and field such as public communication and information service, energy, transport, water conservation, finance, public services, e-government affairs and national defense related science and technology industry, and other industries and fields that may seriously endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each important industry and field are responsible for formulating eligibility criteria and determining the critical information infrastructure in the respective industry or field. The operators will be informed by the relevant regulatory authority about the final determination as to whether they are categorized as "critical information infrastructure operators," or "CIIOs." As of the date of this offering memorandum, no detailed rules or interpretation has been issued and we have not been informed as a "CIIO" by any governmental authorities. Furthermore, the exact scope of "critical information infrastructure operators," under the current regulatory regime remains unclear, and, as advised by our PRC legal counsel, the PRC governmental authorities may have discretion in the interpretation and enforcement of these laws and regulations. Therefore, although as of the date of this offering memorandum, we have not yet received any notice or indication from the PRC government authorities that identifies us as a "CIIO," it still remains uncertain whether we would be deemed as a CIIO under PRC law.

On August 27, 2021, the CAC published the Administrative Provisions on Internet Information Service Algorithm Recommendation (Draft for Comments), which implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, and stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall file with the CAC within ten business days from the date of providing such services. As of the date of this offering memorandum, the draft administrative provisions have not been formally adopted. On September 17, 2021, the CAC, the Ministry of Industry and Information Technology of the PRC, or the MIIT, and other governmental authorities issued Guidance on Strengthening the Comprehensive Governance of Internet Information Service Algorithms, which propose improving algorithm security governance mechanism and promoting algorithm filing.

On August 30, 2021, the National Press and Publication Administration, promulgated the Notice on Further Strict Management to Effectively Prevent Minors from Being Addicted to Online Games, which became effective on September 1, 2021. The notice requires that all online games enterprises including platforms providing online game services only provide online game services to minors for one hour from 8:00 p.m. to 9:00 p.m. each day on Fridays, Saturdays, Sundays and national holidays, and not provide online game services to minors in any form at any other time. All online games must be connected to the real-name verification system of the National Press and Publication Administration for online games to prevent addiction, all online game users must use real and valid identity information to register their game accounts and log in to online games, and online games enterprises must not provide online game services in any form (including visitor experience mode) to users who have not registered and logged in with their real names.

On September 30, 2021, the MIIT published the Data Security Management Measures in the Field of Industry and Information Technology (For Trial Implementation) (Draft for Comments), which requires the industrial and telecom data processors to further implement data classification and hierarchical management, take necessary measures to ensure that data remains effectively protected and being lawfully applied and conduct data security risk monitoring. As of the date of this offering memorandum, the draft measures have not been formally adopted.

On October 29, 2021, the CAC published the Safety Assessment Measures for Data Outbound Transfer (Draft for Comments), which require that the data processors who propose to provide important data and personal information which are subject to security assessment that are collected and generated in the operation within the territory of the PRC overseas be subject to security assessment. The draft measures further stipulate the process and requirements for the security assessment. As of the date of this offering memorandum, the draft measures have been released for public comment only and have not been formally adopted. The final provisions and the timeline for its adoption are subject to changes and uncertainties.

On November 14, 2021, the CAC published the Regulations of Internet Data Security Management (Draft for Comments), which further regulate the internet data processing activities and emphasize the supervision and management of network data security, and further stipulate the obligations of internet platform operators, such as to establish a system for disclosure of platform rules, privacy policies and algorithmic strategies related to data. Specifically, the draft regulations require data processors to, among others, (1) adopt immediate remediation measures when finding that network products and services they use or provide have security defects and vulnerabilities, or threaten national security or endanger public interest, and (2) follow a series of detailed requirements with respect to processing of personal information, management of important data and proposed overseas transfer of data. In addition, such draft regulations require data processors handling important data or the data processors to be listed overseas to complete an annual data security assessment and file a data security assessment report to applicable regulators. Such annual assessment, as required by the draft regulations, would encompass areas including but not limited to the status of important data processing, data security risks identified and the measures adopted, the effectiveness of data protection measures, the implementation of national data security laws and regulations, data security incidents that occurred and their handling, and a security assessment with respect to sharing and provision of important data overseas. As of the date of this offering memorandum, the draft regulations have been released for public comment only and have not been formally adopted. The final provisions and the timeline for its adoption are subject to changes and uncertainties.

The interpretation, application and enforcement of these newly enacted and drafted laws and regulations are subject to substantial uncertainties. See “Risk Factors—Risks Related to Our Business and Industry—Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, penalties, changes to our business practices, increased cost of operations, damages to our reputation and brand, or declines in user growth or engagement, or otherwise harm our business” and “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.”

Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, penalties, changes to our business practices, increased cost of operations, damages to our reputation and brand, or declines in user growth or engagement, or otherwise harm our business.

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. However, with limited precedence on the interpretation and application of GDPR and limited guidance from EU regulators, the application of GDPR to the provision of internet services remains unsettled.

In China, the PRC Cyber Security Law, which became effective in June 2017, leaves substantial uncertainty as to the circumstances and standard under which this law would apply and violations would be found. The Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps issued in January 2019 restates the requirement of legal collection and usage of personal information, and encourages the app operators to conduct security certifications. On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information, effective on October 1, 2019, pursuant to which network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel to be in charge of protecting children's personal information. On November 28, 2019, the Measures to Identify Illegal Collection and Usage of Personal Information by Apps was promulgated, listing six types of illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules." According to the Law of the PRC on the Protection of Minors (2020 Revision), which took 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. Internet service providers must also promptly alert upon the discovery of publishing private information by minors via the internet and take necessary protective measures. For more information, see "Regulation—Regulations Related to Internet Information Security and Privacy Protection."

To further regulate data processing activities and safeguard data security, on June 10, 2021, the Standing Committee of the PRC National People's Congress published the Data Security Law, which took effect on September 1, 2021. On July 6, 2021, the relevant PRC governmental authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law, which, among other, require improving the laws and regulations relating to data security, cross-border data flow, and management of confidential information in the context of overseas issuance and listing of securities. On August 17, 2021, the state council promulgated the Regulations on Security Protection of Critical Information Infrastructure, which became effective on September 1, 2021. On August 20, 2021, the Standing Committee of the National People's Congress of the PRC promulgated the Personal Information Protection Law, which took effect on November 1, 2021, and on September 17, 2021, the CAC, the MIIT and other governmental authorities issued Guidance on Strengthening the Comprehensive Governance of Internet Information Service Algorithms. For more information about these laws and regulations, see "Regulation—Regulations Related to Internet Information Security and Privacy Protection."

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving. On July 10, 2021, the CAC published the Measures for Cybersecurity Review (Revised Draft for Comments). On August 27, 2021, the CAC published the Administrative Provisions on Internet Information Service Algorithm Recommendation (Draft for Comments). On September 30, 2021, the MIIT published the Data Security Management Measures in the Field of Industry and Information Technology (Draft for Comments), and on October 29, 2021, the CAC published the Safety Assessment Measures for Data Outbound Transfer (Draft for Comments). On November 14, 2021, the CAC published the Regulations of Internet Data Security Management (Draft for Comments). For more information about the drafts, see "Regulations—Regulations Related to Internet Information Security and Privacy Protection."

Furthermore, the above mentioned laws, regulations and policies can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For example, the scope of "core data" and "important data," two important concepts in the Data Security Law, are yet to be clearly determined. It is uncertain whether and when the Measures for Cybersecurity Review (Revised Draft for Comments) and the Regulations of Internet Data Security Management (Draft for Comments) will be adopted, and if the adopted version will contain the same provisions as those draft measures. If the adopted version of the draft measures mandate clearance of cybersecurity review and other specific actions to be completed by CIOs, data processors or other companies as proposed in the draft measures, we face uncertainties as to whether we should obtain such clearance as a listed company in the United States and whether such clearance can be timely obtained, or at all. We cannot predict the impact of the draft measures, if any, at this stage, and we will closely monitor and assess the statutory developments in this regard.

It is also uncertain whether we would be deemed as a “critical information infrastructure operator” pursuant to the Regulations on Security Protection of Critical Information Infrastructure, effective September 1, 2021. As advised by our PRC legal counsel, the PRC governmental authorities may have discretion in the interpretation of CIIO and in the enforcement of these laws and regulations. Should we be deemed as a CIIO, we would be required to fulfill certain obligations under the PRC cybersecurity and data privacy laws and regulations, including, among others, storing personal information and important data collected and produced within the PRC territory during our operations in China. If a final version of the Measures for Cybersecurity Review (Revised Draft for Comments) is adopted, we may be subject to review when conducting data processing activities, and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. As of the date of this offering memorandum, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect.

In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies that are listed in the United States. The relevant regulatory authorities in China continue to monitor the websites and apps in relation to the protection of personal data, privacy and information security, and may impose additional requirements from time to time. The relevant regulatory authorities also publicize, from time to time, their monitoring results and require relevant enterprises listed in such notices to rectify non-compliance. If any of our mobile apps is found not in compliance with these regulations, we could be subject to penalties, including revocation of our business licenses and permits.

While we strive to comply with applicable data protection laws and regulations, as well as our privacy policies pursuant to our user terms 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 “Regulation—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 user 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.

The approval of the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Scrutinizing Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the enacted version of the Measures for Cybersecurity Review (Revised Draft for Comments), are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such procedures and any such approval could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for our offshore offerings, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our shares. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of the shares.