

SINA CORP  
Form 20-F  
April 30, 2019  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

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

**OR**

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

**For the fiscal year ended December 31, 2018**

**OR**

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

**OR**

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

Date of event requiring this shell company report . . . . .

**For the transition period from                                  to**

Commission file number: 001-37361

# **SINA CORPORATION**

(Exact name of Registrant as specified in its charter)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

**No. 8 SINA Plaza,  
Courtyard 10, the West Xibeiwang E. Road,  
Haidian District  
Beijing 100193,  
People's Republic of China**

(Address of principal executive offices)

**Bonnie Yi Zhang, Chief Financial Officer**

**Phone: +86 10 8262 8888**

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**7/F SINA Plaza,  
No. 8 Courtyard 10 West Xibeiwang E. Road,  
Haidian District,  
Beijing 100193,  
People's Republic of China**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

| Title of each class                | Name of each exchange on which registered |
|------------------------------------|---|
| Ordinary Shares, \$0.133 par value | The Nasdaq Stock Market LLC               |
| Ordinary Shares Purchase Rights    | (Nasdaq Global Select Market)             |

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

**Not Applicable**  
(Title of Class)

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

**Not Applicable**  
(Title of Class)

As of December 31, 2018, there were 69,368,140 ordinary shares of the registrant outstanding (excluding 13,042,702 ordinary shares that have been repurchased but not cancelled), par value \$0.133 per share, and 7,150 class A preference shares of the registrant outstanding, par value \$1.00 per share.

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

Yes  No

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

Yes  No

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

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

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP

International Financial Reporting Standards as issued by the  
International Accounting Standards Board

Other

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

Item 17  Item 18

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

Yes  No

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

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

Yes  No

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**INTRODUCTION**

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

- we, us, our company, the Company, our and SINA refer to Sina Corporation, its subsidiaries, and, in the context of describing our operations and consolidated financial information, include our consolidated variable interest entities ( VIEs ) in China;
- China or PRC refers to the People's Republic of China and, solely for the purpose of this annual report, do not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan;
- GAAP refers to generally accepted accounting principles in the United States;
- monthly active users or MAUs refer to monthly active users, which are Weibo users who logged in and accessed Weibo through Weibo's website, mobile website, desktop or mobile applications, SMS or connections via platform partners' websites or applications that are integrated with Weibo, during a given calendar month. The numbers of MAUs are calculated using internal company data that has not been independently verified, and we treat each account as a separate user for purposes of calculating MAUs, although it is possible that certain individuals or organizations may have set up more than one account and certain accounts are used by multiple individuals within an organization;
- daily active users or DAUs refer to daily active users, which are Weibo users who logged in and accessed Weibo through Weibo's website, mobile website, desktop or mobile applications, SMS or connections via platform partners' websites or applications that are integrated with Weibo, on a given day, and average DAUs for a month refers to the average of the DAUs for each day during the month. The numbers of DAUs are calculated using internal company data that has not been independently verified, and we treat each account as a separate user for purposes of calculating DAUs, although it is possible that certain individuals or organizations may have set up more than one account and certain accounts are used by multiple individuals within an organization;
- shares refer to our ordinary shares;
- all references to RMB or renminbi are to the legal currency of China, and all references to \$, dollars, US dollars and U.S. dollars are to the legal currency of the United States. Unless otherwise noted, all translations from RMB to

U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.8755 to US\$1.00, the exchange rate on December 31, 2018 as set forth in the H.10 statistical release published by the Federal Reserve Board; and

- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

*This Annual Report on Form 20-F contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, and the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.*

*Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.*

*Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made under the caption Risk Factors included herein.*



Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data**

The following table presents the selected consolidated financial data for our company. The selected consolidated statements of comprehensive income data and cash flow data for the three years ended December 31, 2016, 2017 and 2018 and the consolidated balance sheets data as of December 31, 2017 and 2018 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of comprehensive income data and cash flow data for the years ended December 31, 2014 and 2015 and the selected consolidated balance sheets data as of December 31, 2014, 2015 and 2016 have been derived from our audited consolidated financial statements, which are not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data below should be read in conjunction with our consolidated financial statements and notes thereto, Item 5. Operating and Financial Review and Prospects below, and other information contained in this annual report.

|  | 2014(1)  | 2015(2) | For the Year Ended December 31,<br>2016(3) 2017(4) |           | 2018(5) (6) |
|--|----------|---------|--|-----------|-------------|
|  |          |         | (in \$ thousands, except per share data)           |           |             |
| <b>Operations:</b>   |          |         |  |           |             |
| Net revenues   | 768,241  | 880,669 | 1,030,936  | 1,583,884 | 2,108,327   |
| Gross profit   | 477,900  | 545,289 | 676,240  | 1,169,747 | 1,656,287   |
| Income (loss) from operations                              | (40,914) | 12,222  | 73,276   | 388,576   | 466,954     |
| Fair value changes through earnings on investments, net(7) |          |         |  |           | 96,533      |
| Income before income tax expense                           | 168,741  | 46,143  | 304,527  | 424,239   | 555,410     |
| Net income   | 161,771  | 35,723  | 277,308  | 349,563   | 426,326     |

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|   |         |        |         |         |         |
|---|---------|--------|---------|---------|---------|
| Net income attributable to SINA's ordinary shareholders           | 176,802 | 25,678 | 225,087 | 156,569 | 125,562 |
| Net income per share attributable to SINA's ordinary shareholders |         |        |         |         |         |
| Basic   | 2.72    | 0.43   | 3.20    | 2.20    | 1.79    |
| Diluted   | 2.63    | 0.40   | 3.01    | 2.09    | 1.70    |
| Shares used in computing basic net income per share               | 64,950  | 60,237 | 70,301  | 71,284  | 70,296  |
| Shares used in computing diluted net income per share             | 71,565  | 60,648 | 77,511  | 73,931  | 72,375  |

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Notes:

(1) Fiscal year 2014 results included: 1) a \$109.2 million gain from the sale of a portion of our investment in Alibaba Group Holding Limited ( Alibaba ) through Yunfeng E-Commerce Funds in Alibaba's initial public offering, 2) a \$49.2 million gain as a result of the initial public offering of Tian Ge Interactive Holding Limited ( Tian Ge ), a live social video company that we invested in, 3) a gain of \$29.1 million from the acquisition by Tencent Holdings Ltd. ( Tencent ) of a 15% equity interest in Leju Holdings Limited ( Leju ), a then subsidiary of E-House, on a fully diluted basis, 4) a \$19.2 million gain as a result of the initial public offering of Leju, 5) a loss of \$47.0 million in the fair value change of option liabilities, which was related to the option granted to Alibaba, and 6) an impairment of \$14.5 million related to goodwill acquired from Beijing Weiyue Information Technology Co., Ltd ( Weiyue ), which is an online reading platform operator.

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(2) Fiscal year 2015 results included an \$18.9 million gain from the sale of a portion of our investment in Youku Tudou Inc. ( Youku Tudou ).

(3) Fiscal year 2016 results included: 1) a \$159.5 million gain from the sales of our certain investments under cost method, 2) a \$44.2 million gain from the sale of a portion of our investment in Alibaba, 3) a \$34.5 million gain as a result of the disposal of our investment in Youku Tudou, 4) a loss of \$28.5 million in the fair value change of option liabilities related to E-House, and 5) an impairment of \$40.2 million related to goodwill and acquired intangible assets.

(4) Fiscal year 2017 results mainly included: 1) a \$92.3 million gain from the sale of our investment in Alibaba, 2) a \$113.1 million of other-than-temporary impairment loss on our investments in Leju.

(5) Fiscal year 2018 results included: 1) a \$96.5 million net gain from the fair value changes of equity investments under ASC 820, 2) a \$61.0 million impairment loss on our investments in certain private companies, and 3) an impairment of \$23.2 million related to goodwill and acquired intangibles.

(6) On January 1, 2018, we adopted new revenue guidance ASC Topic 606, Revenue from Contracts with Customers, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting method under Topic 605. See Item 5. Operating and Financial Review and Prospects A. Operating Results Critical Accounting Policies, Judgments and Estimates Revenue Recognition Impact on Adoption of New Revenue Guidance.

(7) On January 1, 2018, we adopted ASU 2016-1 Classification and Measurement of Financial Instruments and recorded a cumulative effect adjustment to reclassify \$38.7 million unrealized gain from accumulated other comprehensive income to retained earnings. After the adoption of ASU 2016-1, we measure equity investments other than equity method investments at fair value through earnings. For those investments without readily determinable fair values, we elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the carrying value of these equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer and will be reported in current earnings. See Item 5. Operating and Financial Review and Prospects A. Operating Results Critical Accounting Policies, Judgments and Estimates Long-term Investments Adoption of ASU 2016-1.

|  | 2014 | 2015 | As of December 31,<br>2016<br>(in \$ thousands) | 2017 | 2018 |
|--|------|------|---|------|------|
|--|------|------|---|------|------|

**Financial position:**

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|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Cash, cash equivalents and short-term investments | 2,166,538 | 2,209,853 | 1,797,065 | 3,372,543 | 2,345,334 |
| Working capital(1)                                | 2,140,134 | 1,336,098 | 1,684,789 | 2,829,813 | 2,189,037 |
| Total assets                                      | 3,692,845 | 4,356,947 | 4,284,874 | 5,815,394 | 5,886,089 |
| Long-term liabilities(1)                          | 880,060   | 101,724   | 222,612   | 942,865   | 979,556   |
| Total liabilities                                 | 1,271,575 | 1,480,279 | 1,193,895 | 2,215,665 | 2,123,217 |
| Total SINA shareholders' equity                   | 2,145,772 | 2,565,272 | 2,679,590 | 2,846,842 | 2,717,791 |
| Total shareholders' equity                        | 2,421,270 | 2,876,668 | 3,090,979 | 3,599,729 | 3,762,872 |

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Notes:

(1) As of December 31, 2015, SINA's convertible notes amounting to \$800 million were reclassified into current liabilities since the holders had a right to require us to repurchase their notes on December 1, 2016. On December 1, 2016, we repurchased \$646.9 million principle amount of convertible notes upon the exercise of put option by the note holders. Following the repurchase, we repaid the remaining approximately \$153.1 million of convertible notes matured on December 1, 2018. On October 30, 2017, Weibo, one of our subsidiaries, issued \$900 million convertible notes with a maturity date on November 15, 2022.

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**B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

**D. Risk Factors**

**Risks Related to Our Business**

*We are subject to risks associated with operating in a rapidly developing and evolving industry.*

The online advertising and marketing industry is rapidly evolving in China and is subject to continuous technological developments and changing customer demands. As an online media company which generates a significant portion of its revenues from advertising and marketing services, our future success depends largely upon our ability to enhance our existing services and solutions and to introduce new services and solutions with features that meet evolving technological developments, user preferences and customer demands, all in a timely and cost-effective manner. For example, we must develop and promote new services and solutions to address the rapidly developing mobile internet environment in order to maintain our competitive position. The development of mobile technology and the increasing penetration of internet have brought China into a new era in which people gradually turn away from traditional portal websites to mobile applications for obtaining and consuming information. Along this development, we have observed slower growth of our portal advertising revenues, in particular advertising revenues generated from our portal website, as many brand advertisers shift their budget to mobile applications that attract an increasing amount of user traffic. At the same time, we have been experiencing rapid growth with our Weibo revenues as the number of Weibo users continues to increase at a fast pace in the recent years. We have made and will continue to make various efforts to cater to such changing user behavior and meet evolving customer demands, but if we do not successfully execute our business strategies, we may lose users and customers, which could have material adverse impact on our business and results of operations.

Our ability to successfully execute our business strategies depends on a number of factors, many of which are beyond our control. For example, we rely on advertisers from several industries for a majority of our advertising and marketing business. If there is a downturn in advertising and marketing spending, especially in these sectors, our results of operations, cash flows and financial condition could suffer. Other factors that may affect our ability to successfully execute our business strategies include but not limited to:

- the development and retention of a large base of users possessing demographic characteristics attractive to advertisers;

- the maintenance and enhancement of our brands in a cost-effective manner;
- increased competition and potential downward pressure on online advertising and marketing prices and limitations of display space on web pages and mobile applications;
- changes in government policy that curtail or restrict our online advertising and marketing services or content offerings or increase our costs associated with policy compliance;
- the acceptance of online advertising and marketing as an effective way for advertisers to market their businesses;
- advertisers' preferences for new online advertising and marketing formats, products or business models offered by other competitors and our ability to provide similar or competing new formats, products and solutions;
- the development of independent and reliable means of verifying levels of online advertising and traffic; and

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- the effectiveness of our advertising delivery, tracking and reporting systems.

*If our social media platform Weibo is unable to compete effectively for user traffic or user engagement, our business and operating results may be materially and adversely affected.*

Competition for user traffic and user engagement is intense and Weibo faces strong competition in its business. Major Chinese internet companies, including Tencent, Baidu and NetEase, as well as major players in China who provide online media services, including content aggregation and distribution, compete directly with Weibo for user traffic and user engagement, content, talent and marketing resources. As a media platform in nature, Weibo also competes with offline media companies for audiences and content. In addition, as a social media featuring social networking services and messenger features, Weibo is subject to intense competition from providers of similar services as well as potentially new types of online services. These services include (i) messengers and other social apps and sites, such as Weixin/WeChat, QQ Mobile, Qzone Mobile and Momo; (ii) news apps and sites, such as those operated by other major internet companies, including Tencent, Baidu, NetEase, Sohu, Phoenix News Media and Bytedance; (iii) multi-media apps (photo, short video, live streaming, etc.), such as Momo, Kuaishou, YY, iQiyi, Tencent Video, Youku Tudou and Bytedance.

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

We believe that Weibo's ability to compete effectively for user traffic and user engagement depends upon many factors that may be beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our products and services compared to those of Weibo's competitors;
- the amount, quality and timeliness of content aggregated on Weibo's platform;
- Weibo's ability to enable celebrities, KOLs, media outlets and other content creators to quickly and efficiently build a fan base and monetize from their social assets;

- Weibo's ability, and the ability of Weibo's competitors, to develop new products and services and enhancements to existing products and services to keep up with user preferences and demands;
- the frequency, relevance and relative prominence of the ads displayed by Weibo or Weibo's competitors;
- Weibo's ability to establish and maintain relationships with platform partners;
- Weibo's ability to provide effective customer service and support;
- changes mandated by, or that Weibo elects to make to address, legislation, regulations or government policies, some of which may have a disproportionate effect on Weibo;
- acquisitions or consolidation within Weibo's industry, which may result in more formidable competitors; and



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- Weibo's reputation and brand strength relative to Weibo's competitors.

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

Weibo users typically can log into their personal accounts to view user-generated feeds and private messages from accounts that they have selected to follow. Social media companies have been subject to negative comments for introducing advertising into their users' relation-based information feeds. We started to test promoted advertising products in Weibo at the end of December 2012 and have received user complaints. If we are unable to address user complaints to an acceptable level, Weibo's monetization may be delayed and usage activities may decline, which may adversely impact our revenues and profitability.

*The markets for internet and social media and social networking services are highly competitive, and we may be unable to compete successfully against established industry competitors and new entrants, which could reduce our market share and adversely affect our financial performance.*

We provide online content and services for the global Chinese community, including but not limited to informational features, microblogging and social networking services as well as other fee-based services. This industry can be characterized as highly competitive and rapidly changing due to the fast growing market demand. Barriers to entry are relatively low, and current and new competitors can launch new websites, mobile applications or services at a relatively low cost. Many companies offer rich content and various services targeting this community and compete with our offerings.

In terms of informational features, we compete with existing or emerging PRC internet portals such as Baidu Inc. ( Baidu ), Tencent, NetEase, Sohu and Phoenix News Media Limited ( iFeng.com ). In addition, we also face competition from vertical websites, which may have better focus and more resources dedicated to a specific topical area, such as automobile, finance and IT information. Our competitors in this area include Hexun, East Money, China Finance Online, Autohome, Bitauto, PCAuto, Xcar, ZOL Online, PCpop.com and PCOnline.

As we expand our product and services offerings into social media and social networking services, online video, WAP (mobile portal), blog, light blog and messaging services, we face competition from companies that are focused in the same space. Major Chinese internet companies, including Tencent, NetEase and Sohu, as well as other microblogging services and new players in China who offer online media, including content aggregation and distribution services, compete directly with us for user traffic and user engagement, content, talent and marketing resources. In addition, as a form of social media featuring social networking services and messaging services, we are subject to intense competition from providers of similar services as well as potential new types of online services, including interest-based social products. If our social media platform Weibo fails to compete effectively for user traffic and user engagement and generate sustainable revenue growth and profit, our share price could suffer significantly. We have begun to offer social commerce solutions to our customers that enable them to conduct e-commerce on our platform. Consequently, our offerings compete with e-commerce platforms that enable merchants to conduct e-commerce, including location-based services and online-to-offline services. In addition, we may also face increasing competition from global social media and social networking services, such as Twitter and Facebook.

In addition, we compete with companies who sponsor or maintain high traffic volume websites or provide an initial point of entry for internet users, including but not limited to, providers of search services, navigation pages, desktop applications and mobile applications. Smart phone

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operating system providers such as Apple Inc. (iOS), Google (Android) and Microsoft (Windows) are also becoming a threat as mobile internet users are increasingly using the application stores as an initial entry point to various internet products and services. Online companies who can aggregate significant traffic may have the ability to direct traffic to their other internet offerings and provide competing advertising and fee-based services.

We also compete for advertisers with traditional media companies, such as newspapers, magazines and television networks that have a longer history of operation and greater acceptance among advertisers. Although outdoor media companies more directly compete with traditional media such as television, they also indirectly compete with us to convert advertisers from traditional media to their own formats.

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Many of our competitors have greater financial resources, a longer history of providing online services, a larger and more active user base, more established brand names and currently offer a greater breadth of products that may be more popular than our online offerings. Many of our competitors are focused solely on one area of our business and are able to devote all of their resources to that business line and can more quickly adapt to changing technology and market conditions. As internet usage in Greater China increases and the Greater China market becomes more attractive to advertisers and for conducting fee-based services, large global competitors, such as Facebook and Google, may increasingly focus their resources on the Greater China market. We cannot assure you that we will succeed in competing against the established and emerging competitors in the market. The increased competition could result in reduced traffic, loss of market share and revenues, and lower profit margins.

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

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

We receive a high degree of media coverage in Chinese communities around the world. There has in the past been various negative press coverage about our company based on untrue or unsubstantiated rumors and, as a result, the perception of our brands as well as the price of our ordinary shares has at times been negatively affected. For example, there was broad media coverage about the talk between the State Internet Information Office, which regulates the dissemination of information over internet in China, and us regarding its concerns about the spread of illegal information in our portal website sina.com.cn. Although no penalty was affirmative yet, the negative media coverage still might have jeopardized our brand and our users' willingness to use our services. We have in some cases taken affirmative steps to address such coverage. However, we cannot assure you that we will be able to diffuse negative press coverage about our company to the satisfaction of our investors, users, advertisers, customers and strategic partners. If we are unable to diffuse negative press coverage about our company, our brands may suffer in the marketplace, our operational and financial performance may be negatively impacted and the price of our ordinary shares may decline.

***We rely in part on application marketplaces, internet search engines, navigation sites and web browsers to drive traffic to our platform and website, and if we fail to appear high up in the search results or rankings, traffic to our platform and website could decline and our business and operating results could be adversely affected.***

We rely on application marketplaces, such as Apple's App Store, Google Play, Baidu Mobile Assistant, and 360 Mobile Assistant, to drive downloads of the mobile applications of our products, including Weibo, Sina News and Sina Finance. In the future, Apple, Google or other operators of application marketplaces may make changes to their marketplaces which make access to our products and services more difficult. We also depend in part on internet search engines, navigation sites and web browsers, such as Baidu, Sogou, Google, Hao123, Hao360, UC Browser and 360 Browser, to drive traffic to our website. For example, when a user types an inquiry into a search engine, we rely on a high organic search result ranking of our webpages in these search results to refer the user to our website. However, our ability to maintain high organic search result rankings is not totally within our control. Our competitors' search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' SEO efforts are more successful than ours, the growth in our user base could be adversely affected. In addition, navigation websites or web browsers might reduce the recommendation of our products for various reasons occasionally. Any reduction in the number of users directed to our mobile applications or website through application marketplaces, internet search engines, navigation sites and web browsers

could harm our business and operating results.

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*Due to the rapidly evolving market in which we operate, we cannot predict whether we will meet internal or external expectations of future performance.*

Our primary market is in China, where the internet industry is rapidly evolving and new products, new business models and new players emerge from time to time. In addition, regulatory changes can have an unexpected and significant impact on many aspects of our business. We believe our future success depends on our ability to significantly grow our revenues from new and existing products, business models and sales channels. However, market data on our business, especially on new products, business models and sales channels, are often limited, unreliable or nonexistent. Accordingly, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in a fast changing market where there are abundant private and public capital to support competing new product developments, new business models and new companies. These risks include our ability to:

- offer new and innovative products;
- react quickly and effectively to regulatory changes;
- respond effectively to competitive pressures and address the effects of strategic relationships or corporate combinations among our competitors;
- maintain our current, and develop new, strategic relationships;
- increase awareness of our brand and continue to build user loyalty;
- attract and retain qualified managerial and other talented employees;
- upgrade our technology to support increased traffic and expanded services; and
- expand the content and services on our network, secure premium content and increase network bandwidth in a cost-effective manner.

Due to the rapidly evolving market in which we operate, our historical year-over-year and quarter-over-quarter trends may not provide a good indication of our future performance. For certain business lines, we have experienced high growth rates in the past and there may be expectations

that these growth rates will continue. For other business lines, we have experienced declining trends. In the past, we have relied on the growth of our online advertising business to derive profitability, which we have used to fund new initiatives such as Weibo. Our online advertising business may suffer from price competition from other online advertising companies. We may have to lower our profitability or operate at a loss in order to adequately fund critical initiatives that we believe will create value for our company and strengthen our market position over the long run. Our operating results have in the past fallen below the expectations of industry analysts and investors and may fall again in the future. Our share price may decline significantly as a result of our failure to meet such expectations.

***You should not place undue reliance on our financial guidance, nor should you rely on our quarterly operating results as an indication of our future performance, because our results of operations are subject to significant fluctuations.***

We may experience significant fluctuations in our quarterly operating results due to a variety of factors, many of which are outside our control. Significant fluctuations in our quarterly operating results could be caused by various factors, including but not limited to, our ability to retain existing users and user activity levels, attract new users at a steady rate and maintain user satisfaction; the announcement or introduction of new or enhanced services, content and products by us or our competitors; lack of significant news events in the current period, resulting in lower website traffic; technical difficulties, system downtime or internet failures; changes in demand for advertising space, new advertising formats or new advertising products from advertisers; seasonality of the advertising market; the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations and infrastructure; mobile operators' policies; governmental regulation and potentially sudden changes in policies affecting our businesses; seasonal trends in internet use; a shortfall in our revenues relative to our forecasts and a decline in our operating results due to our inability to adjust our spending quickly; decreases in earnings from equity investments; impairment of our equity investments; lower interest income resulting from decrease in interest yield and cash balance; and general economic conditions and economic conditions specific to the internet, wireless, e-commerce, media/advertising industry and the Greater China market. Volatility in the global economic climate and financial markets could also result in a significant impairment charge on our non-marketable equity securities. As a result of these and other factors, you should not place undue reliance on our financial guidance, nor should you rely on quarter-to-quarter comparisons of our operating results as indicators of likely future performance. Our quarterly revenue guidance is our best estimate at the time we provide guidance. Our operating results may be below our expectations or the expectations of public market analysts and investors in one or more future quarters. If that occurs, the price of our ordinary shares could decline and you could lose part or all of your investment.

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

We adopted our 2007 share incentive plan in June 2007 and 2015 share incentive plan in July 2015. Our subsidiary Weibo adopted a 2010 share incentive plan in August 2010 and a 2014 share incentive plan in March 2014. See Item 6. Directors, Senior Management and Employees B. Compensation for a detailed discussion. For the years ended December 31, 2016, 2017 and 2018, we recorded \$73.8 million, \$91.4 million and \$95.1 million, respectively, in stock-based compensation expenses. We will continue to grant stock-based compensation in the future in order to attract and retain key personnel and employees. Consequently, our stock-based compensation expenses may be recurring and even significantly increase in absolute amount, which may have a material adverse effect on our results of operations.

***Our financial results could be adversely affected by our investments in long-term investment.***

We periodically review our investments in publicly traded companies, privately held companies and limited partnerships for impairment. If we conclude that any of these investments are impaired, we will write down the asset to its fair value and take a corresponding charge to our consolidated statements of comprehensive income. As of December 31, 2018, our investments included \$1,638.3 million in privately held companies and limited partnerships, which may not have the resources nor level of controls in place like public companies to timely and accurately provide updates about their companies to us. Furthermore, many of our investments are at an early, pre-revenue stage of development, and their impairment may be difficult to assess as market information on internet-related startups is not readily available. We recognized an impairment charge of \$36.3 million, \$122.1 million and \$61.0 million on our long-term investments in 2016, 2017 and 2018, respectively. We may continue to incur impairment charges, which could depress our profitability or subject us to incur a net loss.

In addition, after our adoption of ASU 2016-01 Classification and Measurement of Financial Instruments starting January 1, 2018, we measure equity investments other than equity method investments at fair value through earnings. Our investments other than equity method are subject to a wide variety of market related risks that could substantially reduce or increase the fair value of our holdings. For example, identification of observable price change in orderly transaction for those equity securities without readily determinable fair value may result in our recognition of gain or loss on such investments in equity securities. Determination of estimated fair value of these investments may require complex and subjective judgments due to their limited financial and operating history, unique business risks and limited public information. Consequently, we may not receive information about our investments on a timely basis to properly account for them. We recognized a net gain of \$96.5 million in 2018 as a result of fair value changes. We are unable to control these factors and the fair value changes recognized by us, especially untimely recorded, may adversely impact our financial results and share price.

On December 30, 2016, we disposed of our beneficial ownership in E-House for a combination of cash and share consideration. As a result, we became a principal shareholder of Leju. We reported our ownership in Leju using the equity method.

Our future financial results may be also adversely affected by the performance of Leju and other equity investments accounted for under the equity method. If the financial results of Leju and other equity investments accounted for under the equity method decline, it will negatively impact our financial results. Furthermore, we will not be able to report our quarterly and annual results until we have obtained the result of the Leju and other equity investments accounted for under the equity method, which we have reported a quarter in arrears. A delay in the reporting by Leju and other equity investments accounted for under the equity method could adversely affect our reporting schedule and cause the market to react negatively to our share price. Leju's business is subject to risks that may be different than those that affect our business. Potential risks and uncertainties include, but are not limited to:





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- fluctuations in China's real estate market;
- the highly regulated nature of, and government measures affecting, the real estate and internet industries in China;
- Leju's ability to compete successfully against current and future competitors;
- Leju's ability to continue to develop and expand Leju's content, service offerings and features, and to develop or incorporate the technologies that support them;
- substantial revenue contribution from a limited number of real estate markets, including Beijing, Shanghai, Guangzhou, Chongqing and Tianjin;
- effectiveness of Leju's contractual arrangements in providing operational control over Leju's consolidated variable interest entities in China; and
- Leju's ability to receive distributions from, and to make loans to, and direct investments in, Leju's operating entities in China.

Further information regarding these and other risks can be found in Leju's filings with the SEC. We assume no obligation to update Leju's risks factors.

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

In October 2017 our subsidiary Weibo issued \$900 million principal amount of convertible senior notes due 2022, which we refer to as 2022 convertible notes in this annual report. These notes bear interest at a rate of 1.25% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on May 15, 2018, and will mature on November 15, 2022. We may not have sufficient funds to pay the interest or fulfill other obligations under the notes.

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

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

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

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***If we are unable to keep up with the rapid technological changes of the internet industry, our business may suffer.***

The internet industry is experiencing rapid technological changes. For example, with the advances of search engines, internet users may choose to access information through search engines instead of our web portal and other web properties. With the advent of Web 2.0, the interests and preferences of internet users have shifted to user-generated content, such as social media services, social networking services and other online communities. As broadband becomes more accessible, internet users may demand content in pictorial, audio-rich and video-rich formats. With the development of 3G, 4G and 4.5G networks in China and the growing availability of Wi-Fi connections, mobile users have been shifting from the predominant text messaging services to newer applications, such as social networking, location-based services, messengers with free texting, voicemail and internet conferencing, mobile commerce, music, photo and video download sites, applications and sharing platforms, and mobile games. In addition, with a large proportion of internet usage shifting from personal computers to mobile phones and other mobile devices in China, mobile operating systems, browsers and application-based platforms may redefine the way internet companies operate, impacting our competitiveness and hindering our ability to shift our personal-computer-based offerings into the mobile environment. Our future success will depend on our ability to anticipate, adapt and support new technologies and industry standards. If we fail to anticipate and adapt to these and other technological changes, our market share, profitability and share price could suffer.

***If we fail to successfully develop and introduce new products and services, our competitive position and ability to generate revenues could be harmed.***

We continuously develop new products and services. The planned timing or introduction of new products and services is subject to risks and uncertainties. Actual timing may differ materially from original plans. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of one or more of our new products or services. For example, we started offering online loan facilitation service in 2017, and we have been providing guarantees of borrowers' repayment obligations to lenders as part of our service. However, due to the limited history operating such business and particularly the guarantee program, we might not be able to accurately estimate the guarantee liabilities arising from the guarantee repayment.

Moreover, we cannot be sure that any of our new products and services will achieve widespread market acceptance or generate incremental revenue. If our efforts to develop, market and sell new products and services to the market are not successful, our financial position, results of operations and cash flows could be materially adversely affected, the price of our ordinary shares could decline and you could lose part or all of your investment.

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

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

event that it is difficult for our users to access and use our products and services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

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***New technologies could block our advertisements; desktop clients and mobile applications and may enable technical measures that could limit our traffic growth and new monetization opportunities.***

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

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

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

***We may not be able to manage our expanding operations effectively, which could harm our business.***

We have expanded rapidly by launching new services, acquiring companies, entering into joint ventures and forming strategic partnerships. These new businesses, joint ventures and strategic partnerships provide various services, such as instant messaging and application development. We anticipate continuous expansion in our business, both through further acquisitions and organic growth. In addition, the geographic dispersion of our operations as a result of acquisitions and organic growth requires significant management resources that our locally based competitors do not need to devote to their operations. In order to manage the planned growth of our operations and personnel, we will be required to improve and implement operational and financial systems, procedures and controls, and expand, train and manage our growing employee base. Further, our management will be required to maintain and expand our relationships with various other websites, internet and other online service providers and other third parties necessary to our business. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations. If we are not successful in establishing, maintaining and managing our personnel, systems, procedures and controls, our business will be materially and adversely affected.

***Our strategy of acquiring complementary assets, technologies and businesses may fail and may result in equity or earnings dilution.***

As part of our business strategy, we have acquired and intend to continue to identify and acquire assets, technologies and businesses that are complementary to our existing business. Acquired businesses or assets may not yield the results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. In addition, we may have to obtain approval from the relevant PRC governmental authorities for the acquisitions and comply with any applicable PRC rules and regulations, which may be costly. The PRC government has established additional

procedures and requirements that could make merger and acquisition activities by us more time-consuming and complex. For instance, as of September 1, 2011, the PRC Ministry of Commerce ( MOFCOM ) adopted a national security review rule which requires acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security to be subject to security review before consummation of any such acquisition. In the event that our acquisitions are not successful, our financial condition and results of operations may be materially and adversely affected.

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

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. For example, the Trademark Review and Adjudication Board, or TRAB, issued a decision on June 27, 2017 regarding No. 9882339 in Class 41 and a decision on July 28, 2017 regarding No. 9882314 in Class 9 to cancel the two trademarks owned by Weibo Interactive due to the lack of the proof of use. We have appealed TRAB's decisions through the Beijing Intellectual Property Court. On December 25, 2017, Beijing Intellectual Property Court made two first instance judgments, each lifting TRAB's decision and determining that TRAB issue new decisions on the application for review regarding the two trademarks. On May 8, 2018, TRAB issued two decisions withdrawing its prior decisions on the cancellation of the two marks, and declared No. 9882339 valid under the items of providing online games, club service (entertainment or education), entertainment information (recreation), and No. 9882314 valid for all registered items including computer programs and computer game software.

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

We use open source software in our products and services and will use open source software in the future. In addition, from time to time, we contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by domestic or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

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

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Companies in the internet, technology and media industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation, and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.



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

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

We may be subject to intellectual property infringement claims or other allegations by third parties for products or services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects. For example, we and a few of our subsidiaries have been named as respondents in an arbitration initiated with the Netherlands Arbitrage Institute. The claimant in this arbitration claimed damages alleging intellectual property infringement by us in breach of certain license agreements. See Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal Proceedings Arbitration for more information. We are currently unable to estimate the possible outcome or loss or possible range of loss, if any, associated with the resolution of this case. Any adverse outcome of this and other cases could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation.

In addition, defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

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

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

Defending patent and other intellectual property litigation is costly and can impose a significant burden on management and employees, and there can be no assurances that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our websites to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

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

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

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In a period of enhanced scrutiny of internet content, we may become subject to regulatory investigations or audits in connection with products or services we provide or for information or content displayed on, retrieved from or linked to our platform, or distributed to our users. During such investigation, some or all of our products, services, features or functionalities could be terminated, and our apps could be removed from relevant app stores. On April 16, 2019, Cyberspace Administration of China, or the CAC, instructed the Cyberspace Administration of Beijing to interview us for our failure to fulfill the duty to review content posted by users and for transmission of illegal and harmful information. The CAC required us to immediately conduct a self-inspection and make comprehensive improvements. Accordingly, the update of Sina Blog and Sina Spotlight and the app download services of Sina Blog and Sina News has been suspended for one month starting from April 17, 2019. It is also possible that a regulatory investigation could result in changes to our policies or practices, result in reputational harm, prevent us from offering certain products, services, features or functionalities, cause us to incur substantial costs, or require us to change our business practices in a manner materially adverse to our business.

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

The continual accessibility of our websites and mobile applications as well as the performance and reliability of our network infrastructure are critical to our reputation and our ability to attract and retain users, advertisers and merchants. Any system failure or performance inadequacy that causes interruptions in the availability of our services or increases the response time of our services could reduce our appeal to users and customers. Factors that could significantly disrupt our operations include system failures and outages caused by fire, floods, earthquakes, power loss, telecommunications failures and similar events; software errors; computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems; and security breaches related to the storage and transmission of proprietary information, such as credit card numbers or other personal information.

As the number of our users increases and our users generate more content, including photos and videos on our platform, we may be required to expand and adapt our technology and infrastructure to continue to reliably store and analyze this content. It may become increasingly difficult to maintain and improve the performance of our products and services, especially during peak usage times, as our products and services become more complex and our user traffic increases. We have limited backup systems and redundancy. In the past, we experienced an unauthorized tampering of the mail server of our China websites which briefly disrupted our operations. Future disruptions or any of the foregoing factors could damage our reputation, require us to expend significant capital and other resources and expose us to a risk of loss or litigation and possible liability. We do not carry sufficient business interruption insurance to compensate for losses that may occur as a result of any of these events. Accordingly, our revenues and results of operations may be adversely affected if any of the above disruptions should occur.

***We have contracted with third parties to provide content and services for our portal network and we may lose users and revenues if these arrangements are terminated.***

We have arrangements with a number of third parties to provide content and services to our websites and mobile applications. In the area of content, we have relied and will continue to rely on third parties for the majority of the content that we publish under the SINA brand. Although no single third-party content provider is critical to our operations, if these parties fail to develop and maintain high-quality and successful media properties, or if a large number of our existing relationships are terminated, we could lose users and advertisers and our brand could be harmed.

In addition, the PRC government has the ability to restrict or prevent state-owned media from cooperating with us in providing certain content to us, which will result in a significant decrease of the amount of content we can publish on our websites and mobile applications. We may lose users if the PRC government chooses to restrict or prevent state-owned media from cooperating with us, in which case our revenues will be impacted negatively. Certain state-owned media companies, from whom we currently procure content, have built their own portal websites and

may decide to not cooperate with us in the future.

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In the area of web-based services, we have contracted with various third-party providers for our principal internet connections. If we experience significant interruptions or delays in service, or if these agreements terminate or expire, we may incur additional costs to develop or secure replacement services and our relationship with our users could be harmed.

***Our future performance depends in part on support from platform and data partners.***

We have made and are continuing to make investments to enable developers to build, grow, and monetize mobile and web applications that integrate with our products like Weibo. Such existing and prospective developers may not be successful in building, growing, or monetizing mobile and/or web applications that create, maintain and enhance user engagement. Additionally, developers may choose to build on other platforms, including mobile platforms controlled by third parties instead of ours. We are continuously seeking to balance the distribution objectives of our developers with our desire to provide an optimal user experience, and we may not be successful in achieving a balance that continues to attract and retain such developers. For example, from time to time, we have taken actions to reduce the volume of communications from these developers to users with the goal to enhance user experience. In some instances, these actions, as well as other actions to enforce our policies applicable to developers, have adversely affected our relationships with such developers. If we are not successful in our efforts to continue to grow the number of developers that choose to build products that integrate with our products or if we are unable to continue to build and maintain good relationships with such developers, our user growth and user engagement and our financial results may be adversely affected.

***Increases in competition and market prices for professionally produced content may have an adverse impact on our financial condition and results of operations.***

We have recently experienced significant fee increases from some of our content providers in the areas of video content and other premium content. Competition for quality content for online advertising is intense in China. Our competitors include well-capitalized companies, both private and newly listed companies, many of whom operate on a net-loss basis, as well as well-established companies that have user traffic greater than ours. If we are unable to secure a large portfolio of professionally produced quality content due to prohibitive cost, or if we are unable to manage our content acquisition costs effectively and generate sufficient revenues to outpace the increase in content spending, our user traffic, financial condition and results of operations may be adversely affected.

***Concerns about the security of transactions and communications on the internet may reduce our user traffic and impede our growth.***

A significant barrier to transactions and communications over the internet in general has been a public concern over security and privacy, especially the transmission of confidential information. If these concerns are not adequately addressed, they may inhibit the growth of the internet and other online services generally, especially as a means of conducting commercial transactions. If a widely-publicized internet breach of security were to occur, general internet usage could decline, which could harm our brand, reduce our user traffic and adversely impact our growth and results of operations.

***Security breaches or computer virus attacks could have a material adverse effect on our business prospects and results of operations.***

Any significant breach of security of our products could significantly harm our business, reputation and results of operations and could expose us to lawsuits brought by our users and partners and to sanctions by governmental authorities in the jurisdictions in which we operate. We have in the past experienced security breaches by third parties, including hacking into our user accounts and redirecting our user traffic to other websites, and we were able to rectify the security breaches without significant impact to our operations. However, we cannot assure you that our IT systems will be completely secure from future security breaches or computer virus attacks. Anyone who is able to circumvent our security measures could misappropriate proprietary information, including the personal information of our users, obtaining users' names and passwords and enabling the hackers to access users' other online accounts, if those users use identical user names and passwords. They could also misappropriate other information, including financial information, uploaded by our users in a secure environment, such as Weibo, Weibo Wallet, SINA email, WeiDisk and other applications requiring user log-in that were internally developed or developed by third parties for use on Weibo's open application platform. Functions that facilitate interactivity with other websites, such as our Weibo Connect, that allows users to log onto partner websites using their Weibo identity, could increase the scope of access of hackers to other user accounts. These circumventions may cause interruptions in our operations or damage our brand image and reputation. Our servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could cause system interruptions, website slowdown or unavailability, delays in communication or transactions, or loss of data. We may be required to incur significant additional costs to protect against security breaches or to alleviate problems caused by such breaches. In addition, a significant security breach or virus attack on our system could result in a material adverse impact on our business and results of operations.

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

Spam on Weibo refers to a range of abusive activities that are prohibited by Weibo's terms of service and is generally defined as unsolicited actions that negatively impact other users with the general goal of drawing user attention to a given account, site, product or idea. This includes posting large numbers of unsolicited mentions of a user, duplicate feeds, misleading links (e.g., to malware or click-jacking pages) or other false or misleading content, and aggressively following and un-following accounts, adding users to lists, sending unsolicited invitations, reposting feeds and favoriting feeds to inappropriately attract attention. Weibo's terms of service also prohibit the creation of serial or bulk accounts, both manually or using automation, for disruptive or abusive purposes, such as to post spam or to artificially inflate the popularity of users seeking to promote themselves on Weibo. Although we continue to invest resources in reducing spam on Weibo, we expect spammers will continue to seek ways to act inappropriately on our platform. In addition, we expect that increases in the number of users on our platform will result in increased efforts by spammers to misuse our platform. We continuously combat spam, including by suspending or terminating accounts we believe to be spammers and launching algorithmic changes focused on curbing abusive activities. Weibo's actions to combat spam require the diversion of significant time and focus of Weibo's engineering team from improving Weibo products and services. If Weibo is unable to effectively manage and reduce spam on Weibo, Weibo's reputation for delivering relevant content could be damaged, user engagement could decline and Weibo's operational costs could increase.

***We prioritize product innovation and user experience over short-term operating results, which may negatively affect our revenue and operating results.***

We prioritize improving the user experience for our products and services and on developing new and improved products and services for the advertisers on our platform over short-term operating results. We frequently make product and service decisions that may reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the user experience and performance for advertisers, which we believe will improve our operating results over the long term. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect, in which cause our user growth and user engagement, our relationships with advertisers and our business and operating results could be harmed.

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

The number of Weibo active users is calculated using internal company data that has not been independently verified. While this number is based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across Weibo's large user base of Chinese communities around the world. For example, there are a number of false or spam accounts in existence on Weibo. Although we continuously combat spam by suspending or terminating these accounts, our active user number may include a number of false or spam accounts and may not accurately represent the actual number of active accounts. We treat multiple accounts held by a single person or organization as multiple users for purposes of calculating our active users, because we permit people and organizations to have more than one account. Additionally, some accounts used by organizations are used by many people within the organization. As such, the calculations of Weibo active users may not accurately reflect the actual number of people or organizations using Weibo.

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

*The law of the internet remains largely unsettled, which subjects our business to legal uncertainties that could harm our business.*

Due to the increasing popularity and use of the internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. Furthermore, the growth and development of the market for e-commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business online. The adoption of additional laws or regulations may decrease the growth of the internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business.

In June 2017, the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China issued a public notice stating that it had requested the local competent authorities to take measures to suspend several companies' video and audio services due to their lacking of an internet audio/video program transmission license and posting of certain commentary programs with content in violation of government regulations on their sites, and Weibo is named as one of these companies. In August 2017, Beijing Integrated Law Enforcement on the Cultural Market issued two Decisions on Administrative Penalty to Weimeng, each of which imposed a warning and a fine of RMB30,000 (\$4,425) on Weimeng on the grounds that during the period from February 2016 to August 2017, Weimeng carried on internet audio/video program services without obtaining the internet audio/video program transmission license and provided online broadcasting services for relevant programs posted by certain registered users of Weibo. We have cooperated with the relevant government authorities to take corrective measures. However, there can be no assurance that there will not be any further enforcement action, the occurrence of which may result in further liabilities, penalties and operational disruption.

Moreover, the applicability to the internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. For example, new tax regulations may subject us or our customers to additional sales and income taxes. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the internet and other online services could significantly disrupt our operations or subject us to penalties.

We may be subject to claims based on the content we provide over our websites and platforms and services sold on our websites and platforms, which, if successful, could cause us to pay significant damage awards.

As a publisher and distributor of content and a provider of services over the internet, we face potential liability for defamation, negligence, copyright, patent or trademark infringement and other claims based on the nature and content of the materials that we publish or distribute; the selection of listings that are accessible through our branded products and media properties, or through content and materials that may be posted by users in our classifieds, message boards, chat room services, social media, light blog, blog, online video and other areas on our websites; losses incurred in reliance on any erroneous information published by us, such as stock quotes, analyst estimates or other trading information; and unsolicited emails, lost or misdirected messages, illegal or fraudulent use of email or interruptions or delays in email service.



We may incur significant costs in investigating and defending any potential claims, even if they do not result in liability. Our insurance coverage is limited, and may not be able to cover potential claims of this type and may not be adequate to indemnify us against all potential liabilities.

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

User-generated content, or UGC, has become an important source of content to draw traffic to our websites and platforms. Our UGC websites and platforms, including Weibo, light blog, blog, online video, online live streaming, audio streaming and photo gallery, are open to the public for posting. Although we have required our users to post only decent and unobtrusive materials and have set up screening procedures, our screening procedures may fail to screen out all potentially offensive or non-compliant UGC and, even if properly screened, a third party may still find UGC postings on our website offensive and take action against us in connection with the posting of such information. As with other companies who provide UGC on their websites, we have had to deal with such claims in the past and anticipate that such claims will increase as UGC becomes more popular in China. Any such claim, with or without merit, could be time-consuming and costly to defend, and may result in litigation and divert management's attention and resources.

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

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

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

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving. On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's critical information infrastructure. See Item 3.D. Key Information Risk Factors Risks Related to Doing Business in China Substantial uncertainties exist with respect to the interpretation and implementation of Cyber Security Law as well as any impact it may have on our business operations. Furthermore, if privacy concerns or regulatory restrictions prevent us from selling demographically targeted advertising, we may become less attractive to our customers. For example, as part of our advertisement delivery system, we may integrate user information such as advertisement response rate, geographic information, behavior information with third-party databases to generate comprehensive demographic profiles for individual users. In Hong Kong, however, the Hong Kong Personal Data Ordinance provides that an internet company may not collect information about its users, analyze the information for a profile of the user's interests and sell or transmit the profiles to third parties for direct marketing purposes without the user's consent. In the European Union, or EU, the General Data Protection Regulation, or GDPR, which came into effect on May 25, 2018, present increased challenges and risks in relation to policies and procedures relating to data collection, storage, transfer, disclosure, protection and privacy, and will impose significant penalties for non-compliance, including for example, penalties calculated as a percentage of global revenue under the GDPR. Since the GDPR only came into effect recently, the potential risks associated with non-compliance therewith are uniquely difficult to predict. Other jurisdictions may have similar prohibitions. Although less than 1% of our revenues are generated in Hong Kong, EU and other jurisdictions with similar prohibitions, we hope to attract more users in these jurisdictions and if we are unable to construct demographic profiles of internet users because they refuse to give consent, we will be less attractive to customers and our business could suffer.



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New laws or regulations concerning data protection, or the interpretation and application of existing consumer and data protection laws or regulations, which is often uncertain and in flux, may be inconsistent with our practices. 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.

***The laws and regulations governing the Fintech service industry are developing and evolving rapidly. If our online loan facilitation service business is deemed to violate any PRC laws or regulations, our business, financial condition and results of operations would be materially and adversely affected.***

In July 2017, we acquired a majority equity interest in Beijing Weiju Future Technology Co. Ltd, or Weiju, to launch our online loan facilitation business. In 2018, Weiju generated \$47.9 million in revenue. This new business is facing a rapidly evolving regulatory environment.

China has been tightening regulation of Fintech services since mid-2015. The PRC government and relevant regulatory authorities have issued various laws and regulations governing the Fintech services. See Item 4. Information on the Company B. Business Overview Government Regulation and Legal Uncertainties Classified Regulations Online loan facilitation service for details of regulations in this industry. To comply with existing laws, regulations, rules and governmental policies relating to online loan facilitation services, we have implemented and will continue to implement various policies and procedures to conduct our loan facilitation business and operations. However, due to the lack of detailed rules and the fact that the relevant laws, regulations, rules, and policies are expected to continue to evolve, we cannot be certain that our existing practices will not be deemed to violate any existing or future laws, regulations, rules, and policies. In particular, our online loan facilitation services are subject to risks and uncertainties in the following aspects:

- We currently guarantee the repayment by borrowers in most of the loans facilitated by us. To comply with the Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries, or the Interim Measure, promulgated in August 2016 and the Notice on Initiating Self-inspection of Peer-to-Peer Online Lending Institution Registered in Beijing promulgated in August 2018, both of which prohibit online lending intermediaries from providing guarantee of the repayment of loan principal and interest, we have modified our business model by introducing guarantee service from qualified third parties to gradually replace our guarantee. However, rules and rectification requirements on online lending intermediaries are evolving and tend to become more restrictive. For instance, Beijing Municipal Financial Supervision and Administration Bureau stated that they would increase rectification efforts on the online lending intermediaries in 2019. We may therefore be required to complete rectification within a short term. Failure to do so may cause us to be deemed in violation of the laws and regulations and be even required to terminate this business. In addition, adoption of third-party guarantee will substantially increase our costs, and we cannot assure you that the alternative guarantee arrangement could provide the same level of assurance to lenders and retain the lenders from turning to other online loan facilitation service providers.
- The Notice on Regulating and Rectifying Cash Loan Business, or the Circular 141, released in December 2017 prohibits online lending information intermediaries from facilitating loans with no designated use of loan proceeds. To comply with Circular 141, Weiju requires borrowers to identify their use of loan proceeds during the loan application process and clearly informs borrowers of the scope of the prohibited uses of loan proceeds and the potential legal consequences. However, it is unclear whether these measures are sufficient to prevent the loans

facilitated by Weiju from being regarded as loans with no designated use of loan proceeds. Currently, Weiju does not track the actual use of loan proceeds. If the governmental authorities require more specific and complex measures to track the actual use of loan proceeds, Weiju may need to modify its business model and upgrade its system for that purpose. The foregoing measures could cause us to incur substantially additional expenses and reduce or even cease to facilitate the loans to the extent Weiju cannot track the actual use of loan proceeds. Any of the foregoing could cause material and adverse impact on our online loan facilitation service business.

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- The Circular 141 also prohibits online lending information intermediaries from facilitating loans to any unspecified customer group. Weiju has set up certain risk control standards for customers to borrow loans via the Weiju platform, including age limits, region and other specific conditions. It is unclear whether Weiju's risk control standards are sufficient to ensure the facilitation of loans to non-unspecific customer groups under the Notice on Regulating and Rectifying Cash Loan Business. If the governmental authority requires a more specific and complex measure to further identify potential borrowers, Weiju may need to modify its business model and upgrade its system for that purpose. The foregoing measures could cause us to incur substantially additional expenses and reduce or even cease to facilitate the loans to the extent Weiju cannot meet the regulatory requirements. Any of the foregoing could cause material and adverse impact on our online loan facilitation service business.
- Certain loans facilitated by Weiju are and will be funded by funding partners that are peer-to-peer lending platforms. These funding partners are also subject to the compliance inspection, examination and rectification campaigns launched by regulatory authorities. If any of these funding partners fail the regulatory examination, their cooperation with Weiju would be adversely affected, which could in turn cause material and adverse impact on our online loan facilitation service business.

We are unable to predict with certainty the impact, if any, that future legislation, judicial precedents or regulations relating to online loan facilitation service will have on our business, financial condition and results of operations. Furthermore, the growth in the popularity of Fintech services increases the likelihood that the PRC government will seek to further regulate this industry. If our practice is deemed to violate any existing or future laws and regulations, we may face injunctions, including orders to cease illegal activities, and may be subject to other penalties as determined by the relevant government authorities.

***Our board members or executive officers may have conflicts of interest.***

Two executive officers of our company, namely Mr. Charles Chao and Ms. Hong Du, are also directors of Weibo. In addition, Weibo may continue to grant share incentive compensation to our directors, officers, employees and consultants from time to time. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for Weibo and us. Should such conflicts of interest arise, we cannot assure you that our directors and officers will act in the best interest of our company.

In addition, an executive officer of our company is also the nominee shareholder of our VIEs and may have potential conflicts of interests arisen from her different roles. See Risks Related to Our Corporate Structure The shareholders of our VIEs may have potential conflicts of interest with us, which may adversely affect our business. We do not have any arrangements in place to address such potential conflicts.

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

Weibo wallet enables users to purchase different types of products and services, including financial services and products offered by Weibo platform partners. Chinese government has tightened regulation of online financing services since mid-2015. It has issued numerous laws and

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regulations governing online financial service. For example, on April 3, 2018, the Internet Financing Risks Special Rectification Work Leading Group under the State Council issued the Notice on Strengthening the Rectification and Inspection of Asset Management Operations via the Internet. This notice requires any entity that issues and sells fund and asset management products via the internet to obtain an asset management business license or asset management product sales license issued by the central financial management department. Operators without such license will be held to have raised funds illegally, and even subject to criminal charges in serious instances. Under this notice, current operators found in violation of applicable requirements must cease all sales of financial products and terminate or otherwise wind-down all outstanding transactions before the end of June 2018. This notice further requires that Internet platforms not act as proxies for any kind of trading or sale of financial products of operators not holding the required licensing and approvals. If any of the financial products available on our Weibo wallet are found in violation of the relevant regulations and laws, Weibo may face warnings, fines, confiscation of illegal gains, license revocations and discontinuation of the relevant business, our business, financial condition and operating results could be adversely affected.

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

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

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

***We have limited business insurance coverage.***

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

***We face risks related to health epidemics and natural disasters.***

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting the PRC. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platform. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Beijing, where most of our management and many employees currently reside. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

**Risks Related to Our Corporate Structure**



*In order to comply with PRC regulatory requirements, we operate our main businesses through companies with which we have contractual relationships but in which we do not have controlling ownership. If the PRC government determines that our agreements with these companies are not in compliance with applicable regulations, our business in the PRC could be adversely affected.*

The Chinese government restricts foreign investment in internet-related businesses, including internet access and distribution of content over the internet. Accordingly, we operate our internet-related businesses in China through several VIEs that are PRC domestic companies owned principally or completely by certain of our PRC employees or PRC employees of our directly-owned subsidiaries. We control these companies and operate these businesses through contractual arrangements with the respective companies and their individual owners, but we have no equity control over these companies. Such restrictions and arrangements also apply to some of the China-based companies we have acquired or in which we have invested.

We cannot be sure that the PRC government would view our contractual arrangements to be in compliance with PRC licensing, registration or other regulatory requirements, including the requirements under the MII Circular 2006, with existing policies or with requirements or policies that may be adopted in the future. On September 28, 2009, the General Administration of Press and Publication ( GAPP, formerly the State Press and Publications Administration ( SPPA )), the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications jointly published a notice prohibiting foreign investors from participating in the operation of online games via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements ( Circular 13 ). It is not clear yet as to whether other PRC government authorities, such as the MOFCOM and the MIIT, will support GAPP to enforce the prohibition of the VIE model that Circular 13 contemplates.

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It is uncertain whether any new PRC laws, rules or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we are deemed to be in violation of any existing laws or regulations, the PRC government could levy fines, revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our ability to collect payments, block our website, require us to restructure our business, corporate structure or operations, impose restrictions on our business operations or on our customers, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us. The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of our VIEs that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our VIEs, we may not be able to consolidate the VIEs in our consolidated financial statements in accordance with U.S. GAAP.

We may also encounter difficulties in obtaining performance under or enforcement of related contracts. For example, as part of the contractual arrangements described above, our relevant subsidiaries and the nominee shareholders of the VIEs entered into equity pledge agreements pursuant to which the nominee shareholders of the VIEs pledged their respective equity interests in the VIEs to our respective subsidiaries. We believe that the equity pledge agreements between our subsidiaries and the shareholders of the relevant VIEs as contracts between the parties thereto became effective and valid on the date when the agreements were duly executed. Therefore, lack of registration does not limit the ability of our subsidiaries to enforce their contractual rights against the equity holders of the VIEs under the equity pledge agreements, such as the rights to ask the equity holders to register the equity pledge and demand the equity holders to transfer the equity interests being pledged in the event of default under contracts secured by the equity pledge. However, according to the PRC Property Rights Law, such pledges can only be perfected upon their registration with the relevant local office of the Administration for Industry and Commerce. Before a successful registration of the equity pledges, we cannot assure you that our subsidiaries' interests as pledgee will prevail over those of third parties who acquired the equities in the VIEs in good faith. As of the date of this annual report, we have registered the equity pledge on the shares of all our significant VIEs, except for Beijing Weiju Future Technology Co. Ltd., in which case the pledgee is a limited liability partnership and the registration of the equity pledge is not applicable.

***We rely on contractual arrangements with our VIEs for our China operations, which may not be as effective in providing control over these entities as direct ownership. Any failure by our VIEs or their respective shareholders to perform their obligations under the contractual arrangements could have a material adverse effect on our business and financial condition.***

Because PRC regulations restrict our ability to provide internet content directly in China, we are dependent on our VIEs, in which we have little or no equity ownership interest, and must rely on contractual arrangements to control and operate the businesses and assets held by our VIEs, such as the Internet Content Provision License, the Value-Added Telecommunication Services Operating License, the Payment Service License, the Online Culture Operating Permit and certain trademarks, patents, copy rights and domain names. These contractual arrangements may not be as effective in providing control over these entities as direct ownership. If our VIEs or their respective shareholders fail to perform their respective obligations under the contractual arrangements of which they are a party, we may have to incur substantial costs and resources to enforce our rights under the contracts, and rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. In addition, we cannot be certain that the individual equity owners of the VIEs will always act in the best interests of our company, especially after they have left our company. For example, if the shareholders of our VIEs were to refuse to transfer their equity interests in our consolidated affiliated entities to us or our designee when we exercise the option to purchase their equity interests pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their respective contractual obligations.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our affiliated entities, and our ability to conduct our business may

be negatively affected.

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Substantially all economic benefits generated from our VIEs are paid to our subsidiaries in China through related party transactions under contractual agreements. We believe that the terms of these contractual agreements are in compliance with the laws in China. Due to the uncertainties surrounding the interpretation of the transfer pricing rules relating to related party transactions in China, it is possible that in the future tax authorities in China may challenge the prices that we have used for related party transactions among our entities in China. In that case, we may be forced to restructure our business operation, which could have a material adverse effect on our business.

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

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

***The shareholders of our VIEs may have potential conflicts of interest with us, which may adversely affect our business. We do not have any arrangements in place to address such potential conflicts.***

We have designated individuals who are PRC citizens to be nominee shareholders of our VIEs in China. Among all shareholders of our VIEs, Ms. Hong Du currently serves as our president and chief operating officer and Mr. Gaofei Wang currently serves as the chief executive officer of Weibo. None of the VIEs' shareholders beneficially owns more than one percent of the total outstanding ordinary shares of our company.

Although the VIEs' shareholders are contractually obligated to act in good faith and in our best interest, we cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interest of our company. If these individuals were to act in bad faith towards us, they may breach, cause our VIEs to breach or refuse to renew the existing contractual arrangements with us. Currently, we do not have any arrangements to address such potential conflicts of interest between these individuals and our company, except that we could exercise our transfer option under the share transfer agreements with the relevant individual nominee shareholder to request him/her to transfer all of his/her equity ownership in the relevant VIE to a PRC entity or individual designated by us. In addition, we also rely on those VIEs' shareholders, who are also officers of our company or our subsidiaries, to discharge their fiduciary duties owed to our company or our subsidiaries. Such fiduciary duties require officers to act in good faith and in the best interest of the company and not to use their positions for personal gains. There are, however, no specific provisions under the Cayman Islands or PRC law on how to address potential conflicts of interest. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our VIEs, we would have to rely on legal proceedings, which could distract management's attention and subject us to substantial uncertainty as to the outcome of any such legal proceedings. As there remain significant uncertainties regarding the ultimate outcome of a legal action due to the limited number of precedents and lack of official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law, we cannot assure you that conflicts will be resolved in our favor. If we are unable to resolve any such conflicts, or if we suffer significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and financial condition.



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***The Chinese legal system has inherent uncertainties that could limit the legal protections available to you.***

Our contractual arrangements with our VIEs in China are governed by the laws of the PRC. China's legal system is based upon written statutes. Unlike the common law system, prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

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

***Anti-takeover provisions in our charter documents and our shareholder rights plan may discourage our acquisition by a third party, which could limit our shareholders' opportunity to sell their shares at a premium.***

Our Amended and Restated Memorandum and Articles of Association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change in control transactions. These provisions could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or from otherwise engaging in a merger or similar transaction with us.

For example, our board of directors has the authority, without further action by our shareholders, to issue up to 3,750,000 preference shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preference shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if the board of directors issues preference shares, the market price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected. Similarly, the board of directors may approve the issuance of debentures convertible into voting shares, which may limit the ability of others to acquire control of us.

In addition, we have adopted and renewed a shareholder rights plan pursuant to which our existing shareholders would have the right to purchase ordinary shares from us at a substantial discount from those securities' fair market value in the event a person or group acquires more than 10% of our outstanding ordinary shares on terms our board of directors does not approve. As a result, such rights could cause substantial dilution to the holdings of the person or group which acquires more than 10%. Accordingly, the shareholder rights plan may inhibit a change in control or acquisition and could adversely affect a shareholder's ability to realize a premium over the then prevailing market price for our ordinary shares in connection with such a transaction.



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**Risks Related to Doing Business in China**

*We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies, including limitations on our ability to own key assets, such as our websites and mobile applications.*

The PRC government heavily regulates the internet sector, including the legality of foreign investment in this sector, the existence and enforcement of content restrictions on the internet and the licensing and permit requirements for companies in the internet industry. Because some of the laws, regulations and legal requirements with regard to the internet sector are relatively new and evolving, their interpretation and enforcement involve significant uncertainties. In addition, the PRC legal system is based on written statutes and prior court decisions have limited precedential value. As a result, in many cases it is difficult to determine what actions or omissions may result in liability. Issues, risks and uncertainties relating to the PRC government's regulation of the Chinese internet sector include the following:

- We only have contractual control over our websites [www.sina.com.cn](http://www.sina.com.cn) and [www.weibo.com](http://www.weibo.com) in China as well as mobile applications related to these websites. We do not own them due to the restriction of foreign investment in businesses providing value-added telecommunication services.
- Uncertainties relating to the regulation of the internet industry in China, including evolving licensing practices, give rise to the risk that permits, licenses or operations at some of our companies may be subject to challenge, which may be disruptive to our business, or subject us to sanctions, requirements to increase capital or other conditions or enforcement, compromise enforceability of related contractual arrangements, or have other harmful effects on us.
- The numerous and often vague restrictions on acceptable content in China subject us to potential civil and criminal liabilities, temporary blockage of our websites or complete shutdown of our websites. For example, the amended Law on Preservation of State Secrets which became effective on October 1, 2010 provides that whenever an internet service provider detects any leak of state secrets in the distribution of online information, it should stop the distribution of such information and report to the state secrecy and public security authorities. Failure to do so on a timely and adequate basis may subject us to liabilities and penalties and may even result in the temporary blockage or complete shutdown of our website. In addition, the Judicial Interpretation on the Application of Law in Trial of Online Defamation and Other Online Crimes jointly promulgated by the PRC Supreme People's Court and Supreme People's Procuratorate, which became effective on September 10, 2013, imposes up to three-year prison on internet users who fabricate or knowingly share defamatory false information online, which leads to serious consequences. The implementation of this judicial interpretation may have a significant and adverse effect on the traffic of our websites, particularly those with user generated contents, and in turn may impact the results of our operations and ultimately the valuation of our stock.
- Because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions



that might be imposed in the future or how such restrictions will apply. The State Council Information Office ( SCIO ), or other Chinese governmental authorities may prohibit the distribution of certain contents over our media channels, which could also have a material adverse effect on our results of operations.

- New laws and regulations may be promulgated to regulate internet activities, including, without limitation, online advertising, online news reporting, online publishing, online education, online gaming, online transmission of audio-visual programs, online health diagnosis and treatment, and the provision of industry-specific information over the internet. If these new laws and regulations are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations when they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties. Our operations may not be consistent with these new regulations when they are put into effect. As a result, we could be subject to severe penalties, which could have a material adverse effect on our financial position, results of operations and cash flows.

- On December 16, 2016, the State Administration of Press, Publication, Radio, Film and Television of the PRC issued the Rules for the Administration of Video and Audio Programs on microblog, WeChat and other Social Media Platforms, or the Circular 196. Circular 196 requires that any organizations that provide online streaming through social media platforms such as microblog or Wechat must obtain an internet audio/video program transmission license. For those organizations and individuals that do not hold such a license, the hosting social networking platform shall be responsible for supervising the content of the posted programs, and the scope of the programs must not exceed the scope stated on the platform's audio/video program transmission license. Similarly, broadcasting films and TV shows through social media is required to obtain a license for public airing, and social media platforms are not allowed to repost user-generated video or audio programs featuring political news. See also We may not be able to continue offering online video services if we cannot find business partners with the required licenses.

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The interpretation and application of existing Chinese laws, regulations and policies, the stated positions of relevant PRC authorities and possible new laws, regulations or policies have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business.

***We may not be able to continue offering online video services if we cannot find business partners with the required licenses.***

Our Internet Publication License and License for Online Transmission of Audio-Visual Programs were revoked by State Administration of Press, Publication, Radio, Film and Television in 2014 for violations related to the distribution of certain literary and video content on the reading channel that we then operated and our video sharing service channel, video.sina.com.cn. We disposed of the majority equity interests in our online reading business in 2016, but are still operating the video sharing service channel. We may have to cease the video services or find business partners with the proper licenses to offer such services through cooperation arrangements. Our online game services may also be affected as the Internet Publication License governs the application for standard publication codes for the publishing of self-developed games. There is no assurance that we will be able to find suitable third parties under commercially reasonable terms to continue these services, and even if we do enter into such cooperation arrangements to continue the services, the arrangements will increase our operational costs for delivering these services. In addition, the revocation of the relevant licenses may harm our ability to obtain licenses and permits or similar permits in the near future and harm our reputation, which may have a material adverse impact on our ability to attract business partners and customers and on our revenues and results of operations.

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

On December 16, 2011, the Beijing Municipal Government issued the Rules on the Administration of Microblog Development, or the Microblog Rules, which became effective on the same day. Under the Microblog Rules, users who post publicly on microblogs are required to disclose their real identity information to the microblogging service provider and may still use pen names to reflect their account names on the front end. Microblogging service providers are required to verify the identities of their users. In addition, microblogging service providers based in Beijing are required to verify the identities of all of their users by March 16, 2012, including existing users who post publicly on their websites. On August 1, 2018, the CAC and the other five PRC governmental authorities jointly issued the Circular on Tightening the Administration of Online Live-streaming Services, or the Online Live-streaming Services Circular, which specifies that online live-streaming service providers are required to implement real name verification system for users. Several additional regulations, including the Cyber Security Law, the Administrative Measures on Group Chat Service, and the Administrative Measures on Internet User Public Account Information Service, also requires verification of users identify when they sign up.

The user identity verification requirements have deterred new users from completing their registrations on Weibo or Yizhibo, and a significant portion of registrations with user identity information provided were rejected because they do not match the Chinese government database.

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



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***The Chinese government may prevent us from advertising or distributing content that it believes is inappropriate and we may be liable for such content or we may have to stop profiting from such content.***

The Chinese government has enacted regulations governing internet access and the distribution of news and other information. In the past, the Chinese government has stopped the distribution of information over the internet that it believes to violate Chinese law, including content that it believes is obscene, incites violence, endangers national security, is contrary to the national interest or is defamatory. In addition, we may not publish certain news items, such as news relating to national security, without permission from the Chinese government. Furthermore, the Ministry of Public Security has the authority to cause any local internet service provider to block any websites maintained outside China at its sole discretion. Even if we are in compliance with PRC governmental regulations relating to licensing and foreign investment prohibitions, if the Chinese government were to take any action to limit or prohibit the distribution of information through our network or over the other platforms we use, or to limit or regulate any current or future content or services available to users on our network, our business could be significantly harmed.

Because the definition and interpretation of prohibited content is in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future or how such restrictions will apply. In April 2015, the State Internet Information Office, which regulates the dissemination of information over internet, informed us of its concerns about the spread of illegal information in our portal website sina.com.cn related to rumors, violence, terrorism, advocating of heresies and distorted news facts. We were further informed that Cyberspace Administration of China might impose punishment including fine, suspension of our internet news service and even shutdown of our portal website unless we improved censorship and control over contents in our websites. Since the standard of illegal information is far from clear, there is no assurance that our efforts to improve the censorship and control will be satisfactory to the State Internet Information Office, and we will be subject to the penalties listed above if the State Internet Information Office finds our improvement not sufficient. We are not sure whether the Chinese government will find our other online content inappropriate and therefore prevent us from monetizing the contents in our SINA portal and Weibo or Yizhibo in the future. If they prevent us from offering such services, our profit will suffer.

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

The CAC, which was set up in May 2011 to supervise internet content management nationwide, has also promulgated regulations and taken a number of other measures to regulate and monitor online content. The CAC has published a series of regulations on internet contents recently. These regulations include the Regulations on Administration of Internet News Information Service and the Regulations on Administrative Enforcement Procedures for Internet Information Content; the Administrative Measures on Internet Forum Community Service and the Administrative Measures on Internet Comment; the Administrative Measures on Group Chat Service and the Administrative Measures on Internet User Public Account Information Service.

We are also subject to potential liability for user generated content on our websites that is deemed inappropriate or unlawful. Although we attempt to monitor the user generated content on our online properties including Weibo and Yizhibo, we may not always be able to effectively control or restrict the content generated or placed by our users. On March 31, 2012, we had to disable the comment feature of Weibo for three days to clean up Weibo postings related to certain rumors. The Chinese government may choose to tighten its internet censorship. If the Chinese government decides to restrict the dissemination of information via microblogging services or online postings in general, Weibo, Yizhibo and

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our other online products could be impaired or even ordered to shut down, which may adversely impact our website traffic, our ability to monetize our services and our brand equity. To the extent that PRC regulatory authorities find any content displayed on our platform objectionable, they may require us to limit or eliminate the dissemination of such information on our platform. Failure to do so, or to prevent such content from being transmitted, may subject us to liabilities and penalties and may even result in the temporary blockage or complete shutdown of our online operations. In this respect, since the Cybersecurity Law came into effect, we have been subject to several Decisions on Administrative Penalties as well as a Rectification Notice issued to Weimeng due to information transmitted in our platform. In all cases, we have cooperated with the relevant government authorities to take corrective measures.

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Furthermore, we may be required to delete content that violates Chinese law and report content that we suspect may violate Chinese law. It is difficult to comprehensively examine and manage the contents by our users and broadcasters on Yizhibo due to the real-time nature of live streaming activities and determine the type of content that may result in liability for us, and if we are wrong, we may be prevented from operating our websites, which may adversely impact our website traffic, brand and financial condition and results of operations.

***Substantial uncertainties exist with respect to the interpretation and implementation of Cyber Security Law as well as any impact it may have on our business operations.***

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of classified protection systems for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. In addition, the Cyber Security Law requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyber Security Law sets high requirements for the operational security of facilities that are deemed to be part of the PRC's critical information infrastructure. These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, critical information infrastructure is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government. However, no official guidelines as to the scope of critical information infrastructure have been formally issued.

We do not believe that we are an operator of critical information infrastructure as defined in the Cyber Security Law. However, there is no assurance that we will not be considered an operator of critical information infrastructure in the future as the definition is not precise, and there are substantial uncertainties as to the ultimate interpretation and implementation of the Cyber Security Law.

***Changes in political and economic conditions in Greater China and the rest of the Asia may disrupt our operations if the changes result in unfavorable political and economic conditions to our business.***

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We expect to continue to derive a substantial percentage of our revenues from the Greater China market. Changes in political or economic conditions in the region are difficult to predict and could adversely affect our operations or cause the Greater China market to become less attractive to advertisers, which could reduce our revenues. We maintain a strong local identity and presence in each of the regions in the Greater China market and we cannot be sure that we will be able to effectively maintain this local identity if political conditions were to change. Economic reforms in the region could also affect our business in ways that are difficult to predict. For example, since the late 1970s, the PRC government has been reforming the Chinese economic system to emphasize enterprise autonomy and the utilization of market mechanisms. Although we believe that these reform measures have had a positive effect on the economic development in China, we cannot be sure that they will continue to be effective and benefit our business.

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

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

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

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

As of December 31, 2018, we had approximately \$2.2 billion in cash and bank deposits, such as time deposits with large domestic banks in China. The remaining cash, cash equivalents and short-term investments were held by financial institutions in Hong Kong, Taiwan, Singapore and the United States. The terms of these deposits are, in general, up to twelve months. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors' interests. However, China promulgated a new Bankruptcy Law in August 2006, which came into effect on June 1, 2007 and contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go bankrupt. In addition, since China's accession to the World Trade Organization (WTO), foreign banks have been gradually permitted to operate in China and have been strong competitors against Chinese banks in many aspects, especially since the opening of RMB business to foreign banks in late 2006. Therefore, the risk of bankruptcy or illiquidity of those Chinese banks in which we have deposits has increased. In the event of bankruptcy or illiquidity of any one of the banks which holds our deposits, we are unlikely to claim our deposits back in full since we are unlikely to be classified as a secured creditor based on PRC laws.

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





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***Discontinuation of preferential tax treatment, changes to the interpretation or enforcement of tax regulations or imposition of any additional taxes could adversely affect our financial condition and results of operations.***

The Enterprise Income Tax Law and its implementing rules have adopted a uniform statutory enterprise income tax rate of 25% to all enterprises in China. The Enterprise Income Tax Law and its implementing rules also permit qualified software enterprises to enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years. Weibo Internet Technology (China) Co., Ltd., or Weibo Technology, having been qualified as a software enterprise, is entitled to an exemption from the enterprise income tax for two years beginning 2015 and a reduced tax rate of 12.5% for the subsequent three years. In late 2018, Weibo Technology was approved to be qualified as a key software enterprise for 2017 and thus entitled to enjoy a further reduced preferential tax rate of 10% for 2017. Weibo Technology used the preferential tax treatment of its key software enterprise status of 2017 in 2018. The qualification as a software enterprise or a key software enterprise is subject to annual evaluation by the relevant authorities in China. If Weibo Technology fails to maintain its software enterprise or key software enterprise qualification, its applicable corporate income tax rate would increase to 25%, which could have an adverse effect on our financial condition and results of operations.

Due to our operation and tax structures in China, our PRC subsidiaries have entered into technical and other service agreements with our VIEs. The Enterprise Income Tax Law and its implementing rules emphasize the arm's length basis for transactions between related entities. If PRC tax authorities were to determine that our transfer pricing structure was not on an arm's length basis and therefore constitutes a favorable transfer pricing, they could request our VIEs to adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing our VIEs' tax expenses, which could subject our VIEs to late payment fees and other penalties for underpayment of taxes, and/or could result in the loss of tax benefits available to our subsidiaries in China.

The Enterprise Income Tax Law treats a foreign enterprise whose de facto management body is located in China as a resident enterprise for PRC tax purposes and subjects such enterprise to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the Enterprise Income Tax Law merely define the location of the de facto management body as the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located. Based on a review of surrounding facts and circumstances, we do not believe that our operations outside the PRC are likely to be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the Enterprise Income Tax Law, if we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on worldwide income at a uniform tax rate of 25%.

Further, as tax laws, regulations and policies are continuously evolving, the interpretation and enforcement of these laws and regulations involves uncertainties. PRC tax authorities have significant discretion in interpreting and implementing statutory and contractual terms related to tax filings. Certain tax policies and internal rules are not published on a timely basis or at all, and may have a retroactive effect. As such, we may not always be able to record our income tax fully in consistency with the requirements of the tax authorities. Tax authorities in China have the power and authority to initiate tax audits against any company to check its income tax filings from time to time. If the relevant tax authorities believe that there are deficiencies as to our tax filings and initiate a tax audit against us, this could result in substantial costs and diversion of our resources, sanctions, including payment of delinquent taxes and fines, and could adversely affect our financial condition and results of operations.

***Dividends payable to us by our PRC subsidiaries may be subject to PRC withholding taxes and interest payments on the notes, dividends distributed to our non-PRC investors and gains realized by our non-PRC noteholders and shareholders from the transfer of our notes or shares may be subject to PRC withholding taxes under the EIT Law.***

The EIT Law imposes a 10% withholding income tax on dividends generated on or after January 1, 2008 and distributed by a resident enterprise to its foreign investors, if such foreign investors are considered as non-resident enterprises without any establishment or place of business within China or if the received dividends have no connection with such foreign investors' establishment or place of business within China, unless such foreign investors' jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where we are incorporated, does not have such tax treaty with China. According to the Arrangement between Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income in August 2006, dividends paid by an FIE to its foreign investors in Hong Kong will be subject to withholding tax at a preferential rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation further promulgated a circular, or Circular 601, on October 27, 2009, which provides that tax treaty benefits will be denied to conduit or shell companies without business substance and that a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant the tax treaty benefits. A majority of our subsidiaries in China are directly invested in and held by Hong Kong registered entities. If we are regarded as a non-resident enterprise and our Hong Kong entities are regarded as resident enterprises, then our Hong Kong entities may be required to pay a 10% withholding tax on any dividends payable to us. If our Hong Kong entities are regarded as non-resident enterprises, then our subsidiaries in China will be required to pay a 5% withholding tax for any dividends payable to our Hong Kong entities provided that specific conditions are met. However, it is still unclear at this stage whether Circular 601 applies to dividends from our PRC subsidiaries paid to our Hong Kong subsidiaries and if our Hong Kong subsidiaries were not considered as beneficial owners of any dividends from their PRC subsidiaries, the dividends payable to our Hong Kong subsidiaries would be subject to withholding tax at a rate of 10%. In either case, the amount of funds available to us, including the payment of dividends to our shareholders, could be materially reduced. In addition, because there remains uncertainty regarding the concept of the place of de facto management body, if we are regarded as a resident enterprise, under the EIT Law, interest payments on the notes and any dividends to be distributed by us to our non-PRC shareholders will be subject to PRC withholding tax. We also cannot guarantee that any gains realized by such non-PRC noteholders or shareholders from the transfer of our notes or shares will not be subject to PRC withholding tax. If we are required under the EIT Law to withhold PRC income tax on interest payments on the notes payable to our non-PRC noteholders, our dividends payable to our non-PRC shareholders or any gains realized by our non-PRC noteholders and shareholders from transfer of our notes or shares, their investment in our notes or shares may be materially and adversely affected. The current policy approved by our board of directors allows us to distribute PRC earnings offshore only if we do not have to pay a dividend tax. Such policy may require us to reinvest all earnings made since 2008 onshore indefinitely or be subject to a significant withholding tax should our policy change to allow for earnings distribution offshore.

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

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Certain Corporate Income Tax Matters Related to Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015 and amended in 2017, or SAT Circular 7. Pursuant to these rules and notices, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

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

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. For example, in June 2015, according to communication with local tax authority in China, our sale of shares in Weibo during its initial public offering was categorized as an indirect transfer of taxable assets in China, and as such our capital gain from this transaction is subject to PRC withholding tax at rate of 10%. We have paid such tax in full in 2015. In the future, we may conduct acquisitions or disposals of properties that may involve complex corporate structures. If the PRC tax authorities make adjustments to the taxable income of these transactions under SAT Circular 7, our income tax expenses associated with such potential transactions may be increased, which may have a material adverse effect on our financial condition and results of operations. PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from the offerings of any securities to make loans or additional capital contributions to our PRC operating subsidiaries.

As an offshore holding company, our ability to make loans or additional capital contributions to our PRC operating subsidiaries is subject to PRC regulations and approvals. These regulations and approvals may delay or prevent us from using the proceeds we received in the past or will receive in the future from the offerings of securities to make loans or additional capital contributions to our PRC operating subsidiaries, and impair our ability to fund and expand our business which may adversely affect our business, financial condition and result of operations.

SAFE promulgated a circular on November 19, 2010, or Circular No. 59, which tightens the examination on the authenticity of settlement of net proceeds from an offering and requires that the settlement of net proceeds shall be in accordance with the description in its prospectus. On March 30, 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the conversion-at-will system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our PRC consolidated entities. In addition, as SAFE Circular 19 was promulgated recently, there remains substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

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

***Restrictions on paying dividends or making other payments to us bind our subsidiaries and VIEs in China.***

We are a holding company and do not have any assets or conduct any business operations in China other than our investments in our subsidiaries in China and our VIEs. As a result, if our non-China operations require cash from China, we would depend on dividend payments from our subsidiaries in China after they receive payments from our VIEs in China under various services and other arrangements. We cannot make any assurance that our subsidiaries in China can continue to receive the payments as arranged under our contracts with those VIEs. In addition, under Chinese law, our subsidiaries are only allowed to pay dividends to us out of their distributable earnings, if any, as determined in accordance with Chinese accounting standards and regulations. Moreover, our Chinese subsidiaries are required to set aside at least 10% of their respective after-tax profit each year, if any, to fund certain mandated reserve funds, unless these reserves have reached 50% of their registered capital. These reserve funds are not payable or distributable as cash dividends. For Chinese subsidiaries with after-tax profits for the periods presented, the difference between after-tax profits as calculated under PRC accounting standards and U.S. GAAP relates primarily to stock-based compensation expenses and intangible assets amortization expenses, which are not pushed down to our subsidiaries and VIEs under PRC accounting standards. In addition, under the EIT Law and its implementing Rules, dividends generated from our PRC subsidiaries after January 1, 2008 and payable to their immediate holding company incorporated in Hong Kong generally will be subject to a withholding tax rate of 10% (unless the PRC tax authorities determine that our Hong Kong subsidiary is a resident enterprise). If certain conditions and requirements under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income entered into between Hong Kong and the PRC and other related PRC laws and regulations are met, the withholding rate could be reduced to 5%.

The Chinese government also imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of China in certain cases. We have experienced and may continue to experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. See [Fluctuation in the value of the RMB and restrictions on currency exchange](#) may have a material adverse effect on the value of your investment. If we or any of our subsidiaries are unable to receive substantially all of the economic benefits from our operations through these contractual or dividend arrangements, we may be unable to effectively finance our operations or pay dividends on our ordinary shares.

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

We have provided Weibo Credit as an online virtual currency for users to purchase in-game virtual items or other types of fee-based services on Weibo. The Notice on the Strengthening of Administration on Online Game Virtual Currency, jointly issued by the Ministry of Culture and the Ministry of Commerce in 2009, broadly defined virtual currency as a type of virtual exchange instrument issued by internet game operation enterprises, purchased directly or indirectly by the game users by exchanging legal currency at a certain exchange rate, saved outside the game programs, stored in servers provided by the internet game operation enterprises in electronic record format and represented by specific numeric units. Virtual currency is used to exchange internet game services provided by the issuing enterprise for a designated extent and time, and is represented by several forms, such as online prepaid game cards, prepaid amounts or internet game points, and does not include game props obtained from playing online games. In 2009, the Ministry of Culture further promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprises and Online Game Virtual Currency Trading Enterprises, which specifically defines *issuing enterprise* and *trading enterprise* and stipulates that a single enterprise may not operate both types of business. Although we believe

we do not offer online game virtual currency trading services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours, in which case these regulations could have an adverse effect on our game-related revenues.

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

The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of Renminbi to the U.S. dollar, and Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Our revenues and costs are mostly denominated in RMB, and a significant portion of our financial assets are also denominated in RMB, whereas our reporting currency is the U.S. dollar. Any significant depreciation of the RMB may materially and adversely affect our revenues, earnings and financial position as reported in U.S. dollars. To the extent that we need to convert U.S. dollars we received from offerings or debt financing into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

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

A number of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors adopted by six PRC regulatory agencies in 2006, or the M&A Rules, the Antimonopoly Law, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the Ministry of Commerce in August 2011, or the Security Review Rules, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex. These include requirements in some instances that the Ministry of Commerce be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, also known as Circular 6, which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions by foreign investors having national defense and security concerns and mergers and acquisitions by which foreign investors may acquire the de facto control of domestic enterprises have national security concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the Ministry of Commerce will look into the substance and actual impact of the transaction. The Security Review Rules further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.



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

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However, as there is a lack of clear statutory interpretation on the implementation of these rules, we cannot assure you that the Ministry of Commerce will not apply these national security review-related rules to the acquisition of equity interest in our PRC subsidiaries. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our PRC subsidiaries' business or operating licenses, requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Further, if the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

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

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

***The PRC Labor Contract Law and its implementing rules may adversely affect our business and results of operations.***

The PRC Labor Contract Law became effective and was implemented on January 1, 2008, as amended on December 28, 2012 and effective as of July 1, 2013. The PRC Labor Contract Law has reinforced the protection for employees who, under the PRC Labor Contract Law, have the right, among others, to have written labor contracts, to enter into labor contracts with no fixed terms under certain circumstances, to receive overtime wages and to terminate or alter terms in labor contracts. Furthermore, the PRC Labor Contract Law establishes additional restrictions and increases the costs involved with dismissing employees. As the PRC Labor Contract Law is relatively new, there remains significant uncertainty as to its interpretation and application by the PRC Government. In the event that we decide to significantly reduce our workforce, the PRC Labor Contract Law could adversely affect our ability to do so in a timely and cost effective manner, and our results of operations could be adversely affected. In addition, for employees whose contracts include non-competition terms, the Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses.



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***Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board, and consequently investors may be deprived of the benefits of such inspection.***

Our auditor, the independent registered public accounting firm that issued the audit reports included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Our auditor is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC, and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions, if any, the SEC and the PCAOB will take to address the problem.

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

***Proceedings instituted by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act.***

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States.

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

On February 6, 2015, the four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge

would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ordinary shares from Nasdaq or the termination of the registration of our ordinary shares under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

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***Changes to accounting pronouncements or taxation rules or practices may adversely affect our reported results of operations or how we conduct our business.***

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, impairment of goodwill and other intangible assets, lease obligations, tax matters, and other contingent liabilities are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. For example, changes in accounting standards and the application of existing accounting standards, particularly related to the revenue recognition under *Revenue from Contracts with Customers* (Topic 606), the measurement of fair value as compared to carrying value for our reporting units, including goodwill, intangible assets and investments in equity interests, including investments held by our equity method investees, may have an adverse effect on our financial condition and results of operations. Factors that could lead to impairment of goodwill and intangible assets include significant adverse changes in the business climate and declines in the financial condition of a reporting unit. Factors that could lead to impairment of investments in equity interests of the companies in which we invested or the investments held by those companies include a prolonged period of decline in their operating performance or adverse changes in the economic, regulatory and legal environments of the countries where they operate. New accounting guidance also may require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to revenue, leases and other areas impacted by the current convergence project between the FASB and the International Accounting Standards Board could require us to make significant changes to our business management system or other accounting systems, and could result in changes to our financial statements.

***We may be required to record a significant charge to earnings if we are required to reassess our goodwill or other amortizable intangible assets arising from acquisitions.***

We are required under U.S. GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment annually, or more frequently, if facts and circumstances warrant a review. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in share price and market capitalization and slower or declining growth rates in our industry. In 2018, we recorded a goodwill and acquired intangibles impairment charge of \$23.2 million in light of the unsatisfied financial performance and not optimistic forecast of future revenues. As of December 31, 2018, the total amount of our goodwill and acquired intangible assets was \$119.0 million. We may be required to record a significant charge to earnings in our financial statements during the period in which any additional impairment of our goodwill or amortizable intangible assets is determined.

***While we believe that we currently have adequate internal control procedures in place, we are still exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002.***

Under the supervision and with the participation of our management, we have evaluated our internal controls systems in order to allow management to report on, and our registered independent public accounting firm to attest to, our internal controls, as required by Section 404 of the Sarbanes-Oxley Act. We have performed the system and process evaluation and testing required in an effort to comply with the management certification and auditor attestation requirements of Section 404. As a result, we have incurred additional expenses and a diversion of management's time.

If we fail to maintain effective internal control over financial reporting in the future, a material misstatement of our financial statements may not be prevented or detected on a timely basis. In addition, we may not be able to conclude on an ongoing basis that we have effective internal

control over financial reporting in accordance with Section 404. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our shares. Furthermore, if we are not able to continue to meet the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or Nasdaq. Any such action could adversely affect our financial results and the market price of our ordinary shares.

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**Risks Related to Our Shares**

*Our share price has been historically volatile and may continue to be volatile, which may make it more difficult for you to resell shares when you want at prices you find attractive.*

The trading price of our ordinary shares has been and may continue to be subject to considerable daily fluctuations. During 2018, the prices of our ordinary shares on Nasdaq Global Select Market ranged from \$52.17 to \$124.60 per share. Our share price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, our ability to meet expectations on the progress of our key business initiatives, such as Weibo development, growth in traffic and monetization, announcements of technological innovations or new products and services by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable, new governmental restrictions, regulations or practice, news reports relating to trends in our markets, market rumors regarding our company, and media reports about our company. In addition, the stock market in general, and the market prices for China-related and internet-related companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our ordinary shares, regardless of our operating performance.

*Our business and operation could be negatively affected if we become subject to any shareholder activism campaign, which could cause us to incur significant expense, hinder execution of our business strategy and impact our stock price.*

We were subject to shareholder activism campaign in the past. In September 2017, a New York City hedge fund, Aristeia Capital, L.L.C., or Aristeia, which then claimed to hold approximately 4.2% of our ordinary shares launched a proxy contest to elect two of its nominees to our board of directors. Although neither of Aristeia's proposals received the requisite shareholder approval during our 2017 annual general meeting, our directors and officers had been forced to divert significant amount of time and attention from our normal business operations and strategic planning to responding to the proxy contest since the commencement of the proxy contest.

While we are currently not subject to any shareholder activism campaign, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of shareholder activism. Shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and directors' attention and resources from our business. Also, we may be required to incur significant legal fees and other expenses related to any activist shareholder matters, which may impair our ability to execute our business plans and strategies.

*We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could result in adverse United States federal income tax considerations to U.S. Holders.*

A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce, or are held for the production of, passive income (the asset test).



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Although we do not believe that we should be treated as a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2018, there can be no assurance in this regard. Additionally, depending on how we deploy our passive assets in our operations or for other active purposes and the value of our gross assets, we may or may not be classified as a PFIC for the current taxable year. Because the value of our assets and the amount of our active goodwill will generally be determined by reference to the market price of our ADSs and ordinary shares for purposes of the asset test, recent fluctuations in market price of our ADSs or ordinary shares may put us at risk of being classified as a PFIC. Consequently, we cannot assure you of our PFIC status for our current taxable year ending December 31, 2019, or for any future taxable year. The application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year).

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Although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of their economic benefits and, as a result, we consolidate their results of operations in our consolidated United States GAAP financial statements. If it were determined, however, that we are not the owner of our VIEs for United States federal income tax purposes, we would likely be treated as a PFIC for our taxable year ended December 31, 2018 and for subsequent taxable years, generally without regard to whether we reduce our cash holdings.

If we are characterized as a PFIC for any year, a U.S. Holder (as defined below under Taxation United States Federal Income Taxation Considerations ) may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of our ordinary shares and on the receipt of distributions on our ordinary shares to the extent such gain or distribution is treated as an excess distribution under the United States federal income tax rules. Furthermore, a U.S. Holder will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder's holding period in which we become a PFIC and subsequent taxable years even if we, in fact, cease to be a PFIC in subsequent taxable years. Accordingly, a U.S. Holder should consider making a deemed sale election. For more information, see Item 10. Additional Information E. Taxation United States Federal Income Taxation Considerations Passive Foreign Investment Company Considerations.

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

On November 6, 2017, we issued 7,150 newly created class A preferences shares to New Wave MMXV Limited, or New Wave, a holding company that holds our ordinary shares on behalf of our senior management and is controlled by Mr. Charles Chao, our chairman of board and chief executive officer. The class A preference shares have no economic rights nor any right to dividend or other distribution. Subject to certain restrictions, the class A preference shares are entitled to vote on all matters submitted to our general meeting. Each class A preference share initially has 10,000 votes, which number of votes will be reduced proportionally if New Wave transfers any number of our ordinary shares it holds to a non-affiliate third party.

Immediately following the share issuance, New Wave's aggregate voting power in our company increased to approximately 55.5%, and therefore has the ability to control or substantially influence the outcome of matters submitted to a general meeting of our company. This concentrated control may limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of ordinary shares may view as beneficial.

***Substantial future sales of our shares in the public market, or the perception that these sales could occur, could cause our share price to decline.***

Additional sales of our shares in the public market, or the perception that these sales could occur, could cause the market price of our shares to decline. As of March 31, 2019, we had 69,552,851 ordinary shares outstanding, of which 7,944,386 ordinary shares were held by New Wave, a British Virgin Islands company controlled by Mr. Charles Chao, our chairman of the board and chief executive officer. Pursuant to a Registration Rights Agreement we entered into with New Wave on November 6, 2015, we agreed to provide New Wave with certain registration rights in respect of our ordinary shares held by it, subject to certain limitations. See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Transactions and Agreements with Directors and Officers Registration Rights Agreement. Registration of these shares under the Securities Act of 1933, as amended, would result in these shares becoming freely tradable without restriction under the Securities Act of 1933, as amended, immediately upon the effectiveness of the registration statement. If part or all of these shares are sold in the public market or if any existing shareholder or shareholders sell a substantial amount of shares, the prevailing market price for our shares could be adversely affected. Such sales also might make it more difficult for us to sell equity or equity-related

securities in the future at a time and price that we deem appropriate.

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**ITEM 4. INFORMATION ON THE COMPANY**

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

Sina Corporation was founded in March 1999 through the merger of Beijing SINA Information Technology Co., Ltd. and California-based SINANET.com. In April 2000, our company completed the initial public offering and was listed on the Nasdaq market. Our company was incorporated under the law of the Cayman Islands and is headquartered in Beijing, China. With offices throughout mainland China, Hong Kong, Taiwan and the U.S., our principal place of operations is located at 7/F SINA Plaza No. 8 Courtyard 10 West, Xibeiwang East Road, Haidian District, Beijing 100193, People's Republic of China. Our telephone number at this address is +86 10-8262-8888.

The primary focus of our operations is in China, where the majority of our revenues are derived. Our business operations in China are conducted primarily through wholly owned subsidiaries, including SINA.com Technology (China) Co., Ltd., SINA Technology (China) Co., Ltd., Starshining Mobile Technology (China) Ltd, Beijing New Media Information Technology Co., Ltd., Beijing SINA Advertising Co., Ltd., SINA (Shanghai) Management Co., Ltd., Shanghai SINA Advertising Co., Ltd. and Weibo Internet Technology (China) Co., Ltd., as well as our significant VIEs and their subsidiaries, including Beijing SINA Internet Information Service Co., Ltd., Beijing Star-Village Online Cultural Development Co., Ltd., Jinzhuo Hengbang Technology (Beijing) Co., Ltd., Beijing SINA Payment Technology Co., Ltd., Beijing Weiju Future Technology Co. Ltd., Beijing Weimeng Technology Co., Ltd. and Beijing Weibo Interactive Internet Technology Co., Ltd.

Online advertising has been a main source of our revenues since our inception. We started offering mobile value-added services, or MVAS, in 2001, and it contributed significantly to our growth during 2001 to 2004, but started to experience fluctuation and disruption since 2005. As our efforts to diversify our services proposition to users, we launched Weibo in 2009 and started generating revenues from it in 2012. Weibo has experienced rapid growth since then, and superseded our traditional portal advertising segment to become our largest revenue generator in 2015. In 2017, we started offering online loan facilitation service through acquiring of Weiju.

We have taken several actions to restructure and seek strategic cooperation for our online real estate business, including the spin-off of China Online Housing Technology Corporation, or COHT in 2008, injection our interests in COHT to China Real Estate Information Corporation ( CRIC ) upon CRIC's listing on the Nasdaq Global Select Market in 2009, and merger of CRIC with E-House in 2012. In August 2016, E-House was taken private. We contributed approximately \$140 million as a member of the buyer consortium and became of the beneficial owner of 43% equity interests of E-House upon the completion of completion of the transaction. In December 2016, our interests in E-House was exchanged for 30% of outstanding shares of Leju and certain cash consideration, and consequently we became a principal shareholder of Leju.

We have also made investments in certain internet sectors that we have chosen to participate in through investments rather than organic development as well as in areas that we believes are strategic to extend our online ecosystem. For example, in August 2011, we purchased 9% of the issued and outstanding shares of Tudou, an online video company in China. Tudou merged into a wholly owned subsidiary of Youku in August 2012, in which transaction our shares in Tudou were converted into shares of the combined company, Youku Tudou Inc. We disposed of our interests in Youku Tudou in two transactions in 2015 and 2016, and recognized disposal gain of \$53.4 million. In October 2011, we invested \$50.0 million in Yunfeng Funds for the sole purpose of investment in Alibaba Group. We sold the shares we held in Alibaba Group through Yunfeng Funds gradually, and recognized disposal gain of \$245.8 million in total.

## Edgar Filing: SINA CORP - Form 20-F

In November 2013, we issued \$800,000,000 principal amount of convertible senior notes due 2018. The notes bore interest at a rate of 1.00% per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2014. On December 1, 2016, a number of holders exercised their option rights under the indenture to require us to repurchase their notes at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to but excluding the repurchase date. We paid \$646.9 million in cash to repurchase such notes. The remaining notes were fully repaid in December 2018.

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On April 17, 2014, our subsidiary, Weibo listed its American depository shares, each representing one Class A ordinary share of Weibo (the Weibo ADSs ), on the Nasdaq Global Select Market in connection with an initial public offering of Weibo. Weibo offered a total of 19,320,000 Weibo ADSs, representing 19,320,000 Class A ordinary shares, in connection with its initial public offering.

As approved by our board of directors in August 2016 and May 2017, respectively, we completed a distribution of Weibo Class A ordinary shares to our shareholders in October 2016 and an additional distribution in July 2017 in the form of a dividend, on a pro rata basis, of one Weibo Class A ordinary share for each ten of our ordinary shares outstanding as of September 12, 2016 and as of June 7, 2017, respectively. We distributed a total of 7,088,116 Weibo shares in October 2016, and 7,142,148 Weibo shares in July 2017. Following the distribution of Weibo shares in July 2017, our total equity stake in Weibo decreased to approximately 46% (or approximately 72% by voting power) of Weibo's total outstanding shares.

In October 2017, Weibo issued \$900 million principal amount of convertible senior notes due 2022. The notes will bear interest at a rate of 1.25% per year, payable semiannually in arrears on May 15 and November 15 of each year, beginning on May 15, 2018. Holders of the notes may convert their notes, at their option, in integral multiples of US\$1,000 principal amount, at any time prior to the second business day immediately preceding November 15, 2022. The notes will mature on November 15, 2022. The notes will be convertible into Weibo's ADSs at the option of the holders based on an initial conversion rate of 7.5038 ADSs per \$1,000 principal amount of notes.

## **B. Business Overview**

### **Overview**

We are a leading online media company serving China and the global Chinese communities. Our digital media network of SINA.com (portal), SINA mobile (mobile portal and mobile apps) and Weibo (social media) enables internet users to access professional media and user generated content ( UGC ) in multi-media formats from personal computers and mobile devices and share their interests with friends and acquaintances.

**SINA.com.** SINA.com offers distinct and targeted professional content on each of its region-specific websites and a full range of complementary offerings. Over the years, we have built a broad content network with thousands of professional media partners and accumulated a large mainstream user base, including well-educated, white-collar professionals.

**SINA mobile.** We also provide news information, entertainment contents and professional media contents customized for mobile users through mobile applications, such as SINA News, SINA Finance, SINA Sports, SINA Entertainment and SINA Blog, as well as through our mobile portal, SINA.cn.

**Weibo.** Weibo is a leading social media platform for people to create, distribute and discover content. It provides an unprecedented and simple way for people and organizations to publicly express themselves in real time, interact with

others on a massive global platform and stay connected with the world.

Through these properties and other product lines, we offer an array of online media and social media services to our users to create a rich canvas for businesses and advertisers to effectively connect and engage with their targeted audiences.

### **Business and Products**

We operate our business through the following three business segments, SINA Portal, Weibo and other businesses. We generate the majority of our revenues from online advertising and marketing services and, to a lesser degree, from fee-based services. We offer both brand advertising services in display ad formats and performance-based online marketing solutions on SINA Portal and Weibo, such as promoted feeds. Non-advertising revenues include revenues from online loan facilitation service and online payment service, Weibo value-added services ( Weibo VAS ) which mainly includes VIP membership, live streaming and Weibo games.

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***Portals Business and Products***

***SINA.com and SINA Mobile***

SINA.com is an online media property which provides professional digital contents to users and offers online brand advertising and marketing solutions to customers.

SINA.com's network consists of four destination websites dedicated to the Chinese communities across the globe: Mainland China (www.sina.com.cn), Taiwan (www.sina.com.tw), Hong Kong (www.sina.com.hk), and overseas Chinese in North America (www.sina.com). Each destination site consists of Chinese-language news and content organized into interest-based channels. The sites offer extensive community and communication services and sophisticated web navigation capability through website search and directory services.

We also provide news information and entertainment content customized for mobile users in in forms of mobile applications, such as SINA News, SINA Finance, SINA Sports, as well as through our mobile portal, SINA.cn, to mobile browsers.

***User Offerings***

As a leading digital content provider, SINA offers a variety of free interest-based vertical channels through SINA.com, SINA.cn and SINA mobile applications that provide region-focused format and content. The key vertical channels include:

***SINA News.*** SINA News aggregates feeds from news providers, bringing together content from media companies, such as CCTV, Xinhua Net and Xinhua News Agency, People's Daily and People's Daily Online, Global Times, China News, Agence France-Presse ( AFP ), Associated Press, Reuters, Getty Images, the Paper and the Beijing News. Through SINA News channel, users have an easy access to breaking news coverage from multiple sources and points of view.

***SINA Finance.*** SINA Finance provides business news coverage and personal finance columns. SINA Finance also offers stock quotes from the major exchanges around the world, mainly including U.S., London, Shanghai, Shenzhen and Hong Kong stock exchanges, as well as breaking news from individual listed companies and market trend analysis.

***SINA Sports.*** SINA Sports offers multimedia news and information on a wide range of sporting events from home and abroad. SINA Sports features domestic and international soccer matches, National Basketball Association ( NBA ) games, general sports as well as coverage of world-famous sports stars and teams.



*SINA Entertainment.* SINA Entertainment contains extensive coverage of local and international entertainment news and events, including movies, television programs, plays, operas, music and celebrities in related fields.

*SINA Auto.* SINA Auto offers the latest automobile-related news and service information to provide car buyers and automobile enthusiasts with current information on automotive pricing, reviews and featured guides.

*SINA Technology.* SINA Technology provides updates on recent activities of high-tech corporations as well as industry trends in China and worldwide.

*SINA Video.* SINA Video is an online video vertical portal that provides high-quality, easy-to-use interactive video products. This channel is divided into various vertical categories, mainly including news, sports and entertainment. SINA Video also allows users to upload, publish and manage user generated videos. For the risks concerning the revocation of our License for Online Transmission of Audio-Visual Programs, see Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China We may not be able to continue offering online video services if we cannot find business partners with the required licenses.

*Other Channels.* In addition to the aforementioned vertical channels, SINA.com also includes SINA Education, SINA Digital, SINA Fashion, SINA Luxury, SINA Health, SINA Collectibles, SINA Travel and other interest-based channels. Each channel serves as an interactive platform which offers extensive, professional, real-time, interest-based information and targeted services in respective vertical areas to users.

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***Advertiser Offerings***

SINA.com is an online brand advertising property. Through SINA's various vertical channels, across PCs (sina.com) and various mobile platforms (sina.cn, SINA News App, SINA Finance App, SINA Sports App, etc.), we provide a rich spectrum of advertising and marketing solutions to advertisers to connect with users in a meaningful way. SINA's advertising offerings consist of display ad, performance based ads and video ad. Display ad, which mainly takes the formats of banner, button, text-link and loading page ads and appear on pages within the SINA network, channels and promotional sponsorships, fulfills advertisers' fundamental needs to drive brand awareness and interests to users or customers. Our primary advertising and sponsorship client base includes Fortune 1000 companies that employ a global approach to their branding, marketing and communications programs, regional companies of medium to large scale that focus on specific geographic and demographic markets and smaller companies whose markets are within a local territory.

To further deliver value for our advertisers and meet their branding needs at deeper level, we offer performance-based ad solutions, which mainly take the form of news feeds ad and are served within content streams across our various media platforms at mobile terminals in the form of text, static image or rich media and provide a personalized, targeted advertising experience to customers. This also helps attract customers with performance-driven marketing demands, such as small and medium enterprises. To enrich our advertising format, we also offer video ad on our platform which takes forms of pre-roll, mid-roll, and post-roll video screens as well as in-feed video ad.

***Cooperation with Partners***

In addition, we have closely cooperated with a range of content, service, application and distribution partners in order to serve users more effectively and to extend our brand and services to a broader audience. The goal of SINA.com's content partnerships is to provide its users with an extensive offering of Chinese-language content. We contract with content partners to display their contents on one or more of our websites free of charge or in exchange for a share of revenue, a licensing fee, and access to SINA-generated content or a combination of these arrangements. Some of our leading content providers include the International Olympic Committee, English Premier League, UEFA Champions League, Bundesliga, Chinese Football Association Super League, China Open, National Football League, PGA Tour, Women's Tennis Association, CCTV, ZJTV, HNTV, People's Daily, Xinhua News Agency, China News Service, Global Times, Getty Images, Beijing News, AFP, Associated Press, Reuters, Nasdaq OMX, London Stock Exchange, Hong Kong Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange. For our mobile content, SINA.com has established content partnerships with certain international record companies to provide image and music downloads.

***Weibo's Business and Products***

Weibo is a leading social media platform for people to create, distribute and discover Chinese-language content. It provides an unprecedented and simple way for people and organizations to publicly express themselves in real time, interact with others on a massive global platform and stay connected with the world.

Weibo combines the means of public self-expression in real time with a powerful platform for social interaction, as well as content aggregation and distribution. Any user can create and post a feed and attach multimedia or long-form content. User relationships on Weibo may be asymmetric; any user can follow any other user and add comments to a feed while reposting. The simple, asymmetric and distributed nature of Weibo allows an original feed to become a live viral conversation stream.

Weibo serves a wide range of users including ordinary people, celebrities and other public figures, as well as media outlets, businesses, government agencies, charities and other organizations, making it a microcosm of Chinese society. For many people in China, Weibo allows them to be heard publicly and exposed to the rich ideas, cultures and experiences of the broader world.

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

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

While Weibo distinguishes among users, customers and platform partners in classifying Weibo's products and analyzing Weibo's revenues, the same person or organization may simultaneously be included in two or more of the categories.

Designed with a mobile first philosophy, Weibo displays content in a simple information feed format and offers native advertisement that conform to the information feed on our platform. To support the mobile format, Weibo has developed a SIG recommendation engine that makes it easier for our users to discover content and allows advertisers to promote more relevant advertisements to our users. With the high information-density of Chinese characters and users' ability to personalize content information feed, Weibo is particularly suited for mobile use.

Weibo began monetization on its platform in 2012, and has since experienced rapid revenue growth. Weibo's revenues increased from \$655.8 million in 2016 to \$1,150.1 million in 2017 and further to \$1,718.5 million in 2018, representing a CAGR of 61.9%. Weibo generates revenues primarily from customers who purchase advertising and marketing services, and, to a lesser extent, from fee-based revenues, such as membership fees.

Weibo's product categories include those for users, advertising and marketing customers and platform partners.

***Products for Users***

Weibo's product development approach is centered on building simple and useful tools to enable its users to access Weibo to discover, create, and distribute content and interact with others on Weibo's platform in real time. Weibo employs a mobile first philosophy and has designed its platform around the capabilities of mobile devices. Weibo introduced the first generation of Weibo mobile app in the first quarter of 2010. Its app is compatible with all major mobile operating systems, including Android, iOS and others, and is accessible through mobile apps, mobile websites, computer apps and computer websites. Users can watch videos, read articles, discover Hot Weibo information feeds and interest-based

topics after installing Weibo app or when visiting Weibo websites. Users registered with a Weibo account can set up their account information, post feeds, upload short videos and post articles. Users can also interact between themselves on Weibo's platform by following, reposting, adding comments, sending private messages and through other channels.

Weibo's users range from ordinary people to celebrities, businesses, government agencies and other organizations.

*Discovery Products.* Weibo offers the following products to help users discover content on its platform:

- *Information Feed.* Weibo organizes and presents users with information feed in different forms. Among all, two most important and most frequently browsed are relationship-based information feed (follow model) and interest-based information feed, both of which reside on users' home page. Each user's relationship-based information feed displays a regularly updated flow of feeds posted by that user and other users who he or she has opted to follow. Since Weibo allows users to follow other users without establishing a reciprocal relationship, users are able to personalize whom to follow based on their interests. In other words, users can as easily follow celebrities and strangers as they follow friends and acquaintances. To improve user experience, the relationship-based information feed has evolved from a chronological timeline to one with multiple dimensions, including content relevancy, content quality, user interest, user engagement, user relationships and etc. Users can also customize their information feed by classifying followed accounts into different groups, e.g. friends, co-workers, celebrities, finance, sports and view feeds from each group separately.

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Interest-based information feeds are timelines of feeds recommended by Weibo based on different interest-based themes. Hot information feed is an example of interested-based information feed that Weibo presents at users' homepage to recommend feeds on recent popular topics, breaking news and feeds generated through users' interest. Weibo also organizes other interest-based information feeds on various themes for users to further explore the topics in which they are interested. In addition to the above, Weibo offers many other types of information feeds as well. For example, video information feed, which appears after a user finishes watching a short video and a timeline of related videos are recommended; and profile information feed, which can be found on a user's individual page and shows all of the feeds shared by that user.

- *Search.* Weibo's search function allows users to search its large content pool for users, feeds, videos, articles, pictures, etc. based on keyword (hashtag), topic or recent popular trending. Through Weibo's powerful search function, users can efficiently acquire the most relevant information they seek in real time. Hot Weibo is Weibo's hot topic ranking chart which is calculated based on real-time search data, presenting to users the hottest and newest content.
- *Discovery Zone.* The discovery zone is the interface aggregating Channels, Trends and information feeds for users to conveniently access a variety of content and services based on the user's current location and topical interests such as games, movie review, ticket purchasing, online music streaming, online shopping and live streaming. Users can find content related to their interests and interact with others of the same interest in the discovery zone.
- *Channels.* Channels gather users based on particular interests or locations and encourage user engagement through interaction within each channel. Users can visit these Channels to find rich content on topics of interest and interact with other users of similar interest. For example, users can stream songs and watch movie trailers from the respective Channels and write reviews in the discussion zone. With Weibo location-based services, users can locate popular points of interest, find information about them, such as show times for movie theaters and menus for restaurants, access coupons, post comments, and see reviews shared by other users. As one of the interest channels, Weibo also offers third-party online games, such as role-play games, card games and strategy games. Most games on Weibo are free and certain games have in-app purchase options for enhanced gaming experience. Weibo receives part of the revenues from such purchases through arrangements with the game developers.
- *Trends.* Trends are lists of hot topics on Weibo. A user can start a topic discussion by adding hashtags (#) around a word or phrase in a feed. The key word or phrase then becomes searchable with a single click. Top trends are listed in the discovery zone. Users may view feeds under each trending topic and participate in the discussion.
- *Video Community.* The video community is the interface aggregating video content from different verticals for users to conveniently access and consume. User could also interact with video content creators and other platform users within the community. Video content offerings are categorized into different channels based on users' social relationship and vertical interests, such as Story, Movie, Celebrity, Vlog and Media, etc.

*Self-Expression Products.* Weibo offers the following products to enable its users to express themselves on Weibo's platform:

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- *Post.* Weibo enables users to express and share their ideas, opinions and stories in the form of text and multimedia content. A post is usually limited to 140 Chinese characters, and can include rich, descriptive and vivid content such as photos, music, short videos, live streaming and long-form articles.
- *Individual Page.* Each individual user has an Individual Page to express and share ideas, opinions and stories in the form of text and multimedia content. Basic information about a user, including username, introduction, education, location, liked feeds, accounts followed, follower accounts and Weibo account number, is also available on the user's Page. Individual users with verified authentic identity information will have an orange V mark on their profile picture. Weibo VIP membership, which can be purchased mainly through monthly, quarterly or annual subscriptions, offers certain additional services and functions not available to free users, such as following more users, more personalization of their Pages, additional options to manage information feeds and followers and access to premium games. Business and other organizations with verified identities can apply for enterprise accounts, create an Enterprise Page and will have a blue V mark on their profile picture. Weibo enables organizations to customize their Pages and to increase brand awareness, interact with followers, perform marketing events, promotion activities, and advertisement campaigns on Weibo. Weibo also enables business and other organizations to increase its business efficiency by providing various tools. For example, an e-commerce merchant can facilitate purchase activities through Weibo or offer red envelop, and drawings to build a follower base.
- *Story.* Users can continuously create, share and discover photos and full-screen vertical short videos. Stories allow users to more easily create, consume contents and interact with their relations on smartphone. It gains popularity quickly among Weibo users, especially younger generation. In addition, user can use tools such as stickers, filters and music to express their personality.
- *Top Articles.* Top Articles satisfies user needs for content creation and presentation. Users can create beautifully presented content through Top Articles, and publish through Weibo which will display such content in the information feed.
- *Weibo Q&A.* Weibo Q&A is Weibo's question-and-answer platform where users can engage in free Q&A as well as paid Q&A. Through creation and interaction of user generated content, it strengthens user engagement on Weibo.
- *Weibo Live Streaming.* Weibo Live Streaming includes showcase live streaming and media live streaming that satisfy the broadcasting demand of both individual users and business or organization users.

*Social Products.* Weibo offers the following mechanisms to promote social interaction between users on Weibo's platform:



- *Follow.* Users can establish relationships with other users by electing to follow them. Feeds that are posted or reposted by a user will automatically appear in the information feed of the user's follower. Relationships may be asymmetrical. The user being followed does not need to approve the follower's decision to follow them, although a user can choose to limit access to certain feeds or to blacklist a certain follower.
- *Repost, Comment, Favorite, Like.* By clicking on the Repost button, users can repost feeds from other users. When a feed is reposted, the original author is able to virally reach and influence users beyond that author's own circle of followers, leveraging the network of the followers of the author's followers, sometimes many degrees away. Users can add their own comments when they repost and share their view on the original feed with their followers. Users can also leave comments on a feed by clicking on the Comment button. If they like a feed, they can click on the Like button to express their support for the feed. At the bottom of each feed, users can see how many people have Reposted, Commented on or Liked the feed. Users can also save feeds into their favorites by clicking on the Favorite button.
- *@Mention.* Users can view their history of interactions with other users by going to the @Mention Page, which allows users to access all the feeds in which they are mentioned by other users. In addition, users can see a list of comments from other users on their own feeds, as well as the Likes on their feeds.

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- *Messenger.* Users can send private messages in the form of text or voice recordings and can attach photos, locations and group contact cards. In addition, users can also use messengers to hand out red envelopes, lucky money, and receive payments from other users.
- *Group Chat.* Group Chat enables users to organize and participate in conversations based on common interest. For example, fans of a celebrity can establish chat rooms to share the latest gossips and tidbits, and the celebrity himself may choose to drop in to increase the livelihood of his fan base. In addition, users who are viewing the same live streaming session can simultaneously participate in a group chat as well.
- *Topic Discussion:* By accessing the topic feeds embedded in the Discovery Zone, users can consume hot topics and trends on Weibo, participate in specific topic discussions and interact with other platform users with similar topical interests.

In October 2018, Weibo acquired live streaming business from Yizhibo, a live streaming platform in China. Live streaming generates revenue from sales of virtual items on the Yizhibo platform. Users can access the platform and view the live streaming content and interact with the broadcasters for free.

*Products for Advertising and Marketing Customers*

Weibo seeks to provide advertising and marketing solutions to enable its customers to promote their brands and conduct effective marketing activities. Weibo provides its customers with analytical tools to enable them to track and improve the effectiveness of their marketing campaigns on Weibo's platform. Weibo's advertising and marketing customers include key accounts, Alibaba/e-commerce merchants, SMEs and individuals that seek a full spectrum of online advertising and marketing services ranging from brand awareness to interest generation, sales conversion and loyalty marketing.

*Social Display Advertisements.* Social display advertisements appear on the app opening page, the Discovery Zone banner and website home page banner. When users click on a display advertisement, they may be redirected to the advertiser's Weibo Page for further engagement. Social display advertisements mainly serve key account customers.

*Promoted Marketing.* Weibo promoted marketing offerings include the following:

- *Promoted Feeds.* Promoted feeds appear in the user's information feed alongside organic feeds. Weibo encourages its customers to produce feeds that have relevant information value similar to that of the user's organic feeds. Customers may use Weibo's SIG recommendation engine to better target their audience and improve the

relevancy of the advertisement to the users. As with other feeds, users can Repost, Comment on and Like promoted feeds, amplifying the visibility and reach of the original promoted feed and generating earned media to our customers. Weibo offers promoted feeds tailored to different customer segments such as:

- Super FST is an advertising platform specifically for information feeds advertising products under a real time bidding system. By leverage Weibo's massive user data, Super FST can help customers precisely target users based on user attributes and social relations, enabling customers to achieve marketing objectives such as improving customers branding, increasing website visits and advertisement conversion rate, growing fan bases, increase app installation rates and collecting sales leads. Customer can place information feeds advertisements either through Weibo's authorized distributor, or directly by themselves on Super FST. Super FST can help to target segment audience via multiple dimensions, including user quality, scenarios, social relations, behaviors and interests. In this way, brands can precisely target users with different features. Super FST provides various advertising formats, such as multi-image post, image-text advertisements, video advertisements and matrix advertisements;

- Fans Headline is a promoted service that guarantees a certain feed from the customer will appear at the top of the information feeds of the customer's followers;

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- Weibo Express is a promoted service offered to key accounts for them to reach and engage with a broad range of Weibo users; and
- *Promoted Accounts.* Promoted accounts usually appear in various Weibo's relationship recommendation scenes on mobile devices such as the recommended accounts area, or directly in the information feed on mobile devices. Promoted accounts are labeled but otherwise appear in the same format as other accounts that Weibo recommends to its users. Promoted accounts provide customers a way to grow their followers, with whom they can then drive engagement and accumulate social assets using their Weibo Pages.
- *Promoted Trends.* Promoted trends, which are labeled as promoted, appear at the top of the list of trending topics. When a user clicks on a promoted trend, he will be redirected to the sponsor's landing page.

*Products for Platform Partners*

Weibo seeks to provide its platform partners with abundant tools and services, which improves Weibo's content ecosystem with more diverse and high quality content, increases user engagement, enhances user experience, expand user scale and strengthens platform influence. Weibo's platform partners include traditional and online media outlets, copyright content providers, MCNs and other self-media, as well as app developers and data suppliers. Weibo offers different products tailored to different types of platform partners, including:

*Products for copyright content providers.* Weibo works with TV channels, online video websites and operators with copyright content through traffic resource exchange and content traffic sharing. Such cooperation enriches Weibo's content ecosystem with diversified video content and strengthen Weibo's brands influence, while at the same time enhances partners' user scales, and their brands influence.

- *Standardized products.* Weibo's standardized products to platform partners include, among others, Trends, Search, Video/Live Streaming, and Editing tools.
- *Customized products.* Weibo provides customized products such as content customization, pooling of copyright contents and user interaction development to its platform partners.
- *Resource services.* Weibo provides its platform partners with operational resources to expand their brand influence, such as search list recommendation, trends list recommendation and Weibo app opening advertisements.

*Products for MCNs and other self-media.* Self-media refers to organization partners with the ability to manage and provide services to top content creators on Weibo, such as MCNs, unions and e-commerce partners. These top content creators produce various types of content on Weibo in the form of video, live streaming, images and text. Weibo provides self-media with standardized products and services to help them build up and monetize social assets, which in return enables them to produce more content and attracting more self-medias to Weibo's platform. Weibo's products and services to them include:

- *Back-end management.* Weibo provides standardized and specialized back-end management allowing self-media to manage their content creator accounts in a scalable manner. Weibo's back-end management services include, among others, management of account, data, resource and growth.
- *Traffic supports.* Weibo provides traffic distribution supports such as account recommendation, content recommendation and access to certain exclusive functions.
- *Product services.* Weibo provides self-media with product solutions for better displaying and promotion of its account and content through various channels, including information feeds, video feeds and users home page.

*Products for other app developers.* Under user consent, Weibo's open application platform allows users to log into third-party applications with their Weibo account, which enables sharing of third-party content on Weibo platform. User privacy is strictly protected during the authorization to third-party applications, which only have access to user's basic public information. This product helps mobile app developers to acquire users while helps Weibo to acquire shared content from other apps and platforms.

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*Weibo Wallet.* Weibo wallet product enables platform partners to conduct interest generation activities on Weibo, such as handing out red envelopes and coupons to other users to build a bigger and more active fan base, and drive purchase conversion. Weibo wallet also enables individual users to purchase different types of products and services on Weibo, including those offered by us, such as marketing services and VIP membership, and those offered by Weibo's platform partners, such as e-commerce merchandises, financial products and virtual gifts.

***Other Businesses and Products***

We offer other business and products, mainly including our Fintech services, which mainly consist of online loan facilitation service and online payment service.

*Online Loan Facilitation Service.* We provided online loan facilitation service, connecting borrowers with lenders and facilitate the execution of loan transactions. We recommend borrowers with financing needs to financial institution lenders, and assess and provide an assessment of each borrower's credit risks to lenders to facilitate lenders' own lending decision. We charge loan facilitation service fees to borrowers for our assistance. We provide guarantee on the principal, interest payment and penalty fee of the defaulted loans to the lenders.

*Online Payment Service.* We developed an online payment system that enables merchants to transact online with their end customers or vendors. It is connected with banks' websites, and we charge service fees to merchants for such service.

**Sales and Marketing**

We maintain our own sales operations team. We transact business with key account customers primarily through third-party advertising agencies and with SMEs primarily through our distribution network.

Due to the expertise required to carry out an effective online marketing campaign, key accounts customers usually hire advertising agencies to handle their internet brand campaigns. These advertising agencies provide a broad spectrum of services, including designing ad campaigns based on an analysis of the customer's needs, crafting ads in various formats and providing analytical tracking.

Our distribution network for SME customers includes local distributors throughout China. Our distributors provide numerous services, including identifying customers, collecting payments, assisting customers in setting up their accounts with us, and engaging in other marketing and educational services aimed at acquiring customers. We provide periodic training programs to our distributors to maintain the service quality of our distributors and strengthen our relationships with them.

In addition, we have developed a programmatic advertising buying system which provides our customers with an easy access to performance-based advertising solutions that are designed to meet their needs at a comprehensive level. The easy-to-monitor feature of the system offers an enhanced user experience and potentially increases customers' willingness to repeat advertising purchase with us. In addition to helping us retain existing customers, the system also enables us to reach a broader customer base in our efforts to attract new customers.

We believe that our position as a leading online media in China has given us widespread name recognition. We focus on continually improving the quality of our products and services to strengthen our brand, as we believe satisfied users and customers are more likely to recommend our products and services to others. While word of mouth has helped us, we also make selective use of advertising, promotions and special events to promote SINA awareness and usage.

### **Technology Infrastructure**

Our infrastructure allows users to access its products and services, regardless of their geographical location. Our infrastructure is also designed to provide high-speed access by forwarding user requests to data centers hosting pc sites, mobile sites and mobile applications with faster network or lower loads. Our web pages are generated, served and cached by servers hosted at various co-location data center in mainland China, the U.S., Taiwan and Hong Kong. Our servers mainly run on Linux platforms using Apache, Squid, Nginx, Java, PHP, Redis and Mysql, etc. These servers are primarily maintained at China Telecommunications Corporation, or China Telecom, and China Unicom branches in cities across China, including Beijing, Shanghai, Guangzhou and Tianjin, TNN in Taipei, Taiwan, China Telecom in Santa Clara, California, as well as NTT in Hong Kong.

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We believe that these hosting partners provide operating advantages, including an enhanced ability to protect their systems from power loss, break-ins and other potential external causes of service interruption. They provide continuous customer service, multiple connections to the internet and a continuous power supply to their systems. In addition, SINA conducts online monitoring of its systems for accessibility, load, system resources, traffic, network-server intrusion and timeliness of content. Our mobile applications in China leverage the aforementioned web operation resources by utilizing the wireless infrastructure of mobile network operators in China to provide services to our users. Nevertheless, we have experienced slower response time and suffered outages in the past due to equipment and software downtime as well as bandwidth issues with operators. Although these instances have not had a material adverse effect on our business, similar instances may have a material impact on our business in the future.

**Seasonality**

SINA has experienced seasonality in its online advertising business. Historically, the first calendar quarter has been the worst season for its advertising business due to the Lunar New Year holidays. Past performance may not be indicative of future trends, as the mix of advertising industry sectors, which may have different seasonality factors, may shift from quarter to quarter. Seasonality in other businesses is less apparent.

**Competition**

We provide online digital content and services for the global Chinese community, including but not limited to informational features, social media and social networking services as well as other fee-based services. This industry can be characterized as highly competitive and rapidly changing due to the fast growing market demand. Barriers to entry are relatively low, and existing and potential competitors can launch new websites, platforms or services at a relatively low cost. Many companies offer various contents and services targeting this community that compete with our offerings. With the growth rate of the overall size of internet community slowing down, the industry is evolving rapidly and is witnessing rising competition for traffic and user time. In particular, we face head-to-head competition from other mobile news applications and we compete to attract, engage and retain users from other platforms with social attributes such as video-sharing and messaging or products with information feed functionalities.

The development of China's advertising industry also has impacts on our product offerings and revenue generation. While the entire digital ad market has generated healthy growth in the past few years, certain trends have transformed the market. From regulatory perspective, the Advertisement Law adopted in 2015 and Interim Measures for the Administration of Internet Advertising promulgated on 2016 have set a higher standard for the content, the format of online advertisement and qualification of advertisers. From the perspective of digital ad budget allocation, advertisers have continued to shift budgets from PC to mobile, which has an unfavorable impact on overall portal advertising which has been dominant on the PC side. Information feed advertisement has gradually become a mainstream advertising format on mobile media platforms to serve advertisers' demands.

With these factors taken into account, along with macro headwinds, there are challenges we face to ramp up our portal business in the short run and there are efforts we need to make to optimize our advertising products and improve mobile monetization capability to keep up with China's advertising market and achieve growth in the long run. See Item 3. Key Information D. Risk Factors Risks Related to Our Business The markets for internet and social media and social networking services are highly competitive, and we may be unable to compete successfully against established industry competitors and new entrants, which could reduce our market share and adversely affect our financial performance.





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**Intellectual Property and Proprietary Rights**

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our products is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, third parties may initiate litigation against us alleging infringement of their proprietary rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. In addition, even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations. See Item 3. Key Information D. Risk Factors Risks Related to Our Business We may not be able to adequately protect our intellectual properties, which could cause us to be less competitive and We may be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

**Government Regulation and Legal Uncertainties**

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

***Overview***

The PRC government has enacted an extensive regulatory scheme governing the operation of business with respect to the internet, such as telecommunications, internet information services, international connections to computer information networks, information security and censorship and administrative protection of copyright. Besides the MIIT, the various services of the PRC internet industry are also regulated by various other governmental authorities, such as the State Administration for Market Regulation ( SAMR , formerly, the State Administration for Industry and Commerce ( SAIC ) which was replaced by the SAMR in 2018 according to the Plan on Reforming the Communist Party of China and the State Institutions), the State Council Information Office ( SCIO ), the Cyberspace Administration of China ( CAC ), the National Radio and Television Administration ( NRTD ), the National Administration of Press and Publication (formerly, the General Administration of Press and Publication ( GAPP ) which was a department of the General Administration of Press, Publication, Radio, Film and Television ( GAPPRFT )), the National Copyright Administration ( NCAC , which was formerly a department of the GAPPRFT), the Ministry of Education ( MOE ), the Ministry of Culture and Tourism formerly, the Ministry of Culture ( MOC ) and the Ministry of Tourism as two separate ministries which were combined into the MOCT in 2018), the National Health Commission ( NHC ), and the Ministry of National Security.

***PRC Corporate Structure***

The PRC government restricts foreign investment in internet-related businesses. Accordingly, we operate our internet-related businesses in China through our VIEs that are PRC domestic companies owned principally or completely by certain of our PRC employees or PRC employees of our directly-owned subsidiaries. For a list of our material directly owned subsidiaries and VIEs in China, please see C. Organizational Structure below.

*Classified Regulations*

*Foreign Investment in Value-added Telecom Services*

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, promulgated by the State Council in 2001 and amended in 2008 and 2016, the ultimate foreign equity ownership in a value-added telecommunications service provider may not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from MIIT and the Ministry of Commerce or their authorized local branches.

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In order to further strengthen the administration of FITEs, the MII Circular 2006 provides that (i) any domain name used by a value-added telecom carrier shall be legally owned by such carrier or its shareholder(s); (ii) any trademark used by a value-added telecom carrier shall be legally owned by the carrier or its shareholder(s); (iii) the operation site and facilities of a value-added telecom carrier shall be installed within the scope as prescribed by operating licenses obtained by the carrier and shall correspond to the value-added telecom services that the carrier has been approved to provide; and (iv) a value-added telecom carrier shall establish or improve the measures of ensuring safety of network information. If a license holder fails to comply with the requirements in the MII Notice or cure such non-compliance, the MII or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses. As to the companies which have obtained the operating licenses for value-added telecom services, they are required to conduct self-examination and self-correction according to these requirements and report the result of such self-examination and self-correction to the MII.

Accordingly, the ICP Company submitted the self-correction scheme to the MII on November 17, 2006. Under the self-correction scheme, (i) the domain name `www.sina.com.cn` mainly used by the ICP Company should be transferred from BSIT to the ICP Company, and (ii) the trademark SINA ( ) used by the ICP Company should be transferred from BSIT to the ICP Company. According to the Certificate for Approval of Trademark Transfer issued by the Trademark Office of the SAIC on September 28, 2008, the trademark SINA has already been transferred to the ICP Company. The domain name `www.sina.com.cn` has been transferred to the ICP Company as well.

On March 13, 2019, the National People's Congress promulgated the PRC Foreign Investment Law, effective January 1, 2020 and replacing a trio of existing laws regulating foreign investment in China: namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Foreign Investment Law references pre-establishment national treatment along with a negative industry list for foreign investment. The negative list will be issued by the State Council and list industry sectors prohibited to foreign investment. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) issued in June 28, 2018, the ultimate foreign equity ownership of a value-added telecommunications service provider in the PRC may not exceed 50%.

***Internet Information Services***

The Telecommunications Regulations of the People's Republic of China, or Telecom Regulations, promulgated by the State Council in 2000, and subsequently amended in 2014 and 2016, draw a distinction between basic telecommunication services and value-added telecommunication services. Internet content provision services is a subcategory of value-added telecommunications services. On December 25, 2015, MIIT published the Classification Catalogue of Telecommunications Services (the 2015 Catalogue ), which took effect on March 1, 2016. The first catalogue was published in September 2000 and was subsequently amended in 2001 and 2003. Under the 2015 Catalogue, value-added telecommunication services were further classified into two sub-categories and 10 items. Internet content provision services, or ICP services, fall under the second subcategory of value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from MIIT or its provincial level counterpart(s).

The State Council issued the Administrative Measures Internet on Internet Information Services concurrently with the Telecom Regulations in 2000 to regulate Internet content provision services, which was subsequently amended on January 9, 2011. According to these measures, commercial Internet content provision service operators must obtain an Internet Content Provision License from relevant government authorities before engaging in any commercial Internet content provision operations within the PRC. These measures further stipulate that entities providing internet content provision services regarding news, publishing, education, medicine, health, pharmaceuticals and medical equipment must obtain the approval of the national government authorities responsible for such subject matter prior to applying for an operating license from the

internet relevant government authorities.

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The Administrative Measures on Telecommunications Business Operating Licenses, promulgated by MIIT in 2001 and amended in 2009 and 2017, set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an information service operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an information services operator providing the same services in one province is required to obtain a single local license.

The ICP Company currently holds a Value-Added Telecommunication Services Operating License, which was issued in July 2018 by the MIIT authorizing the ICP Company to provide national information services of the internet data center service of the first category of the value-added telecommunication service (excluding online resources coordination) and the second category of the value-added telecommunication services (excluding internet information services). The license has been renewed and is valid through April 29, 2019 subject to annual inspection. The ICP Company also holds a Value-Added Telecommunication Services Operating License issued by Beijing Communication Administration Bureau on April 25, 2018, authorizing the ICP Company to provide MVAS in Beijing. The license has been renewed and is valid through April 25, 2023 and subject to annual inspection.

Beijing Star-Village Online Cultural Development Co., Ltd. ( StarVI ) currently holds a Value-Added Telecommunication Services Operating License, which was originally issued by the MIIT authorizing StarVI to provide national information services of the second category of the value-added telecommunication services (excluding internet information services). The license is valid through August 8, 2019 and is subject to annual inspection. StarVI also holds a Telecommunication and Information Services Operating License, which was issued by the Beijing Communication Administration Bureau. The license is valid through November 11, 2020 and is subject to annual inspection.

Weimeng currently holds a Value-Added Telecommunication Services Operating License, which was issued on March 21, 2018 by the MIIT authorizing Weimeng to provide national information services of the second category of the value-added telecommunication services (excluding internet information services). The license is valid through November 3, 2019 and is subject to annual inspection. Weimeng also holds a Telecommunication and Information Services Operating License, which was issued on by Beijing Communication Administration Bureau authorizing Weimeng to provide internet information services excluding services in the area of news, publishing, education, medicine, health, pharmaceuticals and medical equipment. The license is valid through May 20, 2020 and is subject to annual inspection.

***Online Advertising***

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the SAMR or its local branches may order the violator to terminate its advertising operation or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liabilities if they infringe on the legal rights and interests of third parties.

On April 24, 2015 the Standing Committee of the National People's Congress issued the PRC Advertising Law or the Advertising Law, which came into effect on September 1, 2015 and was amended in 2018. The Advertising Law applies to all advertising activities conducted via the internet. The Advertising Law requires that users must be able to close online pop-up ads with one click. Moreover, internet service providers are obligated to cease publishing any advertisements that they know or should know are illegal. Violation of these regulations may result in penalties, including fines, confiscation of the advertising incomes, termination of advertising operations and even suspension of the provider's

business license.

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In July 2016, the State Administration for Industry and Commerce issued the Interim Measures for the Administration of Internet Advertising, which became effective on September 1, 2016. These interim measures clarify that internet advertisements means commercial advertisements that promote commodities or services directly or indirectly via internet media such as websites, webpages and internet applications in the form of texts, pictures, audio, video or other forms. These interim measures also create a number of new requirements for internet advertisers. For example, these interim measures state that paid search advertisements should be clearly distinguished from ordinary search results. In addition, consistent with the Advertising Law, these interim measures require that advertisements published on internet pages in the form of pop-ups or other similar forms shall be clearly marked with a close button to ensure one click to close. The measures also prohibit unfair competition in internet advertisement publishing, including (1) providing or using any programs or hardware to intercept or filter any legally operated advertisements of other persons; and (2) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block legally operated advertisements of other persons or load advertisements without authorization. Violation of these regulations may result in fine of no more than RMB 30,000, with any punishments administrated by the Administrative Authority for Industry and Commerce in the place where the advertisement publisher is located.

Several of our wholly owned subsidiaries and VIEs have an approved business scope to carry out the design, production, issuance and agency of advertisements. These entities include Beijing SINA Advertising Co., Ltd., Shanghai SINA Advertising Co., Ltd., and Weimeng.

The ICP Company has an approved business scope to issue internet advertisements and carry out the business of placing advertisements on the website [www.sina.com.cn](http://www.sina.com.cn).

***Microblogging Services***

On December 16, 2011, the Beijing Municipal Government issued the Microblog Rules, which became effective on the same day. The Microblog Rules, among other things, require users of microblogging services to register their identities with microblogging service providers. The Microblog Rules identify eleven categories of content that are restricted from being disseminated. Microblogging service providers are required to implement systems and procedures to verify user identity and ensure that the information disseminated by users is in compliance with the Microblog Rules.

On February 4, 2015, the CAC promulgated the Administrative Provisions on Account Names of Internet Users, or the Account Names Provisions, which became effective as of March 1, 2015. The Account Name Provisions require internet service providers to authenticate registered users' identity information and to commit to complying with the seven basic requirements, including observing the laws and regulations, upholding the socialist regime, protecting state interests and so on, as well as ensuring the authenticity of any information they provide. Relevant Internet Information Service Providers are responsible for the protection of users' privacy, the consistency between user information, such as account names, avatars, and the requirements contemplated in the Account Names Provisions, making reports to the competent authorities regarding any violation of the Account Names Provisions, and taking appropriate measures to stop any such violations, such as, notifying the user to make corrections within a specified time and suspending or closing accounts in the event of continue non-compliance.

On February 2, 2018, the CAC promulgated the Administrative Provision on Microblogging Information Service, or Microblogging Provisions, which came into effect March 20, 2018. The Microblogging Provision requires Microblogging service providers to strictly verify the identification information of registered users, establish an administration system for users who post and spread false information, and record users' blogging content to be stored for at least six months.



*Internet Publishing*

On June 27, 2002, the SPPA and the MII jointly released the Provisional Rules for the Administration of Internet Publishing, or the Internet Publishing Rules, which define "internet publications" as works that are either selected or edited to be published on the internet or transmitted to end-users through the internet for the purposes of browsing, reading, using or downloading by the general public. Such works mainly include content or articles formally published by press media such as: (i) books, newspapers, periodicals, audio-visual products and electronic publications; and (ii) literature, art and articles on natural science, social science, engineering and other topics that have been edited.

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The Administrative Provisions on Online Publishing Services, or the Online Publishing Provisions which is jointly issued by the MIIT and the GAPP on February 4, 2016, and became effective on March 10, 2016. The Online Publishing Provisions replaced the Internet Publishing Rules. The Provisions define online publishing services as providing online publications to the public through information networks. Any online publishing services provided in the territory of the PRC is subject to the Provisions. The Provisions requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services. Under the Online Publishing Provisions, online publications refers to digital works which have publishing features such as having been edited, produced or processed and which are made available to the public through information networks, including written works, pictures, maps, games, cartoons, audio/video reading materials and others. Any online game shall obtain approval from the State Administration of Press, Publication, Radio, Film and Television before it is launched online. Further, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises cannot engage in providing web publishing services.

According to the Online Publishing Provisions, web portals like SINA are required to apply to and register with GAPP before distributing internet publications.

In accordance with these rules, the ICP Company obtained an internet Publication License issued by GAPP on December 21, 2010, however, in 2014, such internet Publication License was revoked by State Administration of Press, Publication, Radio, Film and Television for violations related to the distribution of certain literary on our reading channel, book.sina.com.cn. We may not continue offering internet publication service unless we reapply and receive the Internet Publication License or find a business partner with proper licenses to incorporate to provide this service. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China We may not be able to continue offering online video services if we cannot find business partners with the required licenses.

***Online News Publishing***

On November 6, 2000 and September 25, 2005, the Provisional Regulations for the Administration of Website Operation of News Publication Services was jointly promulgated by the SCIO and the MI. The regulations stipulate that general websites set up by non-news organizations may list news released by certain governmental news agencies, if they satisfy the requirements set forth in the foregoing two regulations, but may not publish news items produced by themselves or news sources from elsewhere.

On April 28, 2015, the State Internet Information Office, or the SIIO, issued the Provisions on the Questioning Procedures for Internet News Service Providers, or the Provisions. The Provisions provide the SIIO and its local branches with a formal procedure for bringing in key personnel from internet news service providers for questioning as well as giving oral warnings, identifying problems and ordering rectifications in certain circumstances specified in the Provisions such as the failure to deal with illegitimate information in a timely fashion and when circumstances are severe. If the SIIO or its local branches orders an internet news service provider to rectify a problem through the questioning procedures and it fails to do so, then the internet new service provider may be subject to administrative action including a written warning, fine, temporary suspension of operations or the revocation of licenses. Internet news service providers are also subject to enhanced penalties for several violations under the questioning procedures. Additionally, the SIIO and its local branches may publicize information related to the questioning procedures that it conducted against internet news service providers under the Provisions. The Provisions took effect on June 1, 2015.

On May 2, 2017, the CAC issued the Administrative Provisions for Internet News Information Services, or the New Provisions, which became effective on June 1, 2017. The New Provisions replace the Provisions for the Administration of Internet News Information Services promulgated by the SCIO and the MIIT in 2015, and are intended to help solidify the CAC's jurisdiction over internet news information services. The New Provisions require that internet websites, apps, forums, blogs, microblogs, official accounts, instant messaging tools, and network-based

broadcasts that provides internet news information services obtain a license for internet news information services. The New Provisions also broaden the scope of internet news information services to include (i) services for collecting, editing, and releasing internet news information; (ii) reposting such news information; and (iii) providing platforms to spread such news information. To apply for such a license, the applicant must satisfy requirements set forth under the New Provisions, such as that it be a legal entity established in the PRC and that its principal or chief editor be a Chinese national. In addition, all internet news providers are explicitly required to review and self-censor content published by them and to take measures to cease transmission and to remove any inappropriate content as it is discovered, as well as maintain relevant records and report such matters to the relevant regulators.

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The ICP Company has renewed its internet news information service license, which is valid through March 31, 2020 and subject to annual inspection by the CAC.

Weimeng currently provides a platform for our users to post news, current topics and social events, and has not obtained an internet news information service license. If the relevant government authorities determine that the services provided by Weimeng are internet news dissemination services and an internet news information service license for such services is needed, we will need to apply for the relevant approval and license, which Weimeng might not successfully obtain in a timely manner or at all.

*Online Loan Facilitation Service*

In July 2015, ten PRC regulatory agencies, including the People's Bank of China, or the PBOC, the MIIT and the China Banking Regulatory Commission, or the CBRC, jointly issued the Guidelines on Promoting the Healthy Development of Internet Finance, or the Guidelines. The Guidelines call for active government support of China's internet finance industry, including the online peer-to-peer lending service industry, and clarify the division of responsibility among regulatory agencies. The Guidelines specify that the CBRC will have primary regulatory responsibility for the online peer-to-peer lending service industry in China and state that online peer-to-peer lending service providers shall act as an intermediary platform to provide information exchange, matching, credit assessment and other intermediary services, and must not provide credit enhancement services and/or engage in illegal fund-raising. The Guidelines provide additional requirements for China's internet finance industry, including the use of custody accounts with qualified banks to hold customer funds as well as information disclosure requirements.

In August 2016, four PRC regulatory agencies, including the CBRC, the MIIT, the MPS and Cyberspace Administration of China, published the Interim Measures for the Administration of Business Activities of Online Lending Information Intermediaries (the Interim Measures). The Interim Measures define online lending intermediaries as the financial information intermediaries that are engaged in online peer-to-peer lending information business and provide lenders and borrowers with lending information services, such as information collection and publication, credit rating, information interaction and loan facilitation. Consistent with the Guidelines, the Interim Measures prohibit online lending intermediaries from providing credit enhancement services and collecting funds directly or indirectly, and require, among others, (i) that online lending intermediaries intending to provide online lending information agency services and its subsidiaries and branches must make relevant record-filing with local financial regulatory authorities with which it is registered after obtaining the business license; (ii) that online lending intermediaries operating telecommunication services must apply for relevant telecommunication service license after the completion of the record-filing and registration with the local financial regulatory authority; and (iii) that online lending intermediaries must materially specify the online lending information intermediary in the business scope.

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The Interim Measures list the following businesses that an online lending intermediary must not, by itself or on behalf of a third party, participate in: (i) financing for themselves whether or not in disguised form; (ii) accepting or collecting directly or indirectly the funds of lenders; (iii) providing lenders with guarantee or promise on guarantee of principal and interest directly or in disguised form; (iv) publicizing or promoting financing projects at physical locations; (v) extending loans, except otherwise as provided by laws and regulations; (vi) splitting the term of any financing project; (vii) offering wealth management and other financial products by themselves to raise funds, and selling as an agent bank wealth management, securities company asset management, fund, insurance or trust products and other financial products; (viii) conducting asset securitization business or realizing transfer of creditors' rights in the forms of asset packaging, asset securitization, trust assets, fund shares, etc.; (ix) engaging in any form of mixture, bundling or agency with other institutions in investment, agency in sale, brokerage and other business except as permitted by laws, regulations and relevant regulatory provisions on online peer-to-peer lending; (x) falsifying or exaggerating earnings outlook of financing projects, concealing the defects and risks of financing projects, making false advertising or promotion, etc., by using ambiguous words or other fraudulent means, fabricating or spreading false or incomplete information impairing the business reputation of others or misleading lenders or borrowers; (xi) providing information intermediary services for high-risk financing which uses the borrowed funds for investment in stocks, over-the-counter fund distribution, futures contracts, structured funds and other derivative products; (xii) engaging in businesses such as crowd-funding in equity; and (xiii) other activities prohibited by the laws, regulations and the regulatory provisions on online peer-to-peer lending. In addition, the Interim Measures stipulate that online lending intermediaries shall not operate businesses other than risk management and necessary business processes such as information collection and confirmation, post-loan tracking and pledge management in accordance with online lending regulations, via offline physical locations. Furthermore, the Interim Measures provide that online lending intermediaries shall, based on their risk management capabilities, set upper limits on the loan balance of a single borrower borrowing both from one online lending intermediary and from all online lending intermediaries. In the case of natural persons, this limit shall not be more than RMB200,000 for one online lending intermediary and not more than RMB1 million in total from all platforms, while the limit for a legal person or organization shall not be more than RMB1 million for one online lending intermediary and not more than RMB5 million in total from all platforms. Moreover, the Interim Measures require that each online lending intermediary (i) separate its own capital from funds received from lenders and borrowers and (ii) select a qualified banking financial institution as its funding custodian institution, which shall perform custody and administrative responsibilities as required.

The Interim Measures also set out certain additional requirements applicable to online lending intermediaries on, among other things, the real-name registration of lenders and borrowers, the risk control, internet and information security, limits on the fund collection period (up to 20 business days), allocation of charges, personal credit management, file management, lenders and borrowers protection, prohibition on making decisions by online lending intermediaries on behalf of the lender without the authorization of the lender, administration of electronic signatures and information disclosure. Any violation of the Interim Measures by an online lending intermediary may subject such online lending intermediary to certain penalties as determined by applicable laws, and regulations, or by relevant government authorities if the applicable laws and regulations are silent on the penalties. The applicable penalties may include but are not limited to, criminal liabilities, warning, rectification, tainted integrity record and fines of up to RMB30,000. If any online lending intermediary established prior to the implementation of these Interim Measures fail to conform to the provisions of these Interim Measures, the local financial regulatory authority shall require such online lending intermediary to make rectification, and the rectification period shall not exceed 12 months.

In October 2016, the CBRC, the MIIT and the SAIC jointly published the Guidelines on the Administration of Record-filings of Online Lending Information Intermediary Agencies, or the Record-filings Guidelines, to establish and improve the record-filing mechanisms for online lending intermediaries. According to the Record-filings Guidelines, a newly established online lending intermediary shall make the record-filings with the local financial regulatory authority after obtaining the business license; while with respect to any online lending intermediary which is established and begins to conduct the business prior to the publication of this Record-filings Guidelines, the local financial regulatory authority shall, pursuant to relevant arrangement of specific rectification work for risks in online peer-to-peer lending, accept the application for

record-filings submitted by a qualified online lending intermediary, or any online lending intermediary which has completed the rectification confirmed by relevant authorities.

In February 2017, the CBRC released the Guidelines to Regulate Funds Custodian for online lending intermediaries, or the Custodian Guidelines. The Custodian Guidelines define depositories as commercial banks that provide online lending fund custodian services, and stipulate that the depositories shall engage in offering any guarantee, including: (i) offering guarantees for lending transaction activities conducted by online lending intermediaries, or undertaking any liability for breach of contract related to such activities; (ii) offering guarantees to lenders, guaranteeing principal and dividend payments or bearing the risks associated with fund lending operations for lenders.

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In April 2017, the Online Lending Rectification Office issued the Notice on the Performance of Check and Rectification of Cash Loan Business Activities and a supplementary notice, or the Notice on Cash Loan. The Notice on Cash Loan requires the local branches of the Online Lending Rectification Office to conduct a comprehensive review and inspection of the cash loan business of online lending platforms and require such platforms to implement necessary improvements and remediation within a specific period to comply with the relevant requirements under the applicable laws and regulations. The Notice on Cash Loan focuses on preventing malicious fraudulent activities, loans that are offered at excessive interest rates and violence in the loan collection processes in the cash loan business operation of online lending platforms. The Online Lending Rectification Office also issued a list of cash loan business activities that are to be examined.

In August 2017, the General Office of the CBRC released the Guidelines on Information Disclosure of Business Activities of Online Lending Information Intermediaries, or the Information Disclosure Guidelines. Consistent with the Interim Measures, the Information Disclosure Guidelines emphasize the requirement of information disclosure by an online lending intermediary and further, detail the frequency and scope of such information disclosure. Any violation of the Information Disclosure Guidelines by an online lending intermediary may subject the online lending intermediary to certain penalties under Interim Measures. In addition, the Information Disclosure Guidelines require online lending intermediaries that do not fully comply with the Information Disclosure Guidelines in conducting their business to rectify the relevant activities within six months after the release of the Information Disclosure Guidelines.

In December 2017, the Internet Finance Rectification Office and the Online Lending Rectification Office jointly issued the Notice on Regulating and Rectifying Cash Loan Business, or the Circular 141, outlining general requirements on the cash loan business conducted by network microcredit companies, banking financial institutions and online lending information intermediaries. The Circular 141 specifies the features of cash loans as not relying on consumption scenarios, with no specified use of loan proceeds, no qualification requirement on customers and unsecured etc. The Circular 141 sets forth several general requirements with respect to cash loan business, including, without limitation: (i) no organizations or individuals may conduct the lending business without obtaining approvals for the lending business; (ii) the aggregated borrowing costs of borrowers charged by institutions in the forms of interest and various fees should be annualized and subject to the limit on interest rate of private lending set forth in the Private Lending Judicial Interpretations issued by the Supreme People's Court; (iii) all relevant institutions shall follow the know-your-customer principle and prudentially assess and determine the borrower's eligibility, credit limit and cooling-off period, etc. Loans to any borrower without income sources are prohibited; and (iv) all relevant institutions shall enhance the internal risk control and prudentially use the data-driven risk management model. In additions, the Circular 141 emphasizes several requirements on the online lending information intermediaries. For instance, such intermediaries are prohibited from facilitating any loans to students or other persons without repayment source or repayment capacity, or loans with no designated use of proceeds. Also, such intermediaries are not permitted to deduct interest, handling fee, management fee or deposit from the principal of loans provided to the borrowers in advance. Any violation of the Circular 141 may result in penalties, including but not limited to suspension of operation, orders to make rectification, condemnation, revocation of license, order to cease business operation, and criminal liabilities.

On October 10, 2018, the People's Bank of China, the Banking and Insurance Regulatory Commission of the PRC, and the Securities Regulatory Commission of the PRC jointly issued the Administrative Measures for Anti-money laundering and Anti-terrorism Financing by Internet Finance Service Agencies (for Trial Implementation) after which the National Internet Finance Association of China (NIFA) issued the Notice on Internet Financial Institutions' Access to Internet Financial Anti-money laundering and Anti-terrorist Financing Network Monitoring Platform on January 1, 2019. As a result, online financing institutions must complete a registration on anti-money laundering and anti-terrorist financing on this platform before January 31, 2019.

In December 2018, the Internet Finance Rectification Office and the Online Lending Rectification Office jointly issued an Opinion on Online Lending Institutions Classification and Risk Prevention, or Circular 175, classifying online lending institutions into different types and providing different opinions on the management of these online lending institutions.

In December 2018, the CAC issued Administrative Provisions on Financial Information Services which became effective on February 1, 2019, providing that financial information service providers shall not produce, copy, publish or disseminate information containing the following contents: (i) disseminating false financial information that endangers the state's financial security and social stability; (ii) distorting the state's fiscal and monetary policies and financial management policies, disrupting the economic order and harming the interests of the state; (iii) inciting others to commit commercial fraud or economic crimes and causing social impact; (iv) fabricating securities, funds, futures, foreign exchange and other financial market events or news reports; or (v) publicizing financial products and services prohibited by the competent authorities.



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In December 2018, the CAC issued Administrative Provisions on Financial Information Services which became effective on February 1, 2019, providing that financial information service providers shall not produce, copy, publish or disseminate information containing the following contents: (i) disseminating false financial information that endangers the state's financial security and social stability; (ii) distorting the state's fiscal and monetary policies and financial management policies, disrupting the economic order and harming the interests of the state; (iii) inciting others to commit commercial fraud or economic crimes and causing social impact; (iv) fabricating securities, funds, futures, foreign exchange and other financial market events or news reports; or (v) publicizing financial products and services prohibited by the competent authorities.

In March 2019, the Beijing Internet Finance Industry Association (the Association) issued a Notice on the Launch of the Citywide Inspection Action and the Risk Reminder Letter on the Enterprises Providing Diversion Services to Non-Licensed Lending Institutions. This notice and letter summarized the findings of the Association's investigation into the online Cash Loan business, stating that the Association had discovered that numerous internet and social media platforms, not licensed as lending institutions, are nevertheless engaging in the unlicensed Cash Loan or Excess-interest Loan business via diversion practices undertaken in partnership with licensed lenders. The Association goes on to order relevant enterprises to terminate all such selling of Cash Loan products provided by partner institutions immediately, and save all historical data in that connection to further support the Association's work. In the event of enforcement action taken in this regard by relevant authorities, we may be required to terminate certain of our loan facilitation business services, which could have a material adverse effect on our business.

***Online Payment***

On June 14, 2010, the People's Bank of China promulgated the Measures for the Administration of Payment Services of Non-Financial Institutions (The Measures), which took effect on September 1, 2010. On December 1, 2010, the People's Bank of China promulgated implementing rules for the Measures. The Measures and the implementing rules require any non-financial institution engaging in payment services, such as online payment, issuance and acceptance of prepaid cards, and bill collection via bankcard, to obtain a Payment Service License. The registered capital of an applicant that engages in a nationwide payment business must be at least RMB100 million, while that of an applicant engaging in payment business within a province must be at least RMB30 million.

In addition, in December 2015, the People's Bank of China promulgated the Administrative Measures on the Online Payment Business of Non-Bank Payment Institutions, or the Measures on Online Payment Business, which took effect on July 1, 2016. The Measures on Online Payment Business requires payment institutions to comply with the Know Your Client principle and establish a client identification mechanism. Payment institutions shall register and verify real-name and basic identification of clients that open account with them. In addition, the Measures on Online Payment Business categorizes online payment accounts of individuals into three types, with each type subject to particular use of purposes and different limits on the amounts that can be paid from the accounts.

Beijing Sina Payment Technology Co., Ltd., a wholly owned subsidiary of the ICP Company, has obtained a Payment Service License from the People's Bank of China valid until July 5, 2023, which enables us to engage in nationwide online payment business through the internet and mobile phones.

***Online Games***

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On May 10, 2003, the Provisional Regulations for the Administration of Online Culture were issued by MOC and went into effect on July 1, 2003. It was re-promulgated on February 17, 2011 and further amended on December 15, 2017. According to these regulations, commercial entities are required to apply to the relevant local branch of MOC for an Online Culture Operating License to engage in online games services.

On March 17, 2010, the MOC issued the Interim Measures for the Administration of Online Games which were amended on December 15, 2017, stipulating rules for the first time on the content, market players, business activities, operation activities and legal responsibilities of online games. It establishes the basic principles of engaging in online game activities, and defines the applicable scope and concepts of online game, online game online operation and virtual currency of online game. At the same time, it has made specific institutional arrangements, focusing on online game content management, online game minor protection, online game operators business behavior, the issuance and management of online game virtual currency, and the protection of online game users rights and interests.

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On December 1, 2016, the MOC issued the Online Game Operation Notice, which became effective on May 1, 2017. The Online Game Operation Notice standardizes rules regarding the issuance of virtual items used for online games. The Online Game Operation Notice provides that the issuance and exchange of virtual items issued by online game operators must be administered in accordance with the regulations applicable to virtual currency; that online game operators generally may not allow online game virtual currency to be exchanged for real currency or physical items; requires that, when online game operators allow users to exchange small-value physical items for virtual items, the content and value of such physical items must comply with applicable laws and regulations; and stipulates that online game operators are prohibited from providing lucky draws or lotteries that are conducted on the condition that participants contribute cash or virtual currencies in exchange for virtual items and services and must publish the results of such lucky draws or lotteries on the website of or other conspicuous location in the game and must maintain all relevant records for at least 90 days. In addition, enterprises engaged in online game operations shall require online game users to register their real names by using valid identity documents and shall limit the amount that an online game user may top up each time in each game.

Star VI and the ICP Company hold Online Culture Operating Licenses with a business scope encompassing the issuance of virtual currency . They must also make certain filings with the MOC prior to the issuance of virtual currency and conduct their respective businesses in compliance with PRC law.

The ICP Company currently holds an Online Culture Operating License with a business scope encompassing the issuance of virtual currency issued by MOC in July 2011, has been renewed and is valid through December 30, 2020. We have adopted our own anti-fatigue and real name registration systems since December 2007.

In addition, the ICP Company obtained an Internet Publication License issued by GAPP in December 2010. In 2014, however, its Internet Publication License was revoked by State Administration of Press, Publication, Radio, Film and Television for violations related to the distribution of certain literary and video content on our reading channel, book.sina.com.cn. Our online games business are also affected because online games are classified as a type of electronic production and publishing of online games is required to be done by licensed electronic publishing entities with standard publication codes.

***Online Cultural Products***

The Provisional Regulations for the Administration of Online Culture described above and the Notice on Implementing the revised Provisional Regulations for the Administration of Online Culture issued by MOC in March 2011 apply to entities engaged in activities related to online cultural products. Online cultural products are classified as: (i) online cultural products particularly developed for publishing via internet, which include online music and video files (including video on demand and digital video broadcasting etc.), network games, online performing arts, online artworks, and online animation features and cartoons (including Flash animation); and (ii) online cultural products converted from audio and visual products, games, performing arts, artworks and animation features and cartoons, and published via internet. Pursuant to these legislations, commercial entities are required to apply to MOC for an Online Culture Operating License if they intend to engage in any of the following types of activities for the purpose of making profits:

- production, duplication, import, wholesale, retail, leasing or broadcasting of online cultural products;

- publishing of online cultural products on the internet or transmission thereof to computers, fixed-line or mobile phones, radios, television sets or gaming consoles for the purpose of browsing, reading, using or downloading such products; or
- exhibitions or contests related to online cultural products.

The ICP Company currently holds an Online Culture Operating License issued by MOC, which is valid through December 30, 2020, StarVI currently holds an Online Culture Operating License issued by MOC, which was valid through December 30, 2019. Weimeng currently holds an Online Culture Operating License issued by MOC, which is valid through December 30, 2020.

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***Online Transmission of Audio-Visual Programs***

On December 20, 2007, the State Administration for Radio, Film and Television and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008 and was amended in 2015. Circular 56 reiterates the requirement set forth in the earlier rules that online audio/video service providers must obtain an internet audio/video program transmission license from the State Administration for Radio, Film and Television. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state owned or state controlled. According to relevant official answers to press questions published on the website of the State Administration for Radio, Film and Television on February 3, 2008, officials from the State Administration for Radio, Film and Television and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. These policies have been reflected in the Application Procedure for Audio/Video Program Transmission License promulgated by the State Administration for Radio, Film and Television in 2009. Failure to obtain the internet audio/video program transmission license may subject an online audio/video service provider to various penalties, including fines of up to RMB30,000 (\$4,321), seizure of related equipment and servers used primarily for such activities and even suspension of its online audio/video services.

On December 16, 2016, the State Administration of Press, Publication, Radio, Film and Television of the PRC issued the Rules for the Administration of Video and Audio Programs on microblog, WeChat and other Social Media Platforms, or Circular 196. Circular 196 requires that any organizations that provide online streaming through social media platforms such as microblog or WeChat must obtain an internet audio/video program transmission license. For those organizations and individuals that do not hold such a license, the hosting social networking platform shall be responsible for supervising the content of the posted programs, and the scope of the programs must not exceed the scope stated on the platform's audio/video program transmission license. Similarly, film and TV dramas broadcast through social media is required to obtain a license for public airing, and social media platforms are not allowed to repost user-generated video or audio programs featuring political news.

On March 16, 2018, the State Administration of Press, Publication, Radio, Film and Television of the PRC issued the Notice on Further Regulating the Order of Transmitting Online Audio-visual Programs. The notice prohibits all online audio/video service providers from engaging in (i) production and transmission of any unauthorized re-editing, re-dubbing or parody of other films, television programs, and online audio-visual programs, (ii) transmitting any trailers or previews of radio and television programs or audio-visual programs that have not obtained the relevant permit or completed required filing procedures. Further, any audio-visual program service provider which has not obtained the License for Online Transmission of Audio-Visual Programs may not engage in sponsorship of or any form of cooperation with any audio-visual program.

According to the Reply on Approvals for Beijing SINA Internet Information Service Co., Ltd. Engaging in the Business of Information Services Relating to Online Transmission of Audio-visual Programs issued by the State Administration for Radio, Film and Television on October 17, 2004, the ICP Company has been approved to carry out the online transmission of audio-visual programs. The ICP Company had a License for Online Transmission of Audio-Visual Programs that was issued by the State Administration for Radio, Film and Television and originally valid through April 28, 2015. In 2014, however, our License for Online Transmission of Audio-Visual Programs was revoked by the State Administration of Press, Publication, Radio, Film and Television due to certain unhealthy and indecent content from third-parties or by users on our portal, i.e., on our website www.sina.com.cn. We may not continue offering video service unless we reapply and receive the License for Online Transmission of Audio-visual Programs or find a business partner with proper licenses to incorporate to provide this service. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China We may not be able to continue offering online video services if we cannot find business partners with the required licenses.

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***Online Live-streaming Services***

On November 4, 2016, the CAC promulgated the Regulations on the Administration of Online Live-streaming Services, or the Online Live-streaming Regulations, which became effective on December 1, 2016.

The Online Live-streaming Regulations provides that online live-streaming service providers and distributors must legally obtain the qualification for internet news information services before providing such services on the internet, and engage in online news information services to the licensed extent. Online live-streaming service providers must review all live internet news information and interactions before publishing them, and set up their chief editor position if they provide live-streaming services of internet news information. The Online Live-streaming Regulations also stipulate that online live-streaming service providers must carry out their subject responsibility, arrange professionals commensurate with its service size, establish and improve various management systems, and have the technical capability to immediately cut online live-streaming, and its technical plans shall comply with relevant national standards. In addition, online live-streaming service providers must conduct graded and categorized management according to the content category and user scale of online live-streaming, and establish a credit rating management system for online live-streaming distributors as well as a blacklist management system.

On December 2, 2016, the former Ministry of Culture issued the Administrative Measures for Business Activities of Online Performances, which took effect on January 1, 2017, and provide that the online performances must not involve six types of content, such as those infringing upon others' legitimate rights and interests by taking candid photographs or using a hidden recorder. Entities engaging in online performances must require and verify the registration of performers with their own valid IDs and real names. Moreover, the Measures stress that entities engaging in online performances must improve their own user registration systems, maintain the information provided by users for registration, and take active actions to safeguard the safety of users' information.

On August 1, 2018, the CAC and the other five PRC governmental authorities jointly issued the Circular on Tightening the Administration of Online Live-streaming Services, or the Online Live-streaming Services Circular, which specifies respective duties of online live-streaming service providers, network access service providers and application stores, aiming to prompt relevant internet-based enterprises to fulfill their responsibilities. The Online Live-streaming Services Circular provides that an online live-streaming service provider must make a record filing with the competent telecommunications authority as an internet content provider (ICP). Online live-streaming service providers are also required to apply for a permit with the local authorities if it engages in telecommunications business, livestreaming business for internet news information, online performance, and/or online visual-audio programs. Online live-streaming service providers must make record filings with the local public security authorities within 30 days after live-streaming services have been published on the internet. In addition, online live-streaming service providers are required to implement real name verification system for users, intensify administration of online anchors, establish blacklist system for online anchors, optimize the system of watching and censoring livestreamed content for regulatory purposes, and improve measures to better respond to harmful content.

***Production of Radio and Television Programs***

On July 19, 2004, the State Administration for Radio, Film and Television promulgated the Regulations for Administration on Production of Radio and Television Programs, or the Radio and TV Programs Production Regulations, which came into effect as of August 20, 2004 and were amended on August 28, 2015 and October 30, 2018. The Radio and TV Programs Production Regulations provide that anyone who wishes to produce or operate radio or television programs must first obtain an operating permit.

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In October 2011, the ICP Company obtained a license for production of radio and television programs issued by Beijing Radio and Television Bureau. The license is valid through January 2021 and is subject to annual inspection. Additionally, Weimeng also holds a permit for radio and television program production and operation, with a permitted scope encompassing production of animated programs, features programs and television entertainment programs, which is in the process of renewal.

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***Internet Mapping Services***

Under the Surveying and Mapping Law promulgated by the National People's Congress on December 28, 1992 and amended in August 2002 and April 2017, entities engaged in surveying and mapping services should obtain a surveying and mapping qualification certificate and comply with the state's surveying and mapping criteria. According to the amended Administrative Rules of Surveying Qualification Certificate and the amended Standard for Surveying Qualification Certificate issued by the National Administration of Surveying, Mapping and Geo-information, or NASMG in August 2014 and July 2014, respectively, non-surveying and mapping enterprise is subject to the approval of the NASMG and requires a surveying and mapping qualification certificate to provide internet mapping services.

On November 26, 2015, the State Council enacted the Administrative Regulations on Maps, or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping. The Maps Regulations require entities engaging in online map services to use mapping data approved by the relevant governmental authorities, host servers storing map data within the PRC, and establish a management system as well as protection measures for the data security of the online maps. The mapping data must not contain any content prohibited by the Maps Regulations, and no entities or individuals are allowed to upload or mark such prohibited content online. Further, entities engaging in internet mapping services shall keep confidential any information involving state secrets and trade secrets acquired during their work.

The ICP Company currently holds a surveying and mapping qualification certificate issued by the NASMG, which is valid till December 31, 2019. Weimeng holds a surveying and mapping qualification certificate issued by the NASMG, which is valid till December 31, 2019.

***Internet Medical, Health and Drug Information Services***

According to the Measures for the Administration of Internet Drug Information Services, issued by the State Drug Administration (SDA), on July 8, 2004 and revised on November 17, 2017, websites publishing drug-related information must obtain a license from SDA or its provincial departments.

The ICP Company obtained the approval for website publishing of drug-related information from Beijing Drug Administration (BDA) and SDA in December 2001 and January 2002, respectively, and has obtained a Qualification Certificate for Internet Drug Information Services issued by the BDA in December 2009. Upon expiration, the certificate has been renewed with a term valid through June 9, 2019. Weimeng currently holds a Qualification Certificate for Internet Drug Information Services issued by the BDA, which has been renewed and is valid through August 9, 2020.

***Online Education***

According to the Measures for the Administration of Educational Websites and Online Education School released on July 5, 2000, to open educational websites and online education schools, application must be made to the administrative department overseeing education. Operation may begin only when it is inspected and approved by the administrative department. Educational websites and online education schools shall not



operate without the approval of the administrative department overseeing education.

In compliance with the above regulation, the ICP Company obtained the aforementioned approvals from the Beijing Education Committee on March 21, 2002.

***Information Security and Censorship***

Internet content in China is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security, enacted by the Standing Committee of the National People's Congress in 2000 and amended in 2009, makes it unlawful to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

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The Administrative Measures for the Security Protection of International Connections to Computer Information Network, promulgated by the Ministry of Public Security in 1997 and amended on January 8, 2011, prohibit the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

The Provisions on Technological Measures for Internet Security Protection, promulgated by the Ministry of Public Security in 2006, require all internet content provision operators to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. Internet content provision operators must regularly update information security systems for their websites with local public security authorities, and must also report any instances of public dissemination of prohibited content. If an internet content provision operator violates these measures, the PRC government may revoke its Internet Content Provision License and shut down its websites.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets

These laws and regulations specifically prohibit the use of internet infrastructure where it may breach public security, provide content harmful to the stability of society or disclose state secrets. According to these laws and regulations, it is mandatory for internet companies in the PRC to complete security-filing procedures and regularly update information security and censorship systems for their websites with the local public security bureau. In addition, the amended Law on Preservation of State Secrets effective on October 1, 2010 provides that whenever an internet service provider detects any leak of state secrets in the distribution of online information, it should stop the distribution of such information and report to the authorities of state security and public security. As per request of the authorities of state security, public security or state secrecy, the internet service provider should delete any content on its website that may lead to disclosure of state secrets. Failure to do so on a timely and adequate basis may subject us to liability and certain penalties given by the State Security Bureau, Ministry of Public Security and/or the MIIT or their respective local counterparts.

According to the Administrative Measures for the Administration of Commercial Website Filings for the Record, promulgated by Beijing Administration for Industry and Commerce ( BAIC ) in 2004, websites must comply with the following requirements:

- file with BAIC and obtain electronic registration marks;
- place the registration marks on their websites' homepages; and
- register their website names with BAIC.

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The ICP Company successfully registered its websites with BAIC on December 23, 2002. Afterwards, SINA's electronic registration mark is prominently placed on its homepage.

In addition, the State Security Bureau has issued regulations authorizing the blocking of access to any site it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets during online information distribution. The ICP Company has established an internal security committee, adopted security maintenance measures, employed full-time BBS supervisors and has been exchanging information on a regular basis with the local public security bureau with regard to sensitive or censored information and websites. Thus, it is in compliance with the governing legislation.

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On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's critical information infrastructure. These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, critical information infrastructure is defined as critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government. However, no official guidelines as to the scope of critical information infrastructure have been formally issued.

In addition, the Cyber Security Law requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

Following the Cyber Security Law, the State Administration for Quality Supervision and Inspection and Quarantine (now incorporated into SAMR) and China National Standardization Management Committee issued the Personal Information Security Standard on December 29, 2017, which supplements and refines Cyber Security Law in many aspects. The standard further subdivides personal information into general information and sensitive information, and for sensitive information, including without limitation, ID number, bank account, property information, transaction information, provides that it shall be collected only with the explicit, specific, distinct and clear consent of the users on a fully informed basis.

On November 15, 2018, the CAC and the Ministry of Public Security jointly promulgated the Provisions on the Security Assessment of Internet Information Services Capable of Creating Public Opinions or Social Mobilization, which categorizes service for bbs, blogging, microblogging, chat rooms, communication groups, public accounts, short videos, webcasts, information sharing, small programs, etc. as type of internet information services capable of creating public opinions or social mobilization. As a result, the service provider is required to conduct security assessments and submit reports to the local cyberspace authority and public security bureau through the National Internet Security Management Service Platform.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission along with the MIIT, Ministry of Public Security and State Administration for Market Regulation issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via APP, which restates the criteria for legal collection and use of personal information, encourages APP operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend certificated APPs.



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On March 15, 2019, the CAC and the SAMR jointly issued the Notice on App Security Certification and the Implementation Rules for App Security Certification, according to which the state encourages App operators to voluntarily acquire App security certification, and encourages search engines, App stores and other clearly identified Apps to give priority to those that have acquired such certification. The institution responsible for this certification is the China Cybersecurity Review Technology and Certification Center (ISCCC). The testing institution will be determined by the ISCCC according to the certification business requirements and technical capabilities.

***Online Privacy***

Chinese law does not prohibit internet service providers from collecting and analyzing personal information from their users. The PRC government, however, has the power and authority to order internet service providers to submit personal information of an internet user if such user posts any prohibited content or engages in illegal activities on the internet.

Under the Several Provisions on Regulating the Market Order of Internet Information Services promulgated by the MIIT and became effective on March 15, 2012, internet service providers may not, without a user's consent, collect the user's personal information that can be used, alone or in combination with other information, to identify the user, and may not provide any user's personal information to third parties without the prior consent of the user. Internet service providers may only collect users' personal information necessary to provide their services and must expressly inform the users of the method, scope and purpose of the collection and processing of such information. They are also required to ensure the proper security of users' personal information, and take immediate remedial measures if such information is suspected to have been inappropriately disclosed. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. If we are not in compliance with these provisions, the MIIT or its local counterparts may impose penalties and we may be liable for damage caused to our users.

On December 28, 2012, the Standing Committee of the National People's Congress enacted the Decision to Enhance the Protection of Network Information to further enhance the protection of users' personal information in electronic form. Most requirements under this decision relevant to internet service providers are consistent with the requirements already established under the MIIT provisions discussed above, but are often stricter and broader. Under this decision, internet service providers are required to take such technical and other measures necessary to safeguard the information against inappropriate disclosure.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (the Order). Most requirements under the Order that are relevant to ICP operators are consistent with the requirements already established under the MIIT provisions as discussed above. Under the Order, these requirements are often more strict and have a wider scope. If an ICP operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. ICP operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. ICP operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant Internet service. ICP operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties. In addition, if an ICP operator appoints an agent to undertake any marketing and technical services that involve the collection or use of personal information, the ICP operator is still required to supervise and manage the protection of the information. As to penalties, in very broad terms, the Order states that violators may face warnings, fines, and disclosure to the public and, in most severe cases, criminal liability.

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On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, Internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

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Following Cyber Security Law, the State Administration for Quality Supervision and Inspection and Quarantine (now incorporated into SAMR) and China National Standardization Management Committee issued Personal Information Security Standard on December 29, 2017, which supplements and refines Cyber Security Law in many aspects. The standard further subdivides personal information into general information and sensitive information, and for sensitive information, including without limitation, ID number, bank account, property information, transaction information, shall be collected with explicit, specific, distinct and clear consent of the users on a fully informed basis.

Further, on August 31, 2018, the Standing Committee of the National People's Congress issued E-commerce Law, which came into force as of January 1, 2019 and specifically regulated the e-commerce activities conducted within the territory of the People's Republic of China. Generally, e-commerce operators shall abide by the provisions regarding the protection of personal data as stipulated in laws and administrative regulations when collecting and using the personal data of users, also with exemption when competent authorities require e-commerce operators to provide relevant e-commerce data information.

Recently, Office of the Central Cyberspace Affairs Commission along with MIIT, Ministry of Public Security and State Administration for Market Regulation issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via APP on January 23, 2019, which restates the legal collection and use of personal information, encourages APP operators to conduct security certifications and search engines and APP stores to clearly mark and recommend the certificated APP.

***Internet Copyright***

The National People's Congress adopted the Copyright Law in 1990 and amended it in 2001 and 2010, respectively. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The amended Copyright Law also requires registration of copyright pledges. The National Copyright Administration and the MII jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005 to address copyright infringement issue related to the content posted or transmitted over the internet, which became effective on May 30, 2005. According to these measures, providing internet content directly in the course of internet information service activities shall be governed by the Copyrights Law, which includes the uploading, storing, linking, search and other functions of such content directly provided over the internet without any editing, amending or selecting the stored or transmitted content.

On May 18, 2006, the State Council promulgated the Protection of the Right of Communication through Information Networks, which became effective on July 1, 2006 and amended in 2013. Under this regulation, with respect to any information storage space, search or link services provided by an internet service provider, if the legitimate right owner believes that the works, performance or audio or video recordings pertaining to that service infringe his or her rights of communication, the right owner may give the internet service provider a written notice containing the relevant information along with preliminary supporting materials proving that an infringement has occurred, and requesting that the internet service provider to delete, or disconnect the links to, such works or recordings. The right owner will be responsible for the truthfulness of the content of the notice. Upon receipt of the notice, the internet service provider must delete or disconnect the links to the infringing content immediately and forward the notice to the user that provided the infringing works or recordings. If the written notice cannot be sent to the user because the user's IP address is not known, the contents of the notice shall be published on information networks. If the user believes that the subject works or recordings have not infringed others' rights, the user may submit to the internet service provider a written explanation with preliminary supporting materials, and a request for the restoration of the deleted works or recordings. The internet service provider should then immediately restore the deleted or disconnected content and forward the user's written statement to the right owner.

According to an interpretation by PRC Supreme People's Court took effect on January 1, 2013, internet service providers will be jointly liable if they continue their infringing activities or do not remove infringing content from their websites once they know of the infringement or receive



notice from the rights holder. If a network service provider economically benefits from the works, performances, and sound or visual recordings provided by the network service provider, it must pay close attention to infringement of network information transmission rights by network users.

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***Tort Liability Law***

The PRC Tort Liability Law became effective on July 1, 2010. According to the Tort Liability Law, internet users and internet service providers bear tortious liabilities in the event that they infringe other persons' rights and interests through the internet. Where an internet user conducts tortious acts through internet services, the infringed person has the right to require the internet service provider to take necessary actions such as deleting content, screening and de-linking. A failure to take necessary actions after being informed will subject the internet service provider to joint and several liability with the internet user with regard to the additional damages incurred. Where an internet service provider knows an internet user is infringing other persons' rights and interests through its internet service but fails to take necessary actions, it is jointly and severally liable with the internet user.

***Foreign Exchange***

Foreign exchange regulation in China is primarily governed by the following regulations:

- Foreign Exchange Administration Rules, or the Exchange Rules, promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 and on August 5, 2008 respectively; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, or the Administration Rules, promulgated by the People's Bank of China on June 20, 1996.

Under the Exchange Rules, RMB is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. As for capital account items, such as direct investments, loans, security investments and the repatriation of investment returns, however, the reservation or conversion of foreign currency income is still subject to the approval of SAFE or its competent local branches; while for the foreign currency payments for capital account items, the SAFE approval is not necessary for the conversion of RMB except as otherwise explicitly provided by laws and regulations.

Under the Administration Rules, enterprises may only buy, sell or remit foreign currencies at banks that are authorized to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of China are also subject to limitations, which include approvals by the MOC, SAFE and the National Development and Reform Commission, or their respective competent local branches.

SAFE promulgated a circular on November 19, 2010, or Circular No. 59, which tightens the examination on the authenticity of settlement of net proceeds from an offering and requires that the settlement of net proceeds shall be in accordance with the description in its prospectus. On March 30, 2015, the SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the

conversion-at-will regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiary are still not allowed to extend intercompany loans to our PRC consolidated entities. In addition, as Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

Table of Contents***Income Tax***

On March 16, 2007, the National People's Congress approved and promulgated the EIT Law. On December 6, 2007, the State Council approved the Implementing Rules. Both the EIT Law and its Implementing Rules became effective on January 1, 2008. On February 24, 2017 and December 28, 2018, the EIT Law was further revised. Under the EIT Law and the Implementing Rules, the enterprise income tax rate for both domestic companies and FIEs is unified at 25%.

On April 14, 2008, the Administration Measures for Recognition of High and New Technology Enterprises, or the Recognition Measures, were jointly promulgated by the Ministry of Science and Technology, the Ministry of Finance, and the State Administration of Taxation and further amended on January 1, 2016, which sets out the standards and process for granting the high and new technology enterprises status. According to the EIT Law and its Implementing Rules as well as the Recognition Measures, enterprises which have been granted the high and new technology enterprises status shall enjoy a favorable income tax rate of 15%. As of December 31, 2018, six of our subsidiaries have obtained the Certificate for High and New Technology Enterprises and enjoyed a favorable tax rate under the EIT Law. The New EIT Law and its implementation rules also provide that software enterprises enjoy a two-year income tax exemption starting from the first profit making year, followed by a reduced tax rate of 12.5% for the subsequent three years. Weibo Technology, qualified as software enterprises, started to enjoy the relevant tax holiday from its first accumulative profitable year in 2015 and has been subject to a reduced enterprise income tax rate of 12.5% since 2017. In late 2018, Weibo Technology was approved to be qualified as a key software enterprise for 2017 and thus entitled to enjoy a further reduced preferential tax rate of 10% for 2017. Weibo Technology used the preferential tax treatment of its key software enterprise status of 2017 in 2018. The qualification as a software enterprise and key software enterprise is subject to annual evaluation by the relevant authorities in China.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose de facto management body is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules merely defines the location of the de facto management body as the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located. The State Tax Administration issued the Circular regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. The State Administration of Taxation issued the Bulletin regarding the Administrative Measures on the Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Interim) on July 27, 2011, which became effective on September 1, 2011 and amended on April 17, 2015, June 28, 2016 and June 15, 2018, providing more guidance on the implementation of Circular 82. This bulletin clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises, not companies like us, the determining criteria set forth in Circular 82 and the bulletin may reflect the State Administration of Taxation's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Based on a review of surrounding facts and circumstances, we do not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, should we be treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

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The EIT Law also imposes a withholding income tax of 10% on dividends distributed by an FIE to its immediate holding company outside of China if such immediate holding company is considered a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the previous EIT Law. The Cayman Islands, where our holding Company is incorporated, does not have such tax treaty with China. According to the Arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation further promulgated a circular, or Circular 601, on October 27, 2009, which provides that the tax treaty benefits will be denied to conduit or shell companies without business substance and that a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant the tax treaty benefits. A majority of our subsidiaries in China are directly held by our Hong Kong subsidiaries. If we are regarded as a non-resident enterprise and our Hong Kong subsidiaries are regarded as resident enterprises, then our Hong Kong subsidiaries may be required to pay a 10% withholding tax on any dividends payable to us. If our Hong Kong entities are regarded as non-resident enterprises, then our PRC subsidiaries may be required to pay a 5% withholding tax for any dividends payable to our Hong Kong subsidiaries, however, it is still unclear at this stage whether Circular 601 applies to dividends from our PRC subsidiaries paid to our Hong Kong subsidiaries, and if our Hong Kong subsidiaries were not considered as beneficial owners of any dividends from their PRC subsidiaries, whether the dividends payable to our Hong Kong subsidiaries would be subject to withholding tax at a rate of 10%.

The EIT Law and its Implementation Rules have made an effort to scrutinize transactions between related parties. Pursuant to the EIT Law and its Implementation Rules, the tax authorities may impose mandatory adjustment on tax due to the extent a related party transaction is not in line with arm's-length principle or was entered into with a purpose to reduce, avoid or delay the payment of tax. On January 8, 2009, the State Administration of Taxation issued the Implementation Measures for Special Tax Adjustments (Trial), which clarifies the definition of related party and sets forth the tax-filing disclosure and documentation requirements, the selection and application of transfer pricing methods, and transfer pricing investigation and assessment procedures.

Pursuant to the SAT Circular 7, except for a few circumstances falling into the scope of the safe harbor provided by SAT Circular 7, such as open market trading of stocks in public companies listed overseas, if a non-PRC resident enterprise indirectly transfers PRC taxable properties (i.e. properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise) by disposing of equity interest or other similar rights in an overseas holding company, without a reasonable commercial purpose and resulting in the avoidance of PRC enterprise income tax, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose, such as whether the main value of equity interest in an overseas holding company is derived directly or indirectly from PRC taxable properties. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law without considering other factors set out by SAT Circular 7: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. SAT Circular 7 also introduces an interest regime by providing that where a transferor fails to file and pay tax on time, and where a withholding agent fails to withhold the tax, interest will be charged on a daily basis. If the transferor has provided the required documents and information or has filed and paid the tax within 30 days from the date that the share transfer contract or agreement is signed, then interest shall be calculated based on the benchmark interest rate; otherwise, the benchmark interest rate plus 5% will apply. Both the foreign transferor and the transferee, and the PRC tax resident enterprise whose equity interests are being transferred may voluntarily report the transfer by submitting the documents required in SAT Circular 7.

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***Value-Added Tax***

With the implementation of a pilot program (the Pilot Program ), we are subject to 6.7% VAT and surcharges and 3% cultural business construction fees for certain parts of our advertising business. Our non-advertising revenue is subject to 6.7% VAT and surcharges.

***Labor and Work Safety***

The Labor Law of the PRC, or the Labor Law, which became effective on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, provides basic protections for employees. For examples, employers should sign labor contracts with employees if labor relationships are to be established; employers cannot compel employees to work beyond the time limit and should promptly pay wages not lower than local minimum wage standards to employees; employers shall establish and improve occupational safety and health policies and procedures and strictly abide by applicable PRC rules and standards on labor safety and health; and female employees and juvenile employees are given special protection.

On June 29, 2007, the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law was amended on December 28, 2012 and came into effect on July 1, 2013. On September 18, 2008, the State Council promulgated the Regulations on Implementation of the Labor Contract Law. Compared to the Labor Law, the Labor Contract Law and its implementing regulations impose more restrictions on employers. Such restrictions include specific provisions related to fixed term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law and its implementing regulations, an employer is obliged to sign a non-fixed term employment contract with an employee if the employer intends to renew employment relationship with such employee after two consecutive fixed term employment contracts. The employer also has to compensate the employee if the employer terminates the unlimited term labor contract, unless the employee refuses to extend an expired employment contract under terms which are the same or more favorable than those in the expired contract. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have worked more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their accumulative length of services. Employees who waive such vacation time at the request of employers shall be compensated for three times of their daily salaries for each waived vacation day.

***Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors***

The General Office of the State Council promulgated the Notice on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Notice, on February 3, 2011. The Security Review Notice apply to the mergers and acquisitions of domestic enterprises by foreign investors that involves national security, including enterprises relating to military, national defense, important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, and manufacturing of major equipment. The joint ministerial meeting is appointed as the authority in carrying out the security review.

To specify the implementation and procedural matters, the MOFCOM enacted the Interim Measures on Related Matters on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors which were effective from March 5, 2011 to August 31, 2011 and the Provisions on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Provisions, which became effective on September 1, 2011. The Security Review

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Provisions determine whether a merger or acquisition of a domestic enterprise by a foreign investor falls within the scope of the national security review based on the substance and actual impact of the transaction and prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements.

For a description of how uncertainties in Chinese regulations may affect our business, please see [Item 3. Key Information](#) [D. Risk Factors](#) [Risks Related to Doing Business in China](#). The Chinese government may prevent us from advertising or distributing content that it believes is inappropriate and we may be liable for such content or we may have to stop profiting from such content.

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**C. Organizational Structure**

SINA is the parent company of our group and conducts business operations in China through wholly owned and partially owned subsidiaries and VIEs. The following diagram illustrates our corporate structure as of the date of this annual report:

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(1) Shareholders of the IAD Company include two of nominee shareholders, Y. Liu and W. Wang, each holding 50% of IAD Company equity interest. The registered capital of the IAD Company is \$24.8 million.



(2) Shareholders of the ICP Company including H. Du, our executive officer, holding 27.3% equity interest, G. Wang, the chief executive officer of Weibo, holding 22.8% equity interest. The remaining equity interest is held by D. Lin and F. Cao, two nominee shareholders of our company, holding 22.8% and 27.1% of ICP Company's equity interest, respectively. The registered capital of the ICP Company is \$121.7 million.

(3) Shareholders of StarVI include nominee shareholders, G. Wang, L. Wei and H. Du, holding 40%, 30% and 30% of StarVI's equity interest, respectively. The registered capital of StarVI is \$1.2 million.

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(4) Shareholders of Weimeng include four nominee shareholders, Y. Liu, W. Wang, W. Zheng and Z. Cao, holding 30%, 30%, 20% and 20% of Weimeng's equity interest, respectively. The registered capital of Weimeng is \$84.9 million.

(5) Beijing Sina Payment Technology Co., Ltd. ( SINA Pay ) is an online payment service company wholly owned by the ICP Company. The registered capital of SINA Pay is \$15.7 million.

(6) Beijing Weibo Interactive Technology Co., Ltd. ( Weibo Interactive ), an online-game platform company, was acquired by the IAD Company in May 2013. The entire equity interest in Weibo Interactive was transferred to Weimeng in December 2013. The registered capital of Weibo Interactive is \$8.7 million.

(7) The nominee shareholders of our VIEs have immaterial stake in our company.

**Contractual Arrangements with VIEs and Their Respective Shareholders**

In order to comply with the PRC government's foreign investment restrictions on internet information services and other laws and regulations, we conduct all our internet information services, advertising and MVAS in China via our significant domestic VIEs:

The capital investments in these VIEs were funded by SINA through SINA's wholly owned subsidiaries and recorded as interest-free loans to the employees. As of December 31, 2018, the total amount of interest-free loans to the employee shareholders of the VIEs listed above and the other inactive VIEs was \$294.9 million. Under various contractual agreements, employee shareholders of the VIEs are required to transfer their ownership in these entities to our subsidiaries in China when permitted by PRC laws and regulations or to our designees at any time for the amount of outstanding loans, and all voting rights of the VIEs are assigned to our wholly owned subsidiaries in China. Our subsidiaries in China have the power to appoint all directors and senior management personnel of the VIEs. Through our subsidiaries in China, we have also entered into exclusive technical agreements and other service agreements with the VIEs, under which these subsidiaries provide technical services and other services to the VIEs in exchange for substantially all of the economic benefits of the VIEs. In addition, our employee shareholders of the VIEs have pledged their shares in the VIEs as collateral for non-payment of loans or for fees on technical and other services due to us.

The following is a summary of the VIE agreements between our wholly owned subsidiary STC, our VIE ICP Company and ICP Company's shareholders:

*Loan Agreements.* STC has granted interest-free loans to the shareholders of the ICP Company with the sole purpose of providing funds necessary for the capital injection of the ICP Company. The terms of the loans are ten years in general. STC, at its own discretion, has the right to shorten or extend the terms of the loans if necessary. These loans were eliminated with the capital of the VIEs during consolidation.

*Share Transfer Agreements.* Each shareholder of the ICP Company has granted STC an option to purchase his/her shares in the ICP Company at a purchase price equal to the amount of capital injection. STC may exercise such option at any time until it has acquired all shares of the ICP Company, subject to applicable PRC laws. The options will be effective until the earlier of (i) the shareholders of the ICP Company and STC have fully performed their obligations under this agreement, or (ii) the shareholders of the ICP Company and STC agree to terminate the share transfer agreement in writing.

*Agreements on Authorization to Exercise Shareholder's Voting Power.* Each shareholder of the ICP Company has authorized STC to exercise all his/her voting power as a shareholder of the ICP Company. The authorizations are irrevocable and will not expire until the ICP Company dissolves. Modification, supplement or adjustment of the terms may only be made with the consents from STC.

*Share Pledge Agreements.* Each shareholder of the ICP Company has pledged all his/her shares in the ICP Company and all other rights relevant to the share rights to STC as a collateral security for his/her obligations to pay off all debts to STC under the loan agreement and for the payment obligations of the ICP Company under the trademark license agreement and the technical services agreement. In the event of default of any payment obligations, STC will be entitled to certain rights, including transferring the pledged shares to itself and disposing of the pledged shares through sale or auction. During the term of each agreement, STC is entitled to receive all dividends and distributions paid on the pledged shares. The pledges will be effective until the earlier of (i) the three-year anniversary of the due date of the last guaranteed debt, (ii) the ICP Company and the shareholders of the ICP Company have fully performed their obligations under the above-referred agreements, or (iii) STC has unilaterally consented to terminate the respective share pledge agreement.

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*Loan Repayment Agreements.* Each shareholder of the ICP Company and STC have agreed that the interest-free loans under the loan agreements shall only be repaid through share transfer. Once the share transfers are completed, the purchase price for the share transfer will be offset against the loan repayment. The loan repayment agreements will be effective until the earlier of (i) the shareholders of the ICP Company and STC have fully performed their obligations under the respective agreement, and (ii) the shareholders of the ICP Company and STC agree to terminate the share transfer agreement in writing.

*Exclusive Technical Services Agreement.* The ICP Company has entered into an exclusive technical services agreement with STC pursuant to which STC is engaged to provide certain technical services to the ICP Company. This exclusive technical services agreement can only be prematurely terminated by STC and will not expire until the respective VIEs dissolve, with the services fee being adjusted annually through written agreements. Due to its control over the ICP Company, STC has the right to determine the service fees to be charged to the ICP Company by considering, among others, the technical complexity of the services, the actual costs that may be incurred for providing the services, the operations of the ICP Company, applicable tax rates, planned capital expenditures and business strategies.

The ICP Company has engaged STC to provide technical services for its (i) online advertising and other related businesses, and (ii) value-added telecommunication and other related businesses. The ICP Company is obligated to pay service fees to STC.

*Exclusive Sales Agency Agreement.* The ICP Company has granted STC the exclusive right to distribute, sell and provide agency services for all the products and services provided by the ICP Company. These exclusive sales agency agreements can only be prematurely terminated by STC and will not expire until the ICP Company is dissolved. We have entered into the Exclusive Sales Agency Agreements to allow us to generate revenues from the ICP Company in the form of sales agency fees if we decide to enter into sales agency arrangements with the VIEs in the future (when permitted under PRC laws).

*Trademark License Agreement.* STC has granted the ICP Company trademark licenses to use the trademarks held by STC in specific areas, and the ICP Company is obligated to pay license fees to STC. The term of these agreements is one year and is automatically renewed provided there is no objection from STC. In addition, only STC may terminate the respective trade license agreement prematurely.

(i) STC, our VIE IAD Company and IAD Company's shareholders, (ii) our subsidiary Star Shining, our VIE StarVI and StarVI's shareholders, and (iii) our subsidiary Weibo Technology, our VIE Weimeng and Weimeng's shareholders have also entered in to VIE agreements in substantially the same form as described above, except for the below specific services provided under the exclusive technical services agreement.

IAD Company has engaged STC to provide technical services for its (i) online advertising and other related businesses, and (ii) value-added telecommunication and other related businesses. Pursuant to changes in applicable PRC laws in 2008, we established two wholly owned subsidiaries to engage directly in online advertising and related businesses.

StarVI has engaged Star Shining to provide technical services for its internet information service and Star Shining has the sole right to appoint any company or companies at its discretion to perform such technical services.

Weimeng has engaged Weibo Technology to provide technical services for its online advertising and other related businesses.

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Although we have been advised by our PRC counsel, TransAsia Lawyers, that our arrangements with the VIEs are not in conflict with the current PRC laws and regulations, we cannot assure you that we will not be required to restructure our organization structure and operations in China to comply with changing and new PRC laws and regulations. Restructuring of our operations may result in disruption to our business. If PRC tax authorities were to determine that our transfer pricing structure was not done on an arm's length basis and therefore constitutes a favorable transfer pricing, they could request that our VIEs adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment may not reduce the tax expenses of our subsidiaries but could adversely affect us by increasing our VIEs' tax expenses, which could subject our VIEs to late payment fees and other penalties for underpayment of taxes and/or could result in the loss of tax benefits available to our subsidiaries in China. Any of these measures may result in adverse tax consequences to us and adversely affect our results of operations.

**D. Property, Plant and Equipment**

The majority of our operations are in China, where we have offices in Beijing, Tianjin, Shanghai, Guangzhou and Shenzhen. Our offices at SINA Plaza in Beijing, comprising approximately 132,000 square meters, hold our principal sales, marketing and development facilities. We also have sales, marketing and other operations at satellite offices across China.

In addition to SINA Plaza that we own, we also lease office facilities under non-cancelable operating leases with various expiration dates through 2023. Our servers are primarily maintained at China Telecom and China Unicom branches in cities across China, including Beijing, Shanghai, Guangzhou and Tianjin. We also have servers located at various internet data centers in Taipei, Taiwan, San Jose, California and Hong Kong.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

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

**A. Operating Results**

**Overview**

We are an online media company serving China and the global Chinese communities. Our digital media network of SINA.com (portal), SINA mobile (mobile applications and mobile portal), Weibo (social media) enable internet users to access professional media and UGC in multimedia formats from the web and mobile devices and share their interests with friends and acquaintances.

**SINA.com.** SINA.com offers distinct and targeted professional content on each of its region-specific websites and a range of complementary offerings. Over years, we have built a broad content network with thousands of professional media partners and accumulated a large mainstream user base, including well-educated, white-collar professionals.

**SINA mobile.** We also provide news information and entertainment content customized for mobile users through mobile applications, such as SINA News, SINA Finance, SINA Sports, SINA Entertainment and SINA Blog, as well as through our mobile portal, SINA.cn.

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**Weibo.** Based on an open platform architecture to host organically developed and third party applications, Weibo is a form of social media, featuring microblogging services and social networking services that allow users to connect and share information anywhere, anytime and with anyone on our platform. In December 2018, Weibo had 462 million MAUs and 200 million average DAUs, increasing from 392 million MAUs and 172 million average DAUs in December 2017, with approximately 93 % MAUs accessed Weibo from mobile devices at least once during the month.

Through these properties and other product lines, we offer an array of online media and social media services to our users to create a rich canvas for businesses and advertisers to effectively connect and engage with their targeted audiences. We offer both brand advertising services in display ad formats and performance-based online marketing solutions on SINA portal, SINA mobile and Weibo, such as promoted feeds.

The primary focus of our operations is in China, where the majority of our revenues are derived. We have grown in recent years, except for 2009 when China was impacted by the global financial crisis. Our online advertising business in China has been robust due to a growing local economy, increase in internet users and the shift of advertising budgets from traditional media to online media. As the growth of the Chinese economy slowed in recent years, our online advertising business was impacted by the budget limitations of certain large brand advertisers. Nevertheless, since Weibo launched a full spectrum of advertising and marketing solutions tailored made to brand advertisers, SMEs as well as to Alibaba and e-commerce merchants, we witnessed healthy growing trends in each customer segment, which helped increase our online advertising revenue in 2018. The success of our online advertising business is tied to the size and vitality of the China's economy. Any prolonged economic slowdown in China may cause our customers to decrease or delay their online marketing spending and could negatively affect our ability to grow our online advertising business.

Factors directly affecting the growth of our online advertising business include: (1) our ability to increase awareness of our brand and continue to build user loyalty; (2) our ability to attract a larger audience to our network; and (3) our ability to attract new advertisers and increase the average spending of our existing advertisers. The performance of our online advertising and other businesses also depends on our ability to react to risks and challenges, including:

- our ability to adapt our content, product offerings and monetization model to the increasing usage of smart phones, tablets and other mobile devices and sustain the monetization of PC traffic while the proportion of internet traffic shifts to mobile;
- increasing competition in the core areas of our business, including mobile, video, portal verticals (including news, auto, finance and sports) and social media;
- our ability to achieve sustainable revenue growth and profitability for our social media Weibo;
- our ability to continue to increase the strength of our brands and develop new brands successfully in the marketplace;



- our ability to keep up with the rapid technological changes of the internet industry and develop and introduce new products and services;
- our ability to meet internal or external expectations of future performance;
- the ability of the online advertising market in China to continue to grow and the rate of such growth;
- China's complex legal system governing the internet and advertising related industries;
- Changes in practice, policy or law by the Chinese government in connection with our advertising and other businesses;
- the performance of our equity investments; and

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- the risks associated with our control over our variable interest entities.

We have made significant investments in the development of Weibo and other initiatives, such as expanding our online video offerings, growing our user traffic and attracting new advertisers and partners to better position us for the future. Such initiatives have increased our spending in product and partnership development, advertising and promotion, content purchases and infrastructure procurement. We expect to continue to increase our investments in Weibo and other products in absolute dollar terms in the near future, which may continue to hamper our gross margin and profitability.

Our portal business faces challenges in growing our advertising revenue in near term with accelerated user migration to mobile terminals and diversification of customer marketing spending on various internet advertising sectors. We have renovated our legacy business by focusing on mobile front to gain market share, build up our advertising system, expand our customer base, and enable transactions and execute vertical strategies to diversify our revenue source. During the transformation process, we expect to incur more costs and expenses in near term to build up new talent pool and make investments in product innovation and business opportunities to achieve growth in long-term perspective. The investment in talent and products may reduce our gross margin and profitability in near term. In 2016, we provided an impairment of \$36.7 million on our portal advertising segment taking into consideration a number of factors, including but not limited to the expected future cash flows and revenue growth rates.

**Taxation**

We generate the majority of our operating income (loss) from our PRC operations and have recorded income tax provisions (benefits) for the periods presented.

***Cayman Islands***

According to Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

***Hong Kong***

Our subsidiaries incorporated in Hong Kong, are subject to Hong Kong profit tax at a rate of 16.5%. Hong Kong does not impose a withholding tax on dividends.

*China*

Effective January 1, 2008, the EIT Law in China supersedes the previous EIT Law and unifies the income tax rate for domestic enterprises and FIEs at 25%. High and new technology enterprises continue to enjoy a preferential tax rate of 15%. As of December 31, 2018, some of our subsidiaries were qualified as high and new technology enterprises and enjoy a preferential tax rate of 15% under the new EIT Law.

On February 22, 2008, relevant governmental regulatory authorities released qualification criteria, application procedures and assessment processes for software enterprises, which were updated in April 2013. An entity qualified as a software enterprise may enjoy an income tax exemption for two years beginning with its first profit making year and a reduced tax at a rate of 12.5% for the subsequent three years. Weibo Technology, qualified as software enterprises, started to enjoy the relevant tax holiday from its first accumulative profitable year in 2015 and has been subject to a reduced enterprise income tax rate of 12.5% since 2017. In late 2018, Weibo Technology was approved to be qualified as a key software enterprise for 2017 and thus entitled to enjoy a further reduced preferential tax rate of 10% for 2017. Weibo Technology used the preferential tax treatment of its key software enterprise status of 2017 and recognized \$10.8 million of tax credit in 2018.

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The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose de facto management body is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely defines the location of the de facto management body as the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located. Based on a review of surrounding facts and circumstances, we do not believe that our operation outside of the PRC is likely to be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and short implementation history of the EIT Law, should we be treated as a resident enterprise for PRC tax purposes, we would be subject to PRC tax on our worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by an FIE to its immediate holding company outside of China, if such immediate holding company is considered a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where our holding company is incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation further promulgated a circular, or Circular 601, on October 27, 2009, which provides that the tax treaty benefits will be denied to conduit or shell companies without business substance and that a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant the tax treaty benefits. A majority of our FIEs' operations in China are invested and held by Hong Kong registered entities. If we are regarded as a non-resident enterprise and our Hong Kong subsidiaries are regarded as resident enterprises, then our Hong Kong subsidiaries may be required to pay a 10% withholding tax on any dividends payable to us. If our Hong Kong entities are regarded as non-resident enterprises, then our PRC subsidiaries may be required to pay a 5% withholding tax for any dividends payable to our Hong Kong subsidiaries. However, it is still unclear at this stage whether Circular 601 applies to dividends paid from our PRC subsidiaries to our Hong Kong subsidiaries. If our Hong Kong subsidiaries were not considered as beneficial owners of any dividends from their PRC subsidiaries, the dividends payable to our Hong Kong subsidiaries would be subject to withholding tax at a rate of 10%. In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. We do not have any present plan to have our subsidiaries to distribute their earnings overseas, and we intend to retain most, if not all, of our available funds and any future earnings in China to operate and expand our business within the PRC. Accordingly, we did not record any withholding tax on the retained earnings of our subsidiaries in the PRC as of December 31, 2018.

Our VIEs are wholly owned by our employees or designated personnel and controlled by us through various contractual agreements. To the extent that these VIEs have undistributed earnings, we will accrue appropriate expected tax associated with repatriation of such undistributed earnings.

We did not recognize any amount of unrecognized tax benefits and related interest and penalties in our financial statement during the presented periods in accordance with ASC740-10. Included in the long-term liabilities as of December 31, 2017 and 2018, respectively, there was approximately \$0.6 million unrecognized tax liability, arising from transferring pricing arrangements between related parties in previous periods, which is immaterial to our consolidated financial statements for all periods presented. We do not expect any significant increase or decrease in this unrecognized tax liability within 12 months following the reporting date. In general, the PRC tax authorities have up to five years to review a company's tax filings. Accordingly, tax filings of our PRC subsidiaries and VIEs for tax years 2014 through 2018 remain subject to the review by the relevant PRC tax authorities. In the case of a transferring pricing related adjustment, the statute of limitation is ten years, which indicates that such arrangement will open for examination by PRC tax authorities.

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In February 2015, the State Administration of Tax issued the Announcement on Several Issues Related to Enterprise Income Tax for Indirect Asset Transfer by Non-PRC Resident Enterprises, or SAT Circular 7, if a non-resident enterprise transfers the equity interests of or similar rights or interests in overseas companies which directly or indirectly own PRC taxable assets through an arrangement without a reasonable commercial purpose, but rather to avoid PRC corporate income tax, the transaction will be re-characterized and treated as a direct transfer of PRC taxable assets subject to PRC corporate income tax. SAT Circular 7 specifies certain factors that should be considered in determining whether an indirect transfer has a reasonable commercial purpose. However, there is uncertainty as to the application of SAT Circular 7 and the interpretation of the term reasonable commercial purpose. Although we believe that it is more likely than not all of our equity transfers during the presented periods would be determined as one with a reasonable commercial purpose, should this not be the case, we would be subject to a significant withholding tax that could materially and adversely affect our financial condition, results of operations and cash flows.

For further information on our tax structures and inherent risks see Item 3. Key Information D. Risk Factors Risk Related to Doing Business in China Discontinuation of preferential tax treatment, changes to the interpretation or enforcement of tax regulations or imposition of any additional taxes could adversely affect our financial condition and results of operations.

**Inflation**

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for 2016, 2017 and 2018 increases by 2.0%, 1.6% and 2.1%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

**Critical Accounting Policies, Judgments and Estimates**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgment areas, including those related to revenue recognition, allowance for doubtful accounts, stock-based compensation, taxation, net income (loss) per share, business combination, fair value, goodwill, long-lived assets, long-term investments and convertible debt. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from such estimates under different assumptions or conditions.

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

***Revenue Recognition***

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We adopted the new revenue guidance ASC Topic 606 Revenue from Contracts with Customers as of January 1, 2018 using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting method under ASC 605.

### *Impact on Adoption of New Revenue Guidance*

The main impact of our adoption of ASC 606 include i) the presentation of VAT recognized in revenue from gross to net, which results in equal decreases of revenues and cost of revenues, and ii) the recognition of revenues and expenses at fair value for advertising barter transactions, which mainly results in the increase of revenue and advertising expenses.

Under the previous guidance of ASC 605, advertising barter transactions for which the fair value of the advertising services was not determinable were recorded at the carrying amount of the advertising surrendered since we did not settle such barter transactions with the counterparties in cash. Under the new guidance of ASC 606, advertising barter transactions are recorded at the fair value of the advertising received by reference to the fair value of advertising services provided to other customers.

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

Certain customers may receive sales rebates, which are accounted for as variable consideration. We estimate annual expected revenue volume of each individual agent with reference to their historical results. We recognize revenue for the amount of fees it receives from its advertisers, after deducting sales rebates and net of value-added tax ( VAT ) under ASC 606. We believe that there will not be significant changes to our estimates of variable consideration.

*Advertising*

We generate our revenues primarily by delivering advertising on our portal properties and Weibo's social media's properties. Advertising revenues are derived principally from online advertising and marketing, including display advertising and promoted marketing, and, to a lesser extent, sponsorship arrangements. Our majority revenue transactions are based on standard business terms and conditions, which are recognized net of agency rebates. The agency rebates are accounted for variable consideration and are estimated during interim periods based on estimated annual revenue volume of each individual agent with reference to their historical results, which involves accounting judgment. We believe our estimation approach in variable consideration results in revenue recognition in a manner consistent with the underlying economics of the transaction.

Display advertising arrangements allow advertisers to place advertisements on particular areas of our websites or platform, in particular formats and over particular periods of time. Advertising revenues from display advertising arrangements are recognized ratably over the contract period of display, when the collectability is reasonably assured. We enter into cost per day ( CPD ) advertising arrangements with customers, under which we recognize revenues ratably over the contract period. We also enter into cost per mille ( CPM ), or cost per thousand impressions, advertising arrangements with our customers. Promoted marketing arrangements are primarily priced based on CPM. Under the CPM model, customers are obligated to pay when the advertisement is displayed and we recognize revenues based on the number of times that the advertisement has been displayed.

Sponsorship arrangements allow advertisers to sponsor a particular area on our websites in exchange for a fixed payment over the contract period. Advertising revenues from sponsorship are recognized ratably over the contract period. Advertising revenues derived from the design, coordination and integration of online advertising and sponsorship arrangements to be placed on our websites are recognized ratably over the term of such arrangements.

In addition, our contracts with customers may include multiple performance obligations, which primarily consist of combination of services to allow customer to place advertisements on different areas of our websites or platform. For such arrangements, advertising arrangements involving multiple deliverables are broken down into single-element arrangements based on their stand-alone selling price for revenue recognition purposes. The estimation of stand-alone selling price involves significant judgment, especially for the deliverables that have not been sold separately. For those deliverables, we determine best estimates of the stand-alone selling price by taking into consideration of the pricing of advertising areas of our platform with similar characteristics and advertisements with similar formats and

quoted prices from competitors and other market conditions. We believe our estimation approach in stand-alone selling price and allocation of the transaction price on a relative standalone selling price to each performance obligation results in revenue recognition in a manner consistent with the underlying economics of the transaction and the allocation principle included in ASC 606. Revenues recognized with reference to best estimation of selling price were immaterial for all periods presented. Most of such contracts have all performance obligations completed within one year. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.



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***Portal Non-advertising Revenues***

*Online loan facilitation services*

We earn loan matching service fees and the post origination services from borrowers based on an agreed fixed percentage of loan amount. We also provide guarantee on the principal, interest payment and penalty fee of the defaulted loans to lenders. Although we do not sell these services separately, we determined that all deliverables have standalone value. We determined that the financial guarantee was within the scope of ASC 460-10 Guarantees and recognized it as a separate liability at inception, with the remaining consideration recognized as revenues under ASC 606-25.

We considers the loan matching services and the post origination services as a multiple element revenue arrangement, and first allocates the consideration to the guarantee liability equaling to the fair value of the guarantee liability. Then the remaining consideration are allocated to the loan matching services and post-origination services using their relative estimated selling prices under ASC 606. The revenue from loan matching service is recognized when our facilitation obligation is completed, which is generally at the loan inception date. Post-origination revenue is recognized when service is provided.

The estimation of fair value of the guarantee liability and the standalone selling price for loan matching services and the post origination services involves significant judgment. The value of guarantee liability was estimated with the consideration of discounting expected future payouts, net expected collection rates and a discount rate for time value. We do not have stand-alone selling price for the loan matching service and the post origination service because we do not provide these services separately. Third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees our competitors charge for these services. Since no third-party evidence is available, we generally use our best estimate of selling prices of the different deliverables as the basis for allocation. When estimating the selling prices, we considers the cost related to such services, profit margin, customer demand, effect of competition on services, and other market factors.

*Online payment services*

We provide online payment service for internet merchants and earn transaction fees from fund transfer transactions. Revenues resulting from these transactions are recognized when transactions are completed. Transaction fee is charged based on certain criteria (such as account type and volume of payments) for funds they receive.

*Weibo value added services*

Weibo value added services allow our users to subscribe to services on Weibo's websites or platform, mainly including Weibo VIP membership, live streaming and game-related services. Revenues from these services are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

Weibo VIP Membership is a service package consisting of one performance obligation of providing user certification and preferential benefits, such as daily priority listings and higher quota for following user accounts. Prepaid VIP membership fees are recorded as deferred revenue and recognized as revenue ratably over the contract period of the membership service.

Weibo live streaming includes showcase live broadcasting and media live broadcasting that satisfy the broadcasting demand of both individual users and business or organization users. Live streaming generates revenue from sales of virtual items in the Yizhibo platform. Users can access the platform and view the live streaming content and interact with the broadcasters for free. Weibo designs, creates and offers various virtual items for sales to users with pre-determined selling price. Each virtual item is considered as a distinctive performance obligation. Sales proceeds are recorded as deferred revenue and recognized as revenue based on the consumption of the virtual items. Users can purchase and present virtual items to broadcasters to show support for their favorite ones. Under the arrangements with broadcasters or broadcaster agencies, we share with them a portion of the revenues derived from the consumption of virtual items. Revenues derived from the sale of virtual items are recorded on a gross basis as we have determined that it acts as the principal to fulfill all obligations related to the live streaming services. The portion paid to broadcasters and/or broadcaster agencies is recognized as cost of revenues. We do not have further obligations to the user after the virtual items are consumed.

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The majority of the game-related revenues are mostly generated from the purchase of virtual items by game players through our platforms. Each virtual item is considered as a distinctive performance obligation. We collect payments from the game players in connection with the sale of virtual currency, which will later be converted by game player into in-game credits (game tokens) that can be used to purchase virtual items in online games. We remit certain predetermined percentages of the proceeds to the game developers when the virtual currency is converted into in-game credits.

We have determined that the game developers are the primary obligors for the game-related services, based on whether the game developers are responsible for developing, maintaining and updating game-related services and have reasonable latitude to establish the prices of virtual items for which in-game credits are used. Revenue is recorded on a gross basis for games that we are acting as the principal in fulfilling all obligations related to the games and revenue is recorded net of predetermined revenue sharing with the game developers for games in which our primary responsibility is to promote the games of the developers, provide virtual currency exchange services, maintain the platform for game players to easily access the games and offer customer support to resolve registration, log-in, currency exchange and other related issues.

Virtual currencies in general are not refundable once they have been sold unless there are unused in-game credits at the time a game is discontinued. Sales of virtual items are recognized as revenues over the estimated consumption period of in-game virtual items, which is typically from a few days to one month after the purchase of in-game credits. Virtual currency sold for game-related services in excess of recognized revenue is recorded as deferred revenues.

*Contract Balances*

We enter into contracts with its customers, which may give rise to contract assets (unbilled revenue) or contract liabilities (deferred revenue). The payment terms and conditions within our contracts vary by the type and location of our customer and products or services purchased, the substantial majority of which are due in less than one year.

Deferred revenue relate to unsatisfied performance obligations at the end of the period and consist of a) the unamortized balance of license fees, which are mostly derived from a licensing agreement to Leju, a subsidiary of E-House (China) Holdings Limited ( E-House ) and b) the unamortized balance of service fee paid by third parties, which are mainly received from the customer advance of advertising and marketing services and online gaming business. The deferred revenues are amortized on a straight-line basis through the service period. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period.

*Allowance for Doubtful Accounts*

We maintain an allowance for doubtful accounts which reflects our best estimate of amounts that potentially will not be collected. We determine the allowance for doubtful accounts based on factors such as historical experience, credit-worthiness and age of receivable balances. If the financial condition of the customers were to deteriorate and result in an impairment of their ability to make payments, or if the customers decide not to pay us, additional allowances may be required which could materially impact our financial condition and results of operations. Allowance for doubtful accounts charged to our income statement was \$14.6 million, \$8.5 million and \$15.4 million for 2016, 2017 and 2018, respectively.

*Stock-based Compensation*

Stock-based compensation cost is measured at the grant date based on the estimated fair value of the award and is recognized as an expense on a straight-line basis, net of estimated forfeitures, over the requisite service period, which is generally the vesting period. We use the Black-Scholes option pricing model to determine the estimated fair value of share options. The determination of the estimated fair value of stock-based compensation awards on the grant date using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including our expected share price volatility over the term of the awards, actual and projected employee share option exercise behaviors, risk-free interest rate and expected dividends. Shares of our subsidiary, which do not have quoted market prices, were valued based on the income approach, if a revenue model had been established, the market approach, if information from comparable companies had been available or a weighted blend of these approaches if more than one is applicable.

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We recognize the estimated compensation cost of service-based restricted share units based on the fair value of the corresponding ordinary shares on the date of the grant. We recognize the compensation cost, net of estimated forfeitures, over a vesting term of generally four years.

For service-based restricted stock awards and performance-based restricted stock awards, we recognize the compensation expense only when it is probable that those awards expected to meet the performance and service vesting condition on a straight-line basis over the requisite service period.

Furthermore, we are required to estimate forfeitures at the time of grant and record stock-based compensation expense only for those awards that are expected to vest. If actual forfeitures differ materially from our estimated forfeitures, we may need to revise those estimates used in subsequent periods.

***Taxation***

*Income tax*

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. Management is required to make assumptions, judgments and estimates to determine our current provision for income taxes and our deferred tax assets and liabilities and any valuation allowance to be recorded against the amount of deferred tax assets that it determines is not more-likely-than-not to be realized. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the income taxes recorded in our consolidated statements of comprehensive income. Our assumptions, judgments and estimates related to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates and, thus, materially impact our financial position and results of operations.

*Uncertain tax positions*

In order to assess uncertain tax positions, we apply a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

*Net Income (loss) Per Share*

Basic net income (loss) per share is computed using the weighted average number of ordinary shares outstanding during the period. Options to purchase ordinary shares and restricted share units are not considered outstanding in computation of basic earnings per share. Diluted net income per share is computed using the weighted average number of ordinary share and potential ordinary shares outstanding during the period. Potential ordinary shares include options to purchase ordinary shares, restricted share units and conversion of convertible debt, unless they were anti-dilutive. The computation of diluted net income per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts or a decrease in loss per share amounts) on net income per share. Additionally, we take into account the effect on consolidated net income per share of dilutive shares of entities in which we hold equity interests and interest expenses along with relevant amortized issuance costs of convertible debt under certain circumstances. The dilutive impact from equity interests mainly include long-term investments accounted for using the equity method and the consolidated subsidiaries, such as Weibo.

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***Business Combination***

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured as the aggregate of fair values at the date of exchange of assets given, liabilities incurred and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to an acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of non-controlling interests and acquisition date fair value of any previously held equity interest in an acquiree over (ii) the fair value of identifiable net assets of an acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of a subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income (loss). In a business combination achieved in stages, we remeasure our previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings. The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

***Fair Value***

***Financial instruments***

All financial assets and liabilities are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions

(less active markets); or model- derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.



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- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

We measure the equity method investments at fair value on a non-recurring basis only if an impairment charges were to be recognized. For those investments without readily determinable fair value, we measure them at fair value when observable price changes or impairments are identified. The fair values of our privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The fair values of equity investments in the equity securities of publicly listed companies are measured using quoted market prices. The fair values of our investments in private equity funds are measured using net asset value per share as a practical expedient, provided certain criteria are met. Non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired.

We use significant unobservable inputs to measure the fair value of guarantee liabilities. Guarantee liabilities are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors. The carrying amount of cash and cash equivalents, restricted cash, short-term investments, accounts receivable and other current assets, accounts payable, amount due to customers and accrued expenses and other current liabilities (excluded for guarantee liabilities) approximates fair value.

***Goodwill***

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of our acquisitions of interests in our subsidiaries and consolidated VIEs. We assesses goodwill for impairment in accordance with ASC subtopic 350-20 ( ASC 350-20 ), Intangibles - Goodwill and Other: Goodwill, which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. US GAAP provides the option to apply the qualitative assessment first and then the quantitative assessment, if necessary, or to apply the quantitative assessment directly. The qualitative approach starts the goodwill impairment test by assessing qualitative factors, which by taking into consideration of macroeconomics, overall financial performance, industry and market conditions and the share price of our company, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If so, the quantitative impairment test is performed; otherwise, no further testing is required. When we perform the quantitative impairment test, we firstly determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. For those reporting units where it is determined that it is more likely than not that their fair values are less than the units' carrying amounts, we perform the second step of a two-step quantitative goodwill impairment test to allocate the fair value of reporting units to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

***Long-lived Assets***

Intangible assets mainly include land use rights and certain intangible assets arising from acquisitions. Land use rights represent the land use rights acquired for the purpose of constructing offices, which was amortized on a straight-line basis over the term of the land use right period,

approximately 50 years. The acquisition related intangible assets are recognized at fair value upon acquisition and amortized on a straight-line basis over their estimated useful lives, generally from one to ten years.

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold or use is based on the amount by which the carrying value exceeds the fair value of the asset. Changes in these estimates and assumptions could materially impact our financial position and results of operations.

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Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Judgment is required to determine the estimated useful lives of assets, especially for buildings, including determining how long the constructed building can function and when the building was in the status of ready. Changes in these estimates and assumptions could materially impact our financial position and results of operations.

*Long-term Investments*

Long-term investments are comprised of investments in publicly traded companies, privately-held companies and limited partnerships.

*Equity Securities Accounting For Under the Equity Method*

We use the equity method to account for common-stock-equivalent equity investments and limited-partnership investments in entities over which we have significant influence but do not own a majority equity interest or otherwise control the entity.

*Equity Investments Other Than Equity Method Investments Prior to 2018*

Before adopting ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, for long-term investments over which we do not have significant influence, the cost method accounting was used. For long-term investments in shares that are not ordinary shares or in-substance ordinary shares and that do not have readily determinable fair value, the cost method accounting is also used. Investments in limited partnerships over whose operating and financing policies we have virtually no influence are accounted for using the cost method.

Marketable equity securities were reported at fair value, classified and accounted for as available-for-sale securities prior to 2018 and their changes in fair value were previously reported in other comprehensive income. We assessed our available-for-sale securities for other-than-temporary impairment by considering factors including, but not limited to, our ability and intent to hold the individual security, severity of the impairment, expected duration of the impairment and forecasted recovery of fair value. Investments classified as available-for-sale securities are reported at fair value with unrealized gains or losses, if any, recorded in accumulated other comprehensive income in shareholders' equity. If we determined a decline in fair value is other-than-temporary, the cost basis of the individual security was written down to fair value as a new cost basis and the amount of the write-down was accounted for as a realized loss charged to the consolidated statements of comprehensive income. The fair value of the investment would then become the new cost basis of the investment and are not adjusted for subsequent recoveries in fair value.

*Adoption of ASU 2016-1*

Beginning January 1, 2018, we measure equity investments other than equity method investments at fair value through earnings. For those equity investments without readily determinable fair values, we elect to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Under this measurement alternative, changes in the carrying value of the equity investment

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are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The implementation guidance notes that an entity should make a reasonable efforts to identify price changes that are known or that can reasonably be known.

The marketable equity securities were reclassified as investment with readily determinable fair values beginning January 1, 2018. There will no longer be an available-for-sale classification for equity securities. Prior to the adoption of ASU 2016-01, we recorded investments in private equity funds without significant influence exerted by us under cost method. Under the new guidance, investments in private equity funds using the Net Asset Value ( NAV ) practical expedient under ASC 820 are required to be measured at fair value on a recurring basis.

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Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, we have to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, we have to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

Investments in entities over which we can exercise significant influence and hold an investment in voting common shares or in-substance common shares (or both) of the investee but do not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 ( ASC 323 ), Investment - Equity Method and Joint Ventures. Under the equity method, we initially record our investments at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on our consolidated balance sheets. We subsequently adjust the carrying amount of the investments to recognize our proportionate share of each equity investee's net income or loss into earnings after the date of investment. We evaluate the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

We assess our investments for impairment by considering factors including, but not limited to, stock prices of public companies in which we have an equity investment, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information, such as recent financing rounds. The fair value determination, particularly for investments in privately-held companies whose revenue model is still unclear and requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments. If this assessment indicates that an impairment exists, we estimate the fair value of the investment and write down the asset to its fair value, taking the corresponding charge to the consolidated statements of comprehensive income (loss).

***Convertible debt***

We determine the appropriate accounting treatment of convertible debts in accordance with the terms in relation to the conversion feature, call and put option, and beneficial conversion feature. After considering the impact of such features, we may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense over the period from the issuance date to the earliest conversion date. We present the issuance cost of debt in the balance sheet as a direct deduction from the related debt.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued a new standard on leases, ASU 2016-2, which requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize a liability to make lease payments (the Lease Liability) and a right-of-use asset representing its right to use the underlying asset for the lease term in the statements of financial position. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In July 2018, the FASB issued an amendment on leases, ASU 2018-11, which provides another transition method in addition to the existing transition methods by allowing entities to initially apply the new leases standard at the effective date and recognize a cumulative-effect

adjustment to the opening balance of retained earnings in the period of adoption. We will adopt the new lease standard beginning the first quarter of fiscal year 2019 using the transition method provided by ASU 2018-11 and will not retrospectively adjust the prior comparative periods. The impact of initially applying the guidance on the opening balance of 2019 is estimated mainly to be recognition of approximately \$35 million to \$40 million of leasing related assets and liabilities that arise from operating leases, respectively.

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In June 2016, the FASB issued of ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which will be effective for us in the fiscal year of 2020. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which an entity recognizes an allowance based on the estimate of expected credit loss. In November 2018, the FASB issued an amendment of Topic 326, ASU No. 2018-19, which clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20 and should be accounted for in accordance with Topic 842, Leases. We are currently evaluating the impact of adopting ASU No. 2016-13 on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value, which eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount. The amendments will be effective beginning the first quarter of fiscal year 2020. We will early adopt the guidance on January 1, 2019 on a prospective basis and no impact is expected from the amendments.

### Results of Operations

#### *Net revenues*

We have adopted new revenue guidance ASC Topic 606 *Revenue from Contracts with Customers* beginning January 1, 2018 using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting method under ASC 605.

The following table sets forth the breakdown of our net revenues, both in absolute amount and as a percentage of our total net revenues, for the periods presented.

|                    | For the Year Ended December 31, |     |                                    |     |           |     | % of Change |      |
|--------------------|---------------------------------|-----|------------------------------------|-----|-----------|-----|-------------|------|
|                    | 2016                            |     | 2017                               |     | 2018      |     | YOY         | YOY  |
|                    | US\$                            | %   | (in thousands, except percentages) |     | US\$      | %   | 2017        | 2018 |
|                    | US\$                            | %   | US\$                               | %   | US\$      | %   | %           | %    |
| Portal Advertising | 304,090                         | 30  | 320,473                            | 20  | 290,215   | 14  | 5           | (9)  |
| Weibo              | 651,915                         | 63  | 1,140,876                          | 72  | 1,706,700 | 81  | 75          | 50   |
| Others             | 74,931                          | 7   | 122,535                            | 8   | 111,412   | 5   | 64          | (9)  |
|                    | 1,030,936                       | 100 | 1,583,884                          | 100 | 2,108,327 | 100 | 54          | 33   |

We generate revenues from (1) portal advertising business, which includes advertising on SINA.com and SINA mobile properties, (2) Weibo, which includes revenues from Weibo advertising and marketing as well as Weibo value added services ( VAS ), and (3) other channels, which mainly include our Fintech services and mobile value added services ( MVAS ).

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*2018 Compared to 2017.* Our total net revenues increased by 33% year over year from \$1,583.9 million in 2017 to \$2,108.3 million in 2018, mainly due to the growth of revenues from Weibo.

*2017 Compared to 2016.* Our total net revenues increased 54% year over year from \$1,030.9 million in 2016 to \$1,583.9 million in 2017, mainly due to the growth of revenues from Weibo.



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Substantially all of our portal advertising revenues are generated from China. Automobiles, fast-moving consumer goods, internet services, financial services and IT sectors were our top advertising sectors in 2018, accounting for approximately 68%, respectively, of our portal advertising revenues in China. Unlike search and other performance-based advertising models, brand advertising on SINA.com and SINA mobile properties is priced primarily based on time. Based on our experience, online brand advertising clients in China tend to place more emphasis of their buying decision on factors such as the brand strength, market influence and user quality of offering websites. We maintain a variety of traffic metrics for our internet properties, and the key metrics we focus on differ across product lines based on the nature and features of the products. For these and other reasons, such as a significant portion of our online traffic is currently not being monetized, we do not gauge the growth of our portal advertising revenues based on any particular traffic metric.

*2018 Compared to 2017.* Our portal advertising revenues decreased by 9% year over year from \$320.5 million in 2017 to \$290.2 million in 2018. The decrease was mainly due to the presentation of value added tax under new revenue guidance, the unfavorable currency changes and reduction of advertisement budget by SME customers. We expect revenue from SME customers to stabilize in 2019. Revenues generated from mobile devices have been increasing, and we have seen a rapid growth of traffic on our mobile properties in recent years. We generated 81% of portal advertising revenues from mobile devices in 2018, compared to 59% in 2017. We expect revenues generated from mobile traffic as a percentage of the total portal advertising revenues to continue to increase in 2019.

*2017 Compared to 2016.* Our portal advertising revenues increased by 5% year over year from \$304.1 million in 2016 to \$320.5 million in 2017. The increase was mainly due to the increased revenue from brand advertisers, which resulted from the growth of traffic on our mobile properties and the favorable foreign exchange impact. The increase of revenues from SME customers was flat from 2016 to 2017. Additionally, revenues generated from mobile devices have been increasing, as we witnessed a rapid growth of traffic on our mobile properties in recent years. We generated 59% of portal advertising revenues from mobile devices in 2017, compared to 46% in 2016.

*Weibo*

The following table sets forth the breakdown of revenues from Weibo, both in absolute amount and as a percentage of our total net revenues, for the periods presented.

|                           | For the Year Ended December 31,    |    |         |    |           |    | % of Change |      |
|---------------------------|------------------------------------|----|---------|----|-----------|----|-------------|------|
|                           | 2016                               |    | 2017    |    | 2018      |    | YOY         | YOY  |
|                           | US\$                               | %  | US\$    | %  | US\$      | %  | 2017        | 2018 |
|                           | (in thousands, except percentages) |    |         |    |           |    |             |      |
| Advertising and Marketing | 567,097                            | 55 | 991,393 | 63 | 1,499,070 | 71 | 75          | 51   |

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|           |         |    |           |    |           |    |    |    |
|-----------|---------|----|-----------|----|-----------|----|----|----|
| Weibo VAS | 84,818  | 8  | 149,483   | 9  | 207,630   | 10 | 76 | 39 |
|           | 651,915 | 63 | 1,140,876 | 72 | 1,706,700 | 81 | 75 | 50 |

2018 Compared to 2017. Revenues from Weibo increased by 50% year over year from \$1,140.9 million in 2017 to \$1,706.7 million in 2018.

- Advertising and marketing revenues from Weibo grew by 51% from \$991.4 million in 2017 to \$1,499.1 million in 2018. Revenue from key accounts grew by 80% from \$374.7 million in 2017 to \$673.9 million in 2018, largely attributed to the increased diversity of Weibo's advertising offerings and an increasing number of key account customers allocating more digital advertising budget to social marketing. Revenue from SMEs grew by 33% from \$532.0 million in 2017 to \$707.5 million in 2018, primarily attributed to the expansion of advertising inventory, new and upgraded advertisement products and features, and increase in user engagement. Revenue generated from Alibaba (China) Co., Ltd., or Alibaba grew by 39% from \$84.7 million in 2017 to \$117.7 million in 2018, primarily attributed to Weibo being a key platform for Alibaba in the fields of e-commerce, marketing, fans accumulation and fans interaction. In 2018, mobile advertising revenues accounted for approximately 83% of Weibo's total advertising and marketing revenues, as compared to 76% in 2017, due to the growth of both mobile users as well as advertiser preferences. Mobile MAUs increased by 19% year over year to 431 million in December 2018. We expect our mobile advertising revenues to continue to increase in absolute amount and as a percentage of our total advertising and marketing revenues in 2019.

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- Revenues from Weibo VAS increased by 39% from \$149.5 million in 2017 to \$207.6 million in 2018. The increase was primarily attributed to the revenue growth of Weibo's VIP membership, which increased by 48% year over year from \$66.2 million in 2017 to \$98.2 million in 2018, primarily attributed to the increase of our user base, as well as the newly acquired Yizhibo business, which attributed \$28.0 million live streaming revenue in 2018. Revenues generated from game-related service remained stable from \$27.6 million in 2017 to \$27.3 million in 2018. We expect our value-added services revenues to continue to increase in total in 2019.

*2017 Compared to 2016.* Revenues from Weibo increased 75% year over year from \$651.9 million in 2016 to \$1,140.9 million in 2017.

- Advertising and marketing revenues from Weibo grew by 75% from \$567.1 million in 2016 to \$991.4 million in 2017. Revenue from key accounts grew by 86% from \$201.3 million in 2016 to \$374.7 million in 2017, largely attributed to the increased diversity of Weibo's advertising offerings and an increasing number of key account customers allocating more digital advertising budget to social marketing. Revenue from SMEs grew by 73% from \$307.9 million in 2016 to \$532.0 million in 2017, primarily attributed to the expansion of advertising inventory, new and upgraded advertisement products and features, and increase in user engagement. Revenue generated from Alibaba (China) Co., Ltd., or Alibaba grew by 46% from \$57.9 million in 2016 to \$84.7 million in 2017, primarily attributed to Weibo being a key platform for Alibaba in the fields of e-commerce, marketing, fans accumulation and fans interaction. In 2017, mobile advertising revenues accounted for approximately 76% of Weibo's total advertising and marketing revenues, as compared to 67% in 2016, due to the growth of both mobile users as well as advertiser preferences. Mobile MAUs increased by 29% year over year to 363 million in December 2017.

- Revenues from Weibo VAS increased by 76% from \$84.8 million in 2016 to \$149.5 million in 2017. The increase was primarily attributed to the revenue growth of Weibo's VIP membership, which increased by 99% year over year from \$33.3 million in 2016 to \$66.2 million in 2017, primarily attributed to the revenue growth of our VIP membership. Revenues generated from game-related service decreased by 11% from \$30.9 million in 2016 to \$27.6 million in 2017. The decline in game service revenue was mainly attributed to the unsatisfactory performance of licensed games, particularly on PC terminals.

*Other Revenues*

The following table sets forth the breakdown of our other revenues, both in absolute amount and as a percentage of our total net revenues, for the periods presented.

|      |      |      | For the Year Ended December 31, |             |
|------|------|------|---------------------------------|-------------|
| 2016 | 2017 | 2018 | % of Change                     |             |
|      |      |      | YOY<br>2017                     | YOY<br>2018 |
|      |      |      |                                 |             |

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(in thousands, except percentages)

|                  | US\$   | % | US\$    | % | US\$    | % | %   | %    |
|------------------|--------|---|---------|---|---------|---|-----|------|
| Fintech Services | 33,596 | 3 | 82,819  | 5 | 74,246  | 3 | 147 | (10) |
| Others           | 41,335 | 4 | 39,716  | 3 | 37,166  | 2 | (4) | (6)  |
|                  | 74,931 | 7 | 122,535 | 8 | 111,412 | 5 | 64  | (9)  |

Our other revenues include revenues from Fintech services and other services, which mainly include MVAS and amortized deferred revenues related to license granted to Leju.

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Revenues derived from our Fintech services mainly include online payment services and online loan facilitation service. We started to provide online payment service in 2013, and expanded our service offering to include online loan facilitation service by acquiring Weiju in July 2017.

*2018 Compared to 2017.* Our other revenues decreased by 9% year over year from \$122.5 million in 2017 to \$111.4 million in 2018. Our Fintech service revenues decreased by 10% from \$82.8 million in 2017 to \$74.2 million in 2018 mainly due to the decreased revenue from online payment service due to the strict government regulation on the peer-to-peer industry. Excluding our Fintech service revenues, our other revenues decreased by 6% from \$39.7 million in 2017 to \$37.2 million in 2018. We had amortized deferred revenues of \$10.4 million in 2018, same as in 2017. As of December 31, 2018, our license agreements with Leju had an unamortized balance of \$54.1 million.

*2017 Compared to 2016.* Our other revenues increased by 64% year over year from \$74.9 million in 2016 to \$122.5 million in 2017. Our Fintech service revenues increased by 147% from \$33.6 million in 2016 to \$82.8 million in 2017 mainly resulting from the increased revenue from our online payment service and our acquired online loan facilitation service. Excluding our Fintech service revenues, our other revenues decreased by 4% from \$41.3 million in 2016 to \$39.7 million in 2017. We had amortized deferred revenues of \$10.4 million in 2017, same as in 2016. As of December 31, 2017, our license agreements with Leju had an unamortized balance of \$64.5 million.

**Cost of revenues**

The following table sets forth the breakdown of our cost of revenues.

|                    | For the Year Ended December 31,    |         |         | % of Change |             |
|--------------------|------------------------------------|---------|---------|-------------|-------------|
|                    | 2016                               | 2017    | 2018    | YOY<br>2017 | YOY<br>2018 |
|                    | (in thousands, except percentages) |         |         |             |             |
|                    | US\$                               | US\$    | US\$    | %           | %           |
| Portal Advertising | 136,196                            | 121,278 | 117,600 | (11)        | (3)         |
| Weibo              | 170,945                            | 230,952 | 277,648 | 35          | 20          |
| Others             | 47,555                             | 61,907  | 56,792  | 30          | (8)         |
|                    | 354,696                            | 414,137 | 452,040 | 17          | 9           |

Our cost of revenues increased by 17% from \$354.7 million in 2016 to \$414.1 million in 2017, and further increased by 9% to \$452.0 million in 2018, mainly due to the increases in the costs associated with Weibo.

*Portal Advertising*

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Cost of portal advertising revenues consists primarily of expenses associated with the production of our websites, including fees paid to third parties for internet connection and content, revenues share with third parties, labor-related costs, stock-based compensation and equipment depreciation expenses. Prior to 2018, cost of advertising revenues also included 6.7% VAT and relevant surcharges and 3% cultural business construction fees on advertising revenues from China. As a result of our adoption of ASC 606, effective beginning January 1, 2018, we changed the presentation of the value-added tax ( VAT ) from gross basis to net against revenue, which resulted in decreases in both revenues and cost of revenues.

*2018 Compared to 2017.* Cost of portal advertising revenues decreased by 3% from \$121.3 million in 2017 to \$117.6 million in 2018 due to the decrease of \$21.0 million in VAT as a result of the adoption of the new revenue guidance, partially offset by an increase in content fees of \$12.0 million and an increase in labor cost of \$4.5 million.

*2017 Compared to 2016.* Cost of portal advertising revenues decreased by 11% from \$136.2 million in 2016 to \$121.3 million in 2017 due to the decrease in content costs of \$11.7 million, direct labor cost of \$5.8 million, partially offset by the increase in VAT cost and surcharges of \$2.2 million.

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*Weibo*

Cost of Weibo revenues consists mainly of costs associated with the maintenance of our Weibo platform, such as bandwidth and other infrastructure costs, as well as personnel-related expenses, stock-based compensation, content licensing fees, revenue-share cost and turnover taxes levied on Weibo revenues (no VAT tax since 2018).

*2018 Compared to 2017.* Cost of Weibo revenues increased by 20% from \$231.0 million in 2017 to \$277.6 million in 2018. The increase was primarily due to an increase of \$53.5 million in revenue sharing cost primarily related to advertisement production and live streaming business, an increase of \$16.9 million in content expenditure, and an increase of \$13.3 million in labor cost, partially offset by a decrease of \$44.8 million in turnover taxes due to the adoption of ASC 606, resulting VAT excluded from cost of revenues in 2018. We expect our cost of revenues to increase in absolute amount in the foreseeable future.

*2017 Compared to 2016.* Cost of Weibo revenues increased by 35% from \$170.9 million in 2016 to \$231.0 million in 2017. The increase was primarily due to an increase of \$43.8 million in turnover taxes associated with higher revenues, an increase of \$5.3 million in infrastructure-related costs resulting from traffic growth, and an increase of \$3.9 million in revenue sharing cost primarily related to advertisement production.

*Others*

Cost of other revenues mainly consists of fees or royalties paid to third-party content and service providers, costs for providing the enterprise services and employee related cost for non-advertising business.

*2018 Compared to 2017.* Cost of other revenues decreased by 8% from \$61.9 million in 2017 to \$56.8 million in 2018, mainly due to the decrease in our online payment business.

*2017 Compared to 2016.* Cost of other revenues increased by 30% from \$47.6 million in 2016 to \$61.9 million in 2017, mainly due to the increased cost from Fintech services mainly arising from acquisition of online loan facilitation services and the growth of our online payment business.

***Gross margin***

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The following table sets forth the gross margin for each of our business lines for the periods presented.

|                    | For the Year Ended December 31, |      |      |
|--------------------|---------------------------------|------|------|
|                    | 2016                            | 2017 | 2018 |
|                    | %                               | %    | %    |
| Gross margin:      |                                 |      |      |
| Portal Advertising | 55                              | 62   | 59   |
| Weibo              | 74                              | 80   | 84   |
| Others             | 37                              | 49   | 49   |
| Overall            | 66                              | 74   | 79   |

Overall gross margin increased 8 percentage points in 2017, and increased 5 percentage points in 2018, which was attributable to our revenue reporting changed from gross basis to net basis under the new accounting standard adopted starting from January 1, 2018.

### *Portal Advertising*

The year-over-year gross margin of portal advertising in 2018 decreased by 3 percentage points, which was mainly due to the decreased revenue from SME customers. Portal advertising gross margin increased by 7 percentage points in 2017, which was mainly due to the increased revenue and the continuous saving in content costs.

### *Weibo*

Weibo gross margin increased by 4 percentage points year over year in 2018, mainly due to our revenue reporting changed from gross basis to net basis under the new accounting standard adopted starting from January 1, 2018. Weibo gross margin increased by 6 percentage points year over year in 2017, mainly due to the sharply increased revenue in Weibo.



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Gross margin related to other revenues in 2018 remained flat as compared to 2017. Gross margin related to other revenues increased by 12 percentage points year over year in 2017, mainly due to the increase of revenue portion from loan facilitation service, which is with a relatively higher gross margin in 2017.

*Operating expenses*

The following table sets forth the breakdown of our operating expenses, both in absolute amount and as a percentage of our total net revenues, for the periods presented.

|  | 2016    |    | 2017                               |    | 2018      |    | % of Change |      |
|--|---------|----|------------------------------------|----|-----------|----|-------------|------|
|  |         |    | (in thousands, except percentages) |    |           |    | YOY         | YOY  |
|  | US\$    | %  | US\$                               | %  | US\$      | %  | 2017        | 2018 |
| Sales and marketing                          | 247,068 | 24 | 408,856                            | 26 | 699,962   | 33 | 65          | 71   |
| Product development                          | 216,228 | 21 | 267,392                            | 17 | 345,942   | 16 | 24          | 29   |
| General and administrative                   | 99,474  | 10 | 104,923                            | 6  | 120,184   | 6  | 5           | 15   |
| Goodwill and acquired intangibles impairment | 40,194  | 4  |                                    |    | 23,245    | 1  | (100)       | 100  |
| Total  | 602,964 | 59 | 781,171                            | 49 | 1,189,333 | 56 | 30          | 52   |

Operating expenses increased by 52% from \$781.2 million in 2017 to \$1,189.3 million in 2018, primarily due to the increase in marketing expenditure, payroll related cost and the impairment charges related to goodwill and acquired intangibles impairment in 2018. Operating expenses increased by 30% from \$603.0 million in 2016 to \$781.2 million in 2017, primarily due to the increase in marketing expenditure and payroll related cost, offset by the decrease in the impairment charges related to goodwill and acquired intangibles impairment in 2017 relative to 2016.

*Sales and marketing.*

Sales and marketing expenses consist of payroll, commissions and other employee-related expenses, advertising and promotional expenditures and business travel expenses. Sales and marketing expenses as a percentage of net revenues were 24%, 26% and 33% in 2016, 2017 and 2018, respectively. We expect our sales and marketing expenses to continue to increase in absolute dollars terms in the near future.

*2018 Compared to 2017.* Sales and marketing expenses increased by 71% from \$408.9 million in 2017 to \$700.0 million in 2018, primarily due to an increase of \$140.5 million in channel marketing expenses, an increase of \$112.8 million advertising for advertising barter transactions, an increase of \$30.3 million employee-related expenses associated with new hires and salary increases. The increased channel marketing expenses was due to investment in user acquisition and promotion for both Weibo and SINA News app. We adopted the new revenue guidance starting from January 1, 2018, which resulted in an increase in marketing expense related to barter transactions.

*2017 Compared to 2016.* Sales and marketing expenses increased by 65% from \$247.1 million in 2016 to \$408.9 million in 2017, primarily due to an increase of \$144.9 million in channel marketing expenses incurred for user acquisition or both Weibo and SINA News app, an increase of \$11.4 million employee-related expenses associated with new hires and salary increases and an increase of \$5.3 million in stock-based compensation.

*Product development.*

Product development expenses consist primarily of payroll and infrastructure-related expenses incurred for maintaining and enhancing our websites and platforms, as well as costs associated with new product development and product enhancements. Product development expenses as a percentage of net revenues were 21%, 17% and 16% in 2016, 2017 and 2018, respectively. We expect our product development expenses to continue to increase in absolute dollar terms in the near future.

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*2018 Compared to 2017.* Product development expenses increased by 29% from \$267.4 million in 2017 to \$345.9 million in 2018, primarily due to an increase of \$48.7 million in employee-related expenses mainly resulting from new hires and salary increases, and an increase of \$14.2 million in infrastructure cost.

*2017 Compared to 2016.* Product development expenses increased by 24% from \$216.2 million in 2016 to \$267.4 million in 2017, primarily due to an increase of \$33.2 million in employee-related expenses resulting from new hires and salary increases and an increase of \$8.4 million in stock-based compensation.

*General and administrative.*

General and administrative expenses consist primarily of payroll-related costs, stock-based compensation, professional service fees and provisions for doubtful accounts. General and administrative expenses as a percentage of net revenues were 10%, 6% and 6% in 2016, 2017 and 2018, respectively. We expect our general and administrative expenses to continue to increase in absolute dollar terms in the near future.

*2018 Compared to 2017.* General and administrative expenses increased by 15% from \$104.9 million in 2017 to \$120.2 million in 2018, mainly due to the increase of \$7.0 million in bad debt expenses, an increase of \$4.7 million in employee-related expenses and an increase of professional fees.

*2017 Compared to 2016.* General and administrative expenses increased by 5% from \$99.5 million in 2016 to \$104.9 million in 2017, mainly due to an increase of \$5.2 million in employee-related expenses and an increase of \$2.4 million in stock-based compensation, partially offset by the decrease of \$5.6 million in bad debt expenses.

*Goodwill and acquired intangibles impairment.* We recognized a goodwill and acquired intangibles impairment charge of \$40.2 million and \$23.2 million in 2016 and 2018, respectively, while no goodwill impairment charges were recorded in 2017. The goodwill and acquired intangibles impairment recognized in 2016 and 2018 was due to the decreased revenue, the unsatisfied financial performance and not optimistic forecast of future revenues of certain report units.

*Interest and other income, net*

The following table sets forth the breakdown of interest and other income net for the periods presented.

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|                              | 2016     | For the Year Ended December 31,<br>2017<br>(in \$ thousands) | 2018     |
|------------------------------|----------|--|----------|
| Interest income              | 38,024   | 43,150   | 83,233   |
| Interest expenses            | (13,118) | (4,557)  | (20,749) |
| Other income (expenses), net | 1,307    | 4,103  | 6,871    |
|                              | 26,213   | 42,696   | 69,355   |

*Interest income.* Interest income increased by 93% to \$83.2 million in 2018 from \$43.2 million in 2017 and increased by 13% to \$43.2 million in 2017 from \$38.0 million in 2016, primarily due to the increase in the average cash balance and higher interest rate when compared with prior periods.

*Interest expense.* Interest expense increased by 355% to \$20.7 million in 2018 from \$4.6 million in 2017, primarily due to the increased interest expenses of Weibo's convertible notes. Interest expense decreased by 65% to \$4.6 million in 2017 from \$13.1 million in 2016, primarily due to a decreased interest expenses of our 2018 convertible notes as the result of partial repurchase of our 2018 convertible notes in December 2016.

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*Other income (expenses), net.* Other income (expenses) consists primarily of net currency transaction gain or loss, dividend income of investments and government grants. In 2016, we recorded a net foreign currency transaction income of \$0.3 million. In 2017, we recorded a net foreign currency transaction loss of \$2.0 million. In 2018, we recorded a net foreign currency transaction gain of \$0.8 million. If the RMB continues to depreciate against the U.S. dollar, we may incur further currency related losses.

*Change in fair value of option liability*

In 2016, we recorded \$28.5 million of non-cash loss from the change in fair value of option liability in 2016, which is related to an option granted to E-House Holdings Ltd. to repurchase all the equity interest held by us in it for a consideration consisting of (i) 30% of the total outstanding ordinary shares of Leju at the time of the repurchase, and (ii) certain cash payment. The option was fully exercised on December 30, 2016.

No change in fair value of option liability was recorded in other presenting periods.

*Income (loss) from equity method investments*

We use the equity method to account for ordinary-share-equivalent equity investments and limited-partnership investments in entities over which we have significant influence but do not own a majority equity interest or otherwise control, and recorded share of results of these investments one quarter in arrears.

In 2016, 2017 and 2018, we recorded a loss of \$15.2 million, \$30.8 million and \$9.1 million, respectively, from investments related to E-House in 2016, and Leju in 2017 and 2018. The decrease in the Leju loss from 2017 to 2018 was mainly due to better performance achieved by Leju, including higher revenue and better control over expenditures. The increase in the Leju loss from 2016 to 2017 was mainly due to restrictive government policy in real estate industry in China. The loss from equity method in E-House related investments in 2016 was mainly due to a higher expenditures for the offline store business in 2016. We also recorded income of \$3.5 million, \$14.7 million and \$10.2 million in 2016, 2017 and 2018, respectively, from our other equity method investments.

*Realized gain (loss) on long-term investments and fair value changes through earnings*

The following table summarizes realized gain (loss) and fair value change through earnings on our long-term investments for the periods presented.

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|  | 2016    | For the Year Ended December 31,<br>2017<br>(in \$ thousands, except percentages) | 2018     |
|--|---------|--|----------|
| Alibaba(1)   | 44,209  | 92,327   |          |
| E-House(2)   | 4,603   |  |          |
| Youku Tudou(3)   | 34,514  |  |          |
| Fair value changes from investments in equity securities                             |         |  | (74,181) |
| Fair value changes from investments in private equity funds                          |         |  | 4,161    |
| Fair value changes arising from investments using alternative measurement methods(4) |         |  | 166,553  |
| Gain from disposing of investments under cost methods(5)                             | 159,486 | 14,000   |          |
| Others   | 46,881  | 25,680   | 2,729    |
| Total  | 289,693 | 132,007  | 99,262   |
| % of total net revenues  | 28%     | 8%   | 5%       |

(1) We invested \$50.0 million in Alibaba through Yunfeng Funds in October 2011. In September 2014, Alibaba completed its initial public offering ( Alibaba IPO ) and listed its ADSs, each representing one ordinary share, on the New York Stock Exchange. We sold part of shares we held in Alibaba, representing a total cost of \$30.0 million, through Alibaba IPO and recognized a one-time disposal gain of \$109.2 million. In 2016 and 2017, we sold the remaining of our shareholding in Alibaba through open market recognized \$44.2 million and \$92.3 million of disposal gain, respectively.

(2) In 2016, we disposed of all the shares we held in E-House and realized a disposal gain of \$4.6 million.

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- (3) In 2016, with the completion of Youku Tudou's privatization, we recognized a gain of 34.5 million.
- (4) Upon the adoption of ASU 2016-01, we elected the measurement alternative to report changes in the carrying value of the equity investments in our current earnings. In 2018, we identified observable price changes in orderly transactions and recognized \$166.6 million in upward adjustment for fair value changes. No downward adjustment was identified in 2018.
- (5) A majority of the disposal gain in 2016 was resulted from the sale of an investment we held in certain private company, which focuses on developing media applications in China. Other disposal gain is individually immaterial.

*Investment related impairment*

In 2016, 2017 and 2018, we recorded \$44.4 million, \$123.0 million and \$81.3 million, respectively, in impairment charges to the carrying value of our investments related accounts as a result of the lower-than-expected performance. Included in the impairment charges of 2017 and 2018, we recorded a charge of \$113.1 million in 2017 to write down the carrying value of the investment in Leju to its fair value, based on quoted closing price of \$1.84 per ADS for Leju. We believe the impairment made in Leju was other than temporary by considering (i) the tightening of government policy in real estate industry in China, (ii) severity of the decline of Leju's stock price after the investment and (iii) Leju's financial condition, operating performance and its prospects. Other investment related impairments were individually immaterial.

*Income tax expense*

The following table sets forth details of our income tax expense for the periods presented.

|  | 2016                                  | For the Year Ended December 31,<br>2017 | 2018    |
|--|---------------------------------------|---|---------|
|  | (in \$ thousands, except percentages) |   |         |
| Current income tax provision                       | 32,689                                | 77,890                                  | 95,524  |
| Deferred income tax (benefits) provision           | (5,470)                               | (3,214)                                 | 33,560  |
| Total  | 27,219                                | 74,676                                  | 129,084 |
| Income tax expenses applicable to China operations | 11,985                                | 73,165                                  | 129,406 |
| Income from China operations                       | 179,463                               | 504,184                                 | 699,090 |
| Effective tax rate for China operations            | 7%                                    | 15%                                     | 19%     |

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Based on our current operating structure and preferential tax treatments available to us in China, the effective income tax rate for our China operations in 2018 was 19%, compared to 15% in 2017. The increase in effective tax rate for China operations in 2018 as compared to 2017 was mainly due to the higher impact from the change of valuation allowance on deferred tax assets and permanent differences, which was offset by the preferential tax rate effect of Weibo Technology's key software enterprise qualification obtained in 2018.

The effective income tax rate for our China operations in 2017 was 15%, compared to 7% in 2016. The increase in effective tax rate for China operations in 2017 as compared to 2016 was mainly due to the change in tax status of Weibo Technology in 2017 from being fully tax exempt to being subject to a reduced enterprise income tax rate of 12.5%.

### *Net income*

As a result of the foregoing, our net income in 2016, 2017 and 2018 was \$277.3 million, \$349.6 million and \$426.3 million, respectively.

### *Net income attributable to SINA's ordinary shareholders*

Our net income attributable to SINA's ordinary shareholders for 2016, 2017 and 2018 was \$225.1 million, \$156.6 million and \$125.6 million, respectively.



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|   | 2016      | As of December 31,<br>2017<br>(in \$ thousands) | 2018      |
|---|-----------|---|-----------|
| Cash, cash equivalents and short-term investments | 1,797,065 | 3,372,543                                       | 2,345,334 |
| Working capital                                   | 1,684,789 | 2,829,813                                       | 2,189,037 |
| Convertible debt (1)                              | 153,092   | 879,983   | 884,123   |
| Total SINA shareholders' equity                   | 2,679,590 | 2,846,842                                       | 2,717,791 |

(1) Compared to the amount of convertible debt we recorded in 2016, the amount of our convertible debt in 2017 increased due to the issuance of \$900 million convertible senior notes due 2022 by Weibo in October 2017, which bear interest at a rate of 1.25% per year. Compared to the amount of convertible debt we recorded in 2017, the increase of our convertible debt in 2018 was due to the amortization of its issuance cost.

As of December 31, 2016, 2017 and 2018, our accumulated earnings were \$435.1 million, \$37.7 million and \$212.0 million, respectively. Our total cash, cash equivalents and short-term investments as of December 31, 2016, 2017 and 2018 were \$1,797.1 million, \$3,372.5 million and \$2,345.3 million, respectively. We have funded our operations and capital expenditures primarily using cash generated from operations, proceeds received from Weibo's initial public offering and the concurrent private placement in April 2014, proceeds received from the issuance of convertible notes by us in November 2013 and by Weibo in October 2017, and the proceeds received from the private placement in November 2015. The decrease in cash, cash equivalents, restricted cash and short-term investments as of December 31, 2018 as compared to the amount as of December 31, 2017 was primarily due to the continued investment activities, the execution of our share repurchase program and repayment of our convertible senior notes. Except for the cash flow from operating activities, the increase in cash, cash equivalents, restricted cash and short-term investments as of December 31, 2017 as compared to the amount as of December 31, 2016 was primarily due to the cash received from the issuance of a \$900 million convertible senior notes by Weibo, which was partially offset by a share repurchase of \$47.6 million from the Company, in the fourth quarter of 2017. We intend to continue our investment in the development and enhancement of our products, content and services, as well as investment in sales and marketing. If we are unable to generate sufficient cash from our operations in the future, we may have to finance our operations from the current funds available or seek equity or debt financing.

We are a holding company and do not have any assets or conduct any business operations in China other than our investments in our subsidiaries in China and their VIEs. As a result, if our non-China operations require cash from China, we would depend on dividend payments from our subsidiaries in China after they receive payments from our VIEs in China under various services and other arrangements. Such dividend payments are subject to various restrictions under the PRC laws and regulations. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Restrictions on paying dividends or making other payments to us bind our subsidiaries and VIEs in China.

We believe that our existing cash, cash equivalents and short-term investments balance is sufficient to fund our operating activities, capital expenditures and other obligations for at least the next twelve months from the date of this annual report. However, we may decide to improve our liquidity position or increase our cash reserve for future acquisitions via additional capital and/or finance funding. We may also need to raise additional funds to repurchase our convertible notes if required by our note holders. The issuance and sale of additional equity would result in

further dilution to our shareholders. The incurrence of indebtedness would generate increased fixed obligations and could have 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.

Because a significant amount of our future revenues may be in the form of RMB, our inability to obtain the requisite approvals for converting RMB into foreign currencies or remitting foreign currency out of China, any delays in receiving such approvals or any future restrictions on currency exchanges could limit our ability to utilize revenue generated in RMB to fund our business activities outside China, or to repay non-RMB-denominated obligations, including our debt obligations, which could have a material adverse effect on our financial condition, results of operations and liquidity. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Restrictions on paying dividends or making other payments to us bind our subsidiaries and VIEs in China.

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The following tables set forth the movements of our cash, cash equivalents and restricted cash for the periods presented.

|   | 2016      | For the Year Ended December 31,<br>2017<br>(in \$ thousands) | 2018      |
|---|-----------|--|-----------|
| Net cash provided by operating activities                             | 443,649   | 596,290  | 311,037   |
| Net cash (used in) provided by in investing activities                | 945,798   | (987,947)  | (447,909) |
| Net cash provided by (used in) financing activities                   | (603,410) | 886,970  | (408,514) |
| Effect of exchange rate changes on cash and cash equivalents          | (41,197)  | 62,459   | (18,485)  |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 744,840   | 557,772  | (563,871) |
| Cash, cash equivalents and restricted cash at the beginning of year   | 904,091   | 1,648,931  | 2,206,703 |
| Cash, cash equivalents and restricted cash at the end of year         | 1,648,931 | 2,206,703  | 1,642,832 |

### *Operating activities*

Net cash provided by operating activities in 2018 was \$311.0 million. This was attributable to our net income of \$426.3 million, adjusted by non-cash expenses including stock-based compensation of \$95.1 million, investment related impairment of \$81.3 million, depreciation and amortization of \$41.2 million, deferred tax provision of \$33.6 million, goodwill and acquired intangibles impairment of \$23.2 million, allowance for doubtful accounts of \$15.4 million, partially offset by the fair value changes through earnings on our investments of \$96.5 million. The net decrease in cash from working capital items was \$312.9 million, mainly due to the increase in accounts receivable, prepaid and other current assets and decreased amount due to customers, partially offset by the increase in accrued expenses and other current liabilities, account payable, which mainly resulted from the increase in accrued marketing expenses and sales rebate, deposits received from secured loan and income tax payable. The increase in accounts receivable was mainly arising from the revenue growth.

Net cash provided by operating activities in 2017 was \$596.3 million. This was attributable to our net income of \$349.6 million, adjusted by non-cash expenses including investment related impairment of \$123.0 million, stock-based compensation of \$91.4 million, depreciation of \$28.6 million, net loss from equity method investments of \$16.1 million, allowance for doubtful accounts of \$8.5 million, partially offset by the realized gain on our investment of \$132.0 million. The net increase in cash from working capital items was \$101.7 million, mainly due to the increase in accrued expenses and other current liabilities, account payable, income tax payable and deferred revenue, partially offset by the increase in accounts receivable and decreased amount due to customers. The increase in accrued expenses and other current liabilities and account payable resulted from the increase in payroll payable and accrued sales rebate. The increase in accounts receivable was in line with revenue growth.

Net cash provided by operating activities in 2016 was \$443.6 million. This was attributable to our net income of \$277.3 million, adjusted by non-cash expenses including stock-based compensation of \$73.8 million, investment related impairment of \$44.4 million, goodwill and acquired intangibles impairment of \$40.2 million, fair value change in option liability related to E-House of \$28.5 million, depreciation of \$26.6 million, allowance for doubtful accounts of \$14.6 million, partially offset by the realized gain on our investment of \$289.7 million. The net increase in cash from working capital items was \$212.3 million, mainly due to the increase in accrued expenses and other current liabilities, amount due to customers, income tax payable and deferred revenue, partially offset by the increase in accounts receivable. The increase in accrued expenses and other current liabilities resulted from the increase in payroll payable and accrued sales rebate. The increase in amount due to customers was in line with the continuous expansion of our SINA Pay online payment services. The increase in accounts receivable was in line with revenue growth.

*Investing activities*

Net cash used in investing activities in 2018 was \$447.9 million. This was a result of the purchase of short-term investments of \$2,357.3 million, cash paid for long-term investments (including prepayment) of \$1,008.4 million, the purchase of land use rights of \$216.1 million, the net payment for business acquisitions of \$47.0 million and cash paid for property and equipment purchases of \$46.5 million, partially offset by the maturities of short-term investments of \$2,933.6 million and the proceeds received from disposal of our investments or refund of our prepayment in investments of \$293.5 million.

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Net cash used in investing activities in 2017 was \$987.9 million. This was a result of the purchase of short-term investments of \$2,140.9 million, cash paid for long-term investments (including prepayment) of \$150.4 million and deposit repaid to E-House of \$135.4 million, partially offset by the maturities of short-term investments of \$1,166.2 million, the net proceeds of \$168.5 million received from the disposal/refund of long-term investments and consideration received from E-House for share exchange with Leju of \$127.6 million.

Net cash provided by investing activities in 2016 was \$945.8 million. This was a result of the maturities of short-term investments of \$2,153.2 million, the net proceeds of \$680.4 million received from the disposal/refund of long-term investments and deposit received from E-House of \$128.2 million, partially offset by the purchase of short-term investments of \$1,116.3 million, cash paid for long-term investments (including prepayment) of \$862.8 million and property and equipment purchases of \$37.7 million.

*Financing activities*

Net cash used in financing activities in 2018 was \$408.5 million, which mainly consisted of repurchase of ordinary shares of \$249.3 million, \$153.1 million paid for the repayment of our convertible senior notes on the due date and \$150.6 million repayment for bank loans, partially offset by \$143.9 million of proceeds from bank loans.

Net cash provided by financing activities in 2017 was \$887.0 million, which mainly consisted of \$879.3 million of proceeds from issuance of Weibo convertible senior notes and \$87.6 million of proceeds from bank loans, partially offset by \$47.6 million paid for the repurchase of ordinary shares and \$33.7 million repayment for bank loans.

Net cash used in financing activities in 2016 was \$603.4 million, which mainly consisted of \$646.9 million paid for the partial repurchase of our convertible senior notes due 2018 and \$68.1 million repayment for bank loans, repurchase of ordinary shares of \$26.1 million, partially offset by \$104.0 million of proceeds from bank loans and \$36.0 million cash received from share option exercise.

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

Our success has benefited from our continuous efforts on intellectual property protection, including patent, trademark, copyright and trade secrets. See [Item 4. Information on the Company](#) [B. Business Overview](#) [Intellectual Property and Proprietary Rights](#) for a description of the protection of our intellectual property.

**D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2018 to December 31, 2018 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating

results or financial conditions.

**E. Off-Balance Sheet Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any unconsolidated third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Table of Contents**F. Tabular Disclosure of Contractual Obligations**

The following table sets forth our contractual obligations as of December 31, 2018:

| Contractual Obligations        | Total     | Payments Due by Period |   |                     |                      |
|--------------------------------|-----------|------------------------|---|---------------------|----------------------|
|                                |           | Less Than One Year     | One to Three Years<br>(in \$ thousands) | Three to Five Years | More Than Five Years |
| Operating lease obligations(1) | 45,873    | 16,692                 | 25,607                                  | 3,574               |                      |
| Purchase commitments(2)        | 675,510   | 651,333                | 23,950                                  | 227                 |                      |
| Short-term bank loans          | 79,434    | 79,434                 |   |                     |                      |
| Capital commitments(3)         | 12,817    | 12,715                 | 102                                     |                     |                      |
| Equity investments             | 167,633   | 167,633                |   |                     |                      |
| 2022 convertible notes (4)     | 945,000   | 12,750                 | 22,500                                  | 909,750             |                      |
| Total contractual obligations  | 1,926,267 | 940,557                | 72,159                                  | 913,551             |                      |

(1) Operating lease obligations include the commitments under the lease agreements for our office premises. We lease office facilities under non-cancelable operating leases with various expiration dates through 2023. Rental expenses for 2016, 2017 and 2018 were \$24.5 million, \$13.7 million and \$17.9 million, respectively. The majority of the commitments are from our office lease agreements in China.

(2) Purchase commitments mainly include minimum commitments for internet connection, content and services related to website operation and marketing activities.

(3) Capital commitment was primarily related to commitments on the purchase of fixed assets and the payment on leasehold improvements.

(4) Convertible debt includes the future maximum commitment related to the principal and interests of the convertible notes that Weibo issued in October 30, 2017 with annual interest rate of 1.25% and a maturity date of November 15, 2022.

There are no claims, lawsuits, investigations and proceedings, including un-asserted claims that are probable to be assessed, that have in the recent past had, or to our knowledge, are likely to have, a material impact on our financial position, results of operations or cash flow.

**G. Safe Harbor**

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled Item 3. Key Information D. Risk Factors, Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, intend, plan, believe, estimate, is/are likely to or other and similar expressions. Forward-looking statements involve inherent risks and uncertainties. You should not place undue reliance on these forward-looking statements.

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



Table of Contents**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

The following table provides information with respect to our directors and executive officers as of this annual report:

| <b>Name</b>           | <b>Age</b> | <b>Position</b>   |
|-----------------------|------------|---|
| Charles Chao          | 53         | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) |
| Bonnie Yi Zhang       | 45         | Chief Financial Officer (Principal Financial and Accounting Officer)            |
| Hong Du               | 47         | President and Chief Operating Officer   |
| Qingxu Deng           | 43         | Senior Vice President   |
| Bin Zheng             | 53         | Senior Vice President   |
| Ter Fung Tsao         | 73         | Independent Director  |
| Yan Wang              | 46         | Independent Director  |
| Song-Yi Zhang         | 63         | Independent Director  |
| Yichen Zhang          | 55         | Independent Director  |
| James Jianzhang Liang | 49         | Independent Director  |

*Charles Chao* has served as our Chairman of the Board of Directors since August 2012 and our Chief Executive Officer since May 2006. He served as our President from September 2005 to February 2013, Chief Financial Officer from February 2001 to May 2006, Co-Chief Operating Officer from July 2004 to September 2005, and Executive Vice President from April 2002 to June 2003, Vice President of Finance from September 1999 to January 2001. Prior to joining us, Mr. Chao served as an audit manager at PricewaterhouseCoopers, LLP, an accounting firm. Prior to that, Mr. Chao was a news correspondent at Shanghai Media Group. Mr. Chao is currently the Chairman of the board of directors of our subsidiary Weibo Corporation, a leading social media company, a director of NetDragon Websoft Inc., a company providing technology for online gaming and a director of Leju, an online-to-offline (O2O) real estate services provider in China. Mr. Chao holds a Master of Professional Accounting degree from University of Texas at Austin, an M.A. in Journalism from University of Oklahoma and a B.A. in Journalism from Fudan University in Shanghai, China.

*Bonnie Yi Zhang* has served as our Chief Financial Officer since March 2015. From March 2014 to March 2015, Ms. Zhang was Chief Financial Officer of Weibo Corporation, one of our subsidiaries. Prior to joining Weibo, Ms. Zhang was the Chief Financial Officer of AdChina Ltd., a company operating an integrated internet advertising platform in China, from May 2011 to February 2014. From October 2007 to April 2011, Ms. Zhang was an audit partner of Deloitte Touche Tohmatsu based in Shanghai, with a focus on serving Chinese companies listed in the United States and Chinese companies making initial public offerings in the United States. From May 2005 to August 2007, she served as a senior manager in the National Office SEC Services group of Deloitte & Touche, LLP. While she was with that group, Ms. Zhang was primarily responsible for pre-issuance reviews of securities offering documents and periodic reports to be filed with the SEC and was primarily focusing on foreign private issuers. Ms. Zhang graduated summa cum laude in 1997 with a B.A. in Business Administration from McDaniel College in Maryland. She is a certified public accountant in the State of Maryland and is a member of the American Institution of

Certified Public Accountants.

*Hong Du* has served as our President and Chief Operating Officer since February 2013 and as a director of Weibo since January 2014. Ms. Du had served as our Chief Operating Officer from February 2008 to February 2013. Ms. Du joined us in November 1999 and worked in the Business Development department until April 2004. From May 2004 to January 2005, Ms. Du served as Deputy General Manager of 1Pai.com, a joint venture between SINA and Yahoo!. Ms. Du rejoined us in January 2005 and served as our General Manager of Sales Strategy from January 2005 to March 2005, General Manager of Sales from April 2005 to August 2005, Vice President of Sales from September 2005 to February 2007, and Senior Vice President of Sales and Marketing from February 2007 to February 2008. Ms. Du holds a B.S. in Applied Chemistry from Harbin Institute of Technology and an M.S. in MIS from San Francisco State University.

*Qingxu Deng* has served as our Senior Vice President of Operation since March 2018. Mr. Deng had served as our Vice President from August 2015 to February 2018. Mr. Deng joined us in April 2001 and worked in Finance Channel and Technology Channel successively. Mr. Deng served as Deputy Chief Editor of Finance Center from February 2011 to December 2014 and General Manager of Finance and Technology Division from January 2015 to July 2015. Prior to joining us, Mr. Deng worked at Xinhuanet. Mr. Deng holds a B.S. in Economics from Dongbei University of Finance & Economics and an M.A. in Journalism from Renmin University of China.

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*Bin Zheng* has served as our Senior Vice President of Human Resources since April 2018. From November 2013 to March 2018, Ms. Zheng served as our Vice President of Human Resources and was promoted to be an executive officer of SINA in June 2014, fully in charge of human resources management of both SINA and Weibo. Prior to joining us, from June 2011 to January 2013, Ms. Zheng served as Vice President of Qihoo 360 and Director of Qifei International, a subsidiary of Qihoo 360. Prior to that, Ms. Zheng served as Baidu's HR Executive Director from January 2008 to June 2011. Prior to her position in Baidu, Ms. Zheng held various Human Resources managerial roles in Fortune 500 companies, including Alcatel-Lucent, Lucent Technology Ltd. and General Electric. Ms. Zheng holds an EMBA degree from Peking University and a B.S. in Biology from Capital Normal University.

*Ter Fung Tsao* has served as a director since March 1999. Mr. Tsao has served as Chairman of Standard Foods Corporation (formerly known as Standard Foods Taiwan Ltd.), a packaged food company, since 1986. Before joining Standard Foods Taiwan Ltd., Mr. Tsao worked in several positions within The Quaker Oats Company, a packaged food company, in the United States and Taiwan. Mr. Tsao received a B.S. in Civil Engineering from Cheng Kung University in Taiwan, an M.S. in Sanitary Engineering from Colorado State University, and a Ph.D. in Food and Chemical Engineering from Colorado State University.

*Yan Wang* has served as a director since May 2003. Mr. Wang served as our Chairman of the Board of Directors from May 2008 to August 2012 and served as our Vice Chairman of the board of directors from May 2006 to May 2008. Previously, he served as our Chief Executive Officer from May 2003 to May 2006, our President from June 2001 to May 2003, our General Manager of China Operations from September 1999 to May 2001 and as our Executive Deputy General Manager for Production and Business Development in China from April 1999 to August 1999. In April 1996, Mr. Wang founded the SRSnet.com division of Beijing Stone Rich Sight Limited (currently known as Beijing SINA Information Technology Co., Ltd.), one of our subsidiaries. From April 1996 to April 1999, Mr. Wang served as the head of our SRS Internet Group. Mr. Wang holds a B.A. in Law from the University of Paris.

*Song-Yi Zhang* has served as a director since April 2004. Mr. Zhang currently serves as the Chairman of Mandra Capital. From November 1997 to November 2000, Mr. Zhang was a Managing Director of Morgan Stanley and served separately as a Managing Director in its Asia Mergers, Acquisitions, Restructuring and Divestiture Group and Co-head of its Asia Utilities/ Infrastructure Group. Mr. Zhang is currently an independent non-executive director of each of China Longyuan Power Group Corporation Limited and China Renewable Energy Investment Limited and a non-executive director of Jimu Group Limited. Mr. Zhang holds a J.D. degree from Yale Law School.

*Yichen Zhang* has served as a director since May 2002 and was a director of Weibo from January 2014 to January 2016. Mr. Zhang has been the Chairman and Chief Executive Officer of CITIC Capital Holdings Limited (CCHL, formerly known as CITIC Capital Markets Holdings Ltd.), a China-focused investment management and advisory firm. Prior to founding CITIC Capital, Mr. Zhang was an Executive Director of CITIC Pacific and President of CITIC Pacific Communications. He was previously a Managing Director at Merrill Lynch responsible for Debt Capital Market activities for the Greater China region. Mr. Zhang began his career at Greenwich Capital Markets in 1987 and became Bank of Tokyo's Head of Proprietary Trading in New York in the early 1990s. Mr. Zhang returned to China in the mid-1990s and advised the Chinese Ministry of Finance and other Chinese agencies on the development of the

domestic government bond market. He is also a member of the Eleventh and Twelfth National Committee of the Chinese People's Political Consultative Conference. Mr. Zhang is a graduate of Massachusetts Institute of Technology.

*James Jianzhang Liang* has served as a director since December 2017. Mr. Liang is one of the co-founders and the Executive Chairman of the board of Ctrip International, Ltd. (Nasdaq: CTRP), a leading travel service provider in China. He has been Ctrip's Chairman since August 2003. Mr. Liang served as Ctrip's chief executive officer from 2000 to January 2006, and from March 2013 to November 2016. Under his leadership, Ctrip has successfully transitioned from offline to online and from online to mobile, made strategic investments in key industry players, and cultivated and invested in new business initiatives. Mr. Liang has won many accolades for his contributions to the Chinese travel industry, including Best CEO in the Internet category in the 2016 All-Asia Executive Team Rankings by Institutional Investor and 2015 China's Business Leader of the Year by Forbes. He has also authored multiple publications, including the influential *Too Many People in China?* and the *Rise of the Network Society*. Prior to founding Ctrip, Mr. Liang held a number of technical and managerial positions with Oracle Corporation from 1991 to 1999 in the United States and China, including the head of the ERP consulting division of Oracle China from 1997 to 1999. Mr. Liang currently serves on the board of MakeMyTrip (Nasdaq: MMYT). He is also an economics professor at Peking University. Mr. Liang received his Ph.D. degree from Stanford University and his Master's and Bachelor's degrees from Georgia Institute of Technology. He also attended an undergraduate program at Fudan University.

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There are no family relationships among any of the directors or executive officers of Sina Corporation. Our board of directors has determined that the following directors, representing a majority of our directors, are independent as defined under Nasdaq Marketplace Rule 5605(a)(2): Yan Wang, Ter Fung Tsao, Yichen Zhang, Song-Yi Zhang and James Jianzhang Liang. We intend to maintain a majority of independent directors on the Board.

**B. Compensation**

Each non-employee director receives an annual cash retainer of \$20,000, the Chair of the Audit Committee receives an additional annual cash retainer of \$5,000 and the Chair of the Compensation Committee receives an additional annual cash retainer of \$3,000. Currently, our employee directors are not entitled to any other cash compensation in addition to their employment compensation for serving on our board of directors. In 2018, we paid an aggregate of approximately \$2.0 million in cash compensation to our executive officers and non-employee directors as a group.

In 2018, we granted an aggregate of 25,000 restricted share units to non-employee directors and an aggregate of 1,000,000 restricted share units to our executive officers under our share incentive plans. No options were granted to our non-employee directors or executive officers in 2018. In addition, Weibo granted an aggregate of 460,000 restricted share units under its share incentive plans to our directors and executive officers in 2018.

**SINA's Share Incentive Plans**

*Amended and Restated 2007 Share Incentive Plan*

Our 2007 share incentive plan was adopted on June 29, 2007 and amended and restated on August 2, 2010 (the Amended and Restated 2007 Plan). A total of 10,000,000 ordinary shares were available for issuance pursuant to awards granted under the Amended and Restated 2007 Plan then. The Amended and Restated 2007 Plan permits the granting of share options, share appreciation rights, restricted share units and restricted shares. The maximum number of ordinary shares that may be granted subject to awards under the Amended and Restated 2007 Plan during any given fiscal year will be limited to 3% of the total outstanding shares of our company as of the end of the immediately preceding fiscal year, plus any shares remaining available under the share pool for the immediately preceding fiscal year. Share options and share appreciation rights must be granted with an exercise price of at least 100% of the fair market value on the date of grant.

Upon its adoption, the Amended and Restated 2007 Plan replaced our 1999 Stock Plan and 1999 Directors' Stock Option Plan. Our Amended and Restated 2007 Plan terminated on August 1, 2015. No additional awards could be made under our Amended and Restated 2007 Plan after its termination, but the termination of the plan would not impair any award previously granted under the plan.

As of March 31, 2019, there were 246,743 ordinary shares issuable upon exercise of outstanding options and vesting of outstanding restricted share units under the Amended and Restated 2007 Plan.

*2015 Share Incentive Plan*

In July 2015, we adopted our 2015 share incentive plan, or the 2015 Plan. The aggregate number of shares reserved for issuance pursuant to awards under the 2015 Plan is 6,000,000 ordinary shares. The 2015 Plan permits the grant of four types of awards: share options, share appreciation rights, restricted share units and restricted shares. The maximum number of ordinary shares that may be granted subject to awards under the 2015 Plan during any given fiscal year will be limited to 3% of the total outstanding shares of our company as of the end of the immediately preceding fiscal year, plus any shares remaining available under the share pool for the immediately preceding fiscal year. As of March 31, 2019, there were 2,211,332 ordinary shares issuable upon exercise of outstanding restricted share units under the 2015 Plan.

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| Name                   | Ordinary Shares Underlying Outstanding Options and Restricted Share Units | Exercise Price (\$/Share) | Grant Date                              | Expiration Date   |
|------------------------|---|---------------------------|---|-------------------|
| Chao, Charles          | *   | 38.27                     | November 25, 2014                       | November 25, 2020 |
|                        | *(1)  |                           | November 25, 2014                       |                   |
|                        | *(1)  |                           | May 6, 2016                             |                   |
|                        | *(1)  |                           | July 5, 2018                            |                   |
|                        | *(1)  |                           | November 23, 2018                       |                   |
| Zhang, Bonnie Yi       | *(1)  |                           | February 5, 2015                        |                   |
|                        | *(1)  |                           | May 6, 2016                             |                   |
|                        | *(1)  |                           | July 5, 2018                            |                   |
|                        | *(1)  |                           | November 23, 2018                       |                   |
| Du, Hong               | *   | 38.27                     | November 25, 2014                       | November 25, 2020 |
|                        | *(1)  |                           | November 25, 2014                       |                   |
|                        | *(1)  |                           | May 6, 2016                             |                   |
|                        | *(1)  |                           | July 5, 2018                            |                   |
|                        | *(1)  |                           | November 23, 2018                       |                   |
| Deng, Qingxu           | *   | 35.69                     | January 16, 2015                        | January 16, 2021  |
|                        | *(1)  |                           | January 16, 2015                        |                   |
|                        | *(1)  |                           | October 2, 2015                         |                   |
|                        | *(1)  |                           | April 5, 2016                           |                   |
|                        | *(1)  |                           | July 5, 2018                            |                   |
|                        | *(1)  |                           | November 23, 2018                       |                   |
| Zheng, Bin             | *   | 35.69                     | January 16, 2015                        | January 16, 2021  |
|                        | *(1)  |                           | January 16, 2015                        |                   |
|                        | *(1)  |                           | May 1, 2015                             |                   |
|                        | *(1)  |                           | April 5, 2016                           |                   |
| Tsao, Ter Fung         | *(1)  |                           | February 19, 2016                       |                   |
|                        | *(1)  |                           | May 5, 2017                             |                   |
|                        | *(1)  |                           | February 9, 2018                        |                   |
|                        | *(1)  |                           | March 1, 2019                           |                   |
| Wang, Yan              | *(1)  |                           | February 19, 2016                       |                   |
|                        | *(1)  |                           | May 5, 2017                             |                   |
|                        | *(1)  |                           | February 9, 2018                        |                   |
|                        | *(1)  |                           | March 1, 2019                           |                   |
| Zhang, Song-Yi         | *(1)  |                           | February 19, 2016                       |                   |
|                        | *(1)  |                           | May 5, 2017                             |                   |
|                        | *(1)  |                           | February 9, 2018                        |                   |
|                        | *(1)  |                           | March 1, 2019                           |                   |
| Zhang, Yichen          | *(1)  |                           | February 19, 2016                       |                   |
|                        | *(1)  |                           | May 5, 2017                             |                   |
|                        | *(1)  |                           | February 9, 2018                        |                   |
|                        | *(1)  |                           | March 1, 2019                           |                   |
| Liang, James Jianzhang | *(1)  |                           | February 9, 2018                        |                   |
|                        | *(1)  |                           | March 1, 2019                           |                   |
| Other employees        | *   | 35.69                     | January 16, 2015                        | January 16, 2021  |
|                        |   |                           | From January 16, 2015 to March 27, 2019 |                   |
| Total                  | 1,095,996(1)<br>2,458,075   |                           |   |                   |

\* Less than one percent of the outstanding ordinary shares

(1) Restricted share units





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The options granted to our directors and executive officers generally have a term of six years, but are subject to earlier termination in connection with termination of continuous service to us. Generally, option grantees may pay the exercise price via a cashless exercise procedure. The options granted to directors and executive officers vest over a four-year vesting period with 1/8th of the shares covered by the option vesting on the six-month anniversary of the grant date and the remaining shares vesting ratably on a monthly basis over the remaining vesting period. Performance-based restricted share units are settled upon the achievement by our executive officers of the service-based vesting conditions prescribed by our board of directors. The restricted share units subject to service-based vesting that were granted to our non-employee directors generally vest over a four-year period on a straight-line basis on each six-month anniversary date. The restricted share units subject to service-based vesting that were granted to our executive officers generally vest over a four-year period on a straight-line basis on each six-month anniversary date. Restricted shares units that do not vest as prescribed will be forfeited.

**Weibo's Share Incentive Plans**

Weibo, our subsidiary, adopted its 2010 Share Incentive Plan in August 2010, under which 35,000,000 ordinary shares of Weibo were initially reserved for issuance. On March 28, 2014, Weibo adopted its 2014 Share Incentive Plan, which has a term of ten years. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Share Incentive Plan is 5,647,872, the sum initially reserved under the 2014 Plan, plus the amount equal to 10% of the total number of our ordinary shares on an as-converted and fully diluted basis as of December 31, 2014. Weibo intends to use such share incentive plan to continue to attract and retain employee talent.

The following table summarizes, as of March 31, 2019, the options and restricted share units granted under Weibo's share incentive plans to directors and executive officers of our company and to other individuals as a group, without giving effect to the options that were exercised or restricted share units that have vested, if any.

| Name                   | Ordinary Shares<br>Underlying<br>Outstanding<br>Options<br>and Restricted<br>Share Units | Exercise Price<br>(\$/Share) | Grant Date                                     | Expiration Date                                |
|------------------------|--|------------------------------|--|--|
| Chao, Charles          | * (1)  |                              | May 5, 2016                                    |  |
|                        | * (1)  |                              | November 22, 2018                              |  |
| Zhang, Bonnie Yi       | * (1)  |                              | November 22, 2018                              |  |
| Du, Hong               | * (1)  |                              | November 22, 2018                              |  |
| Deng, Qingxu           | * (1)  |                              | January 28, 2015                               |  |
| Zheng, Bin             | *  | 3.5                          | December 30, 2013                              | December 30, 2020                              |
|                        | * (1)  |                              | January 28, 2015                               |  |
|                        | * (1)  |                              | April 20, 2016                                 |  |
| Tsao, Ter Fung         |  |                              |  |  |
| Wang, Yan              |  |                              |  |  |
| Zhang, Song-Yi         |  |                              |  |  |
| Zhang, Yichen          |  |                              |  |  |
| Liang, James Jianzhang |  |                              |  |  |
| Other grantees         | *  | From \$3.25 to<br>\$3.5      | From November 30, 2012 to<br>December 30, 2013 | From November 30, 2019 to<br>December 30, 2020 |
|                        |  |                              | From January 28, 2015 to<br>March 27, 2019     |  |
|                        | 2,701,784(1)   |                              |  |  |
| Total                  | 3,417,161  |                              |  |  |

\* Less than one percent of the total outstanding ordinary shares of Weibo

(1) Restricted share units of Weibo

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**Change in Control and Severance Agreements**

Certain of our executive officers are entitled to receive cash payments and other benefits upon the occurrence of termination of employment or a change in control of our company when certain conditions are satisfied. See C. Board Practices Potential Payments upon Termination or Change in Control below.

**C. Board Practices**

*Terms of Directors and Executive Officers*

Our Amended and Restated Articles of Association currently authorize a board of not less than two directors. We currently have six members of the board of directors. Unless there is a director service agreement between a director and our company which specifies the term of office of the director, our directors are not subject to a term of office and hold office until such time as they are removed from office by a special resolution of the shareholders or by the board. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or (ii) is prohibited from being a director by law or by virtue of any provisions in our Amended and Restated Articles of Association.

Our officers are elected by and serve at the discretion of the board of directors. Our employment agreements with our officers have a term of three or four years and may be extended for an additional one-year period after the end of original term. For the period during which each officer has served in office, please refer to Item 6. Directors, Senior Management and Employees A. Directors and Senior Management above.

*Board Committees*

We have established an audit committee, a compensation committee and a nominating and corporate governance committee under the board of directors and adopted a charter for each of these committees. Each committee's members and functions are described below.

*Audit Committee.* Our Audit Committee consists of Song-Yi Zhang and Ter Fung Tsao, and Song-Yi Zhang is the chairman. The board has determined that all members of the Audit Committee are independent under the standards set forth in Rule 10A-3 under the Securities Act of 1933, as amended, and in Nasdaq Listing Rules 5605, and each of them is able to read and understand fundamental financial statements. In addition, the board has determined that Song-Yi Zhang qualifies as an audit committee financial expert as defined in the instructions to Item 16A of the Form 20-F. Our Audit Committee is responsible for, among other things:

*Independent accountant*

1. Appoint the independent accountant for ratification by the stockholders and approve the compensation of and oversee the independent accountant.
2. Confirm that the proposed audit engagement team for the independent accountant complies with the applicable auditor rotation rules.
3. Ensure the receipt of, and review, a written statement from our independent accountant regarding the independent accountant's independence in accordance with applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence.
4. Review with our independent accountant any disclosed relationship or service that may impact the objectivity and independence of the accountant.
5. Pre-approve all audit services and permitted non-audit services to be provided by the independent accountant as required by the Securities Exchange Act of 1934, as amended (the Exchange Act).
6. Review the plan for and the scope of the audit and related services at least annually.

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*Financial Reporting*

1. Review and discuss with finance management our company's earnings press releases as well as earnings guidance provided to analysts.
  
2. Review the annual reports of our company with finance management and the independent accountant prior to filing of the reports with the SEC.
  
3. Review with finance management and the independent accountant at the completion of the annual audit:
  - Our company's annual financial statements and related footnotes;
  
  - The independent accountant's audit of the financial statements;
  
  - Any significant changes required in the independent accountant's audit plan;
  
  - Any serious difficulties or disputes with management encountered by the independent accountant during the course of the audit; and
  
  - Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.

*Related Party and Relationship Disclosure*

1. Ensure the receipt of, and review, a report from the independent accountant required by Section 10A of the Exchange Act.

2. Oversee our company's compliance with SEC requirements for disclosure of accountant's services and Audit Committee members and activities.
3. Review and approve all related party transactions other than compensation transactions.

*Critical Accounting Policies & Principles and Key Transactions*

1. Review with finance management and the independent accountant at least annually our company's application of critical accounting policies and its consistency from period to period, and the compatibility of these accounting policies with generally accepted accounting principles, and (where appropriate) our provisions for future occurrences which may have a material impact on the financial statements of our company.
2. Oversee our company's finance function, which may include the adoption from time to time of a policy with regard to the investment of our assets.
3. Periodically discuss with the independent accountant, without Management being present, (i) their judgments about the quality, appropriateness, and acceptability of our company's accounting principles and financial disclosure practices, as applied in its financial reporting, and (ii) the completeness and accuracy of our company's financial statements.
4. Review and discuss with finance management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of our company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses.

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*Internal Control and Related Matters*

1. Oversee the adequacy of our company's system of internal controls. Obtain from the independent accountant management letters or summaries on such internal controls. Review any related significant findings and recommendations of the independent accountant together with management's responses thereto.
2. Oversee our company's Anti-Fraud and Whistleblower Program.
3. Perform annual self-assessment on Audit Committee effectiveness.

In addition to the above responsibilities, the Audit Committee shall undertake such other duties as the board delegates to it or that are required by applicable laws, rules and regulations.

Finally, the Audit Committee shall ensure that our independent accountant understand both (i) their ultimate accountability to the board and the Audit Committee, as representatives of our shareholders and (ii) the Board's and the Audit Committee's ultimate authority and responsibility to select, evaluate and, where appropriate, replace our independent accountant (or to nominate the outside accountant to be proposed for shareholder approval in any proxy statement).

**Compensation Committee.** Our Compensation Committee consists of Mr. Yan Wang and Mr. Yichen Zhang. The members of the Compensation Committee satisfy the independence requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market. Our Compensation Committee is responsible for establishing and monitoring the general compensation policies and compensation plans of our company, as well as the specific compensation levels for executive officers. It also administers the granting of equity awards to executive officers under our share incentive plans.

**Nominating and Corporate Governance Committee.** Our Nominating and Corporate Governance Committee consists of Mr. Yan Wang and Mr. Yichen Zhang. Yichen Zhang is the chairman of the committee. The members of the Nominating and Corporate Governance Committee satisfy the independence requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market. The Nominating and Corporate Governance Committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The Nominating and Corporate Governance Committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

*Potential Payments upon Termination or Change in Control*

We have entered into contracts with our executive director and officers, including Mr. Charles Chao, our Chief Executive Officer and the Chairman of the board of directors of our Company, which provide for potential payments upon termination or change in control.



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***Terms of Potential Payments Termination***

We have entered into an employment agreement with our executive director and officers providing, among other things, that in the event that employment of such executive director or officer is terminated without cause or if a constructive termination occurs (either event, an Involuntary Termination), such executive director or officer shall be entitled to receive payment of severance benefits equal to his or her regular monthly salary for twelve months (or in the case of Charles Chao, (i) eighteen months if the remaining term of his employment agreement (the Remaining Term) is more than or equal to eighteen months, (ii) the Remaining Term if the Remaining Term is less than eighteen months but more than twelve months, or (iii) twelve months if the Remaining Term is equal to or less than 12 months (the Severance Period)), provided that the executive director or officer executes a release agreement at the time of such termination. An amount equal to six months of such severance benefits shall be paid on the six-month anniversary of the termination date, and the remaining severance benefits shall be paid ratably over the following six-month period (or in the case of Mr. Chao, over the remaining Severance Period) in accordance with our standard payroll schedule. Additionally, upon an Involuntary Termination, such executive officer will be entitled to receive any bonus earned as of the date of such termination, which amount shall be paid on the six-month anniversary of such executive officer's termination date. We will also reimburse such executive director and officer over the twelve months following termination (or in the case of Mr. Chao, over the Severance Period) for health insurance benefits with the same coverage provided to such executive officer prior to his or her termination, provided that reimbursement for the first six months shall be paid on the six-month anniversary of such executive officer's termination date and reimbursement for any remaining health insurance benefits shall be paid on the first day of each month during which such executive officer receives such health insurance benefits. Any unvested share options or shares of restricted stock held by such executive officer as of the date of his or her Involuntary Termination will vest as to that number of shares that such executive officer would have vested over the twelve-month period following his or her termination (or in the case of Mr. Chao, during the Severance Period) if he or she had continued employment with our company through such period, and such executive officer shall be entitled to exercise any such share options through the date that is the later of (x) the 15th day of the third month following the date the share options would otherwise expire, or (y) the end of the calendar year in which the share options would otherwise expire. Such executive officer is not eligible for any severance benefits if his employment is terminated voluntarily or if he or she is terminated for cause.

In the event that an executive officer voluntarily elects to terminate his or her employment, he or she will receive payment(s) for all salary and unpaid vacation accrued as of the date of his termination of employment and his or her benefits will be continued in accordance with our then-existing benefits plans and policies in effect on the date of termination and in accordance with applicable law. In the event that an executive officer's employment is terminated for cause, then he or she shall not be entitled to receive payment of any severance benefits, but he will receive payment(s) for all salary and unpaid vacation accrued as of the date of such termination and his or her benefits will be continued in accordance with our then-existing benefits plans and policies in effect on the date of termination and in accordance with applicable law.

In the event that an executive officer's employment with our company terminates as a result of his or her death or disability, such executive officer's estate or representative will receive the amount of such executive officer's target bonus for the fiscal year in which the death or disability occurs to the extent that the bonus has been earned as of the date of such death or disability, as determined by the board of directors or the Compensation Committee based on the specific corporate and individual performance targets established for such fiscal year.

***Terms of Potential Payments Change in Control***

In addition to the employment agreements described above, we have also entered into a change in control agreement with our executives. Under the change in control agreements, in general, a change in control shall be deemed to occur if (i) any person or entity acquires fifty percent or more of the combined voting power of our outstanding securities, (ii) during any period of two consecutive years there is an unwelcome change in a majority of the members of our board of directors, (iii) we merge or consolidate with another organization (other than a merger where our shareholders continue to own more than fifty percent of the combined voting power and with the power to elect at least a majority of the board of directors), (iv) our shareholders approve a complete liquidation or an agreement for the sale or disposition of all or substantially all of our

assets or (v) there occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act.

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The change in control agreement provides for certain benefits in the event of a change in control as well as in the event of an involuntary termination after a change in control. Upon a change in control in which the successor corporation does not assume outstanding options, all such options shall become fully vested and exercisable. In addition, if an executive officer's employment with our company is terminated without cause or if he or she resigns for good reason (as such terms are defined in the change in control agreements) within 24 months following a change in control, such executive officer will receive a pro-rata amount of the full value of any targeted annual bonus for the year in which his or her employment is terminated, the greater of 100% of his or her annual base salary and 100% of his or her targeted annual bonus for the year in which his or her employment is terminated, reimbursement in full of the applicable insurance premiums for him or her and his or her eligible dependents for the first eighteen months that he or she and his or her dependents are eligible for health insurance coverage if a continuance of health insurance benefits are elected, continued D&O insurance coverage for six years after his or her termination, an acceleration of all stock awards that are unvested as of his or her termination date and a tax gross up for any excise tax imposed by Internal Revenue Code Section 4999. If the termination is by reason of death or disability within 24 months following a change in control, such executive officer or his or her estate will be entitled to continued payment of his or her full base salary at the rate then in effect on the date of termination for a period of one year from the date of termination. The change in control agreement also provides for a payment of an amount equal to the full value of the excise tax imposed by Section 4999 of the Internal Revenue Code should the executive officer be subject to the excise tax on golden parachute payments under the Internal Revenue Code.

Except as set forth in Item 6.B. and Item 6.C., we have no service contracts with any of our directors that provide benefits to them upon termination.

**D. Employees**

We had 7,308, 8,224 and 9,207 employees respectively as of December 31, 2016, 2017 and 2018. Currently most of them were employed in the PRC with the remaining employed in the United States, Hong Kong and Taiwan. From time to time we employ independent contractors to support our production, engineering, marketing and sales departments. The number of independent contractors employed during 2018 was not significant. Our Chinese employees are members of a labor association that represents employees with respect to labor disputes and other employee matters. To date, we have not experienced a work stoppage or a labor dispute that has interfered with our operations.

**E. Share Ownership**

The following table sets forth certain information that has been provided to us with respect to the beneficial ownership of our ordinary shares as of March 31, 2019 by:

- each shareholder known to us own beneficially more than 5% of the ordinary shares;
- each director;
- each of our executive officers listed in **Directors and Senior Management** above; and

- all of our current directors and executive officers as a group.

Percentage of beneficial ownership is based on 69,552,851 ordinary shares (excluding 13,042,702 ordinary shares that have been repurchased but not cancelled) outstanding as of March 31, 2019 together with options that are exercisable within 60 days from March 31, 2019 and shares issuable upon vesting of restricted share units within 60 days from March 31, 2019 for each shareholder. Beneficial ownership is determined in accordance with the rules of the SEC.

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|  | Ordinary Shares<br>Beneficially Owned |       | Class A<br>Preference<br>Shares<br>Beneficially<br>Owned | Voting Power |
|--|---------------------------------------|-------|--|--------------|
|  | Number                                | % (1) | Number   | % (2)        |
| <b>Major Shareholders</b>                              |                                       |       |  |              |
| New Wave MMXV Limited(3)                               | 7,944,386                             | 11.4  | 7,150  | 56.3         |
| BlackRock, Inc.(4)                                     | 4,615,133                             | 6.6   |  | 3.3          |
| Schroder Investment Management North America<br>Inc(5) | 3,977,803                             | 5.7   |  | 2.8          |
| <b>Directors and Executive Officers</b>                |                                       |       |  |              |
| Charles Chao(6)  | 8,675,048                             | 12.4  | 7,150  | 56.8         |
| Bonnie Yi Zhang  | *                                     | *     |  | *            |
| Hong Du  | *                                     | *     |  | *            |
| Qingxu Deng  | *                                     | *     |  | *            |
| Bin Zheng  | *                                     | *     |  | *            |
| Ter Fung Tsao(7)                                       | *                                     | *     |  | *            |
| Yan Wang(8)  | *                                     | *     |  | *            |
| Song-Yi Zhang(9)                                       | *                                     | *     |  | *            |
| Yichen Zhang(10)                                       | *                                     | *     |  | *            |
| James Jianzhang Liang(11)                              | *                                     | *     |  | *            |
| All directors and executive officers as a group        | 9,471,409                             | 13.6  | 7,150  | 57.3         |

\* Less than one percent of the outstanding ordinary shares or less than one percent of voting power.

\*\* Except otherwise disclosed in this annual report, the business address of our directors and executive officers is 7/F SINA Plaza No. 8 Courtyard 10 West, Xibeiwang East Road, Haidian District, Beijing 100193, People's Republic of China.

(1) For each named person, the percentage ownership includes ordinary shares which the person has the right to acquire within 60 days after March 31, 2019. However, such shares shall not be deemed outstanding with respect to the calculation of ownership percentage for any other person.

(2) For each named person or group included in this column, the percentage of total voting power represents voting power based on both ordinary shares and class A preference shares held by such person or group with respect to all of our outstanding ordinary shares and class A preference shares as one class as of March 31, 2019. Each ordinary share is entitled to one vote per share. Each class A preference shares is entitled to 10,000 votes per share as of March 31, 2019 on all matters subject to a shareholders' vote, provided that (i) when New Wave sells or otherwise transfers any number of ordinary shares held by it to a third party which is not an affiliate of New Wave, the number of votes that each class A preference share is entitled to will be reduced proportionally; (ii) on any resolution to elect a director where the nominee is an executive officer of our company, the votes attaching to the class A preference shares on such resolution shall not be counted if a majority of the votes cast by the holders of our ordinary shares is against the appointment of such nominee; (iii) for all matters that are required to be subject to shareholder approval under Rule 5635 of the Nasdaq Stock Market Rules, New Wave shall vote the class A preference shares in accordance with the recommendation of our board of directors to the extent the board determines to submit any such matter to shareholder approval; and (iv) If New Wave transfers the class A preference shares to a third party which is not an

affiliate of New Wave, or when New Wave ceases to be controlled by any person holding executive office in the Company, the class A preference shares shall cease to have any voting right.

(3) New Wave MMXV Limited, or New Wave, is a company incorporated in British Virgin Islands and controlled by Mr. Charles Chao. Mr. Chao is the sole director of New Wave. The address of New Wave is Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

(4) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on February 8, 2019. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

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(5) Beneficial ownership calculation is based solely on a review of a Schedule 13G filed with the SEC on February 9, 2017. The address of Schroder Investment Management North America Inc is 875 Third Ave, 22nd Floor, New York, NY 10022.

(6) Includes 7,944,386 ordinary shares and 7,150 class A preference shares held by New Wave, 598,702 shares held by Mr. Chao, 67,500 shares issuable upon exercise of options exercisable within 60 days from March 31, 2019, and 64,460 shares issuable upon vesting of restricted share units within 60 days from March 31, 2019.

(7) The address of Mr. Ter Fung Tsao is c/o Standard Foods Corporation, 8th Floor, No. 136 Jen Ai Road, Section 3, Taipei 10657, Taiwan.

(8) The address of Mr. Yan Wang is No. 527 Lijiang Garden, No. 89 Capital Road, Beijing, People's Republic of China.

(9) The address of Mr. Song-Yi Zhang is c/o Flat 8A, Magazine Court, 5-7 Magazine Gap Road, Mid-Levels, Hong Kong.

(10) The address of Mr. Yichen Zhang is House D, 62-70 Black's Link, Hong Kong.

(11) The address of Mr. James Jianzhang Liang is c/o Building 16, Sky SOHO, 968 Jinzhong Road, Shanghai 200335, People's Republic of China.

For information regarding the options held by our directors and executive officers as well as the arrangements involving the employees in the capital of our company, see Item 6. Directors, Senior Management and Employees B. Compensation SINA's Share Incentive Plans.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

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For information regarding major shareholders, please refer to Item 6. Directors, Senior Management and Employees E. Share Ownership.

Except for New Wave which held 7,150 class A preference shares as of March 31, 2019, our major shareholders do not have voting rights that are different from other shareholders. Subject to certain restrictions, each class A preference share is entitled to 10,000 votes per share while each ordinary share is entitled to one vote per share.

Pursuant to a registration rights agreement we entered into with New Wave on November 6, 2015, we agreed to provide New Wave with certain registration rights in respect of our ordinary shares owned by New Wave. See B. Related Party Transactions Transactions and Agreements with Directors and Officers Registration Rights Agreement.

As of March 31, 2019, 61,570,992 ordinary shares, or 88.5% of our total outstanding ordinary shares (excluding ordinary shares that have been repurchased but not cancelled), were held by 31 record shareholders in the United States, almost totally held by Cede & Co. The number of beneficial owners of our ordinary shares in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. We are not directly or indirectly controlled by another corporation, any foreign government or any other natural or legal person. We are not aware of any arrangement that may, at a subsequent date, result in a change in control of our company.



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**B. Related Party Transactions**

Except for the transactions disclosed below in this Item 7.B., since the beginning of 2012, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or are a party and in which any director, executive officer or beneficial holder of more than 10% of any class of our voting securities or such person's immediate family members or controlled enterprises had or will have a direct or indirect material interest other than as described below and elsewhere in this annual report. It is our policy that future transactions between us and any of our directors, executive officers or related parties will be subject to the review and approval of our Audit Committee or other committee comprised of independent, disinterested directors.

Our Code of Ethics states that a conflict of interest may exist whenever a relationship of an employee, officer or director, or one of their family members, is inconsistent with our company's best interests or could cause a conflict with job responsibilities. Under our Code of Ethics, if our employees, officers and directors have any question regarding whether a conflict of interest exists, they are required to consult with their immediate supervisor or our Compliance Officer. If they become aware of a conflict or potential conflict, they are required to bring it to the attention of their immediate supervisor or the Compliance Officer.

Our Insider Trading Policy applicable to all employees, officers and directors and their family members prohibits trading based on material, non-public information regarding our company or disclosure of such information for trading in our securities. Potential criminal and civil liability and disciplinary actions for insider trading are set forth in our Insider Trading Policy. Our Chief Financial Officer serves as our Insider Trading Compliance Officer for the implementation of our Insider Trading Policy. Our Insider Trading Policy is delivered to all new employees and consultants upon the commencement of their relationships with our company and is circulated to all personnel at least annually.

All transactions between Weibo and us were eliminated in our consolidated financial statements.

**Agreements with Weibo**

Weibo Corporation, or Weibo, which became listed on the Nasdaq Global Select Market in April 2014, is currently our majority-owned subsidiary. Prior to the initial public offering of Weibo, we provided Weibo with financial, accounting, administrative, sales and marketing, legal and human resources services, as well as the services of a number of our executive officers and other employees, the costs of which were allocated to Weibo based on proportion of revenues, infrastructure usage and labor usage attributable to our business, among other things. We have entered into agreements with Weibo with respect to various ongoing relationships between us. These include a master transaction agreement, a transitional service agreement, a non-competition agreement and a sales and marketing services agreement. The following are summaries of these agreements and of an intellectual property license agreement that we entered into with Weibo in April 2013.

***Master Transaction Agreement***

The master transaction agreement contains provisions relating to Weibo's carve-out from us. Pursuant to this agreement, Weibo is responsible for all financial liabilities associated with the current and historical social media business and operations that have been conducted by or transferred to it, and we are responsible for financial liabilities associated with all of our other current and historical businesses and operations, in each case

regardless of the time those liabilities arise. The master transaction agreement also contains indemnification provisions under which Weibo and our company indemnify each other with respect to breaches of the master transaction agreement or any related inter-company agreement.

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In addition, Weibo has agreed to indemnify us against liabilities arising from misstatements or omissions in the prospectus or the registration statement of which it is a part in connection with Weibo's initial public offering, except for misstatements or omissions relating to information that we provided to Weibo specifically for inclusion in the prospectus or the registration statement of which it forms a part. Weibo also has agreed to indemnify us against liabilities arising from any misstatements or omissions in its subsequent SEC filings and from information it provides to us specifically for inclusion in our annual reports or other SEC filings following the completion of Weibo's initial public offering, but only to the extent that the information pertains to Weibo or Weibo's business or to the extent we provide Weibo prior written notice that the information will be included in our annual reports or other subsequent SEC filings and the liability does not result from the action or inaction of us. Similarly, we will indemnify Weibo against liabilities arising from misstatements or omissions in our subsequent SEC filings or with respect to information that we provided to Weibo specifically for inclusion in the prospectus, the registration statement of which the prospectus forms a part in connection with Weibo's initial public offering, or Weibo's annual reports or other SEC filings following the completion of its initial public offering.

The master transaction agreement also contains a general release, under which the parties will release each other from any liabilities arising from events occurring on or before the initial filing date of the registration statement in connection with Weibo's initial public offering, including in connection with the activities to implement the offering. The general release does not apply to liabilities allocated between the parties under the master transaction agreement or the other inter-company agreements.

Furthermore, under the master transaction agreement, Weibo has agreed to use its reasonable best efforts to use the same independent certified public accounting firm selected by us and to maintain the same fiscal year as us until our first fiscal year-end following the earlier of (1) the first date when we no longer own at least 20% of the voting power of Weibo's then outstanding securities and (2) the first date when we cease to be the largest beneficial owner of Weibo's then outstanding voting securities (without considering holdings by certain institutional investors). This earlier date is referred to as the control ending date. Weibo also has agreed to use its reasonable best efforts to complete its audit and provide us with all financial and other information on a timely basis so that we may meet our deadlines for our filing of annual and quarterly financial statements.

Under the master transaction agreement, the parties also agree to cooperate in sharing information and data collected from each party's business operation, including without limitation user information and data relating to user activities. The parties agree not to charge any fees for their cooperation provided under the agreement unless they separately and explicitly agree otherwise.

The master transaction agreement will automatically terminate five years after the first date upon which we cease to own in aggregate at least 20% of the voting power of Weibo's then outstanding securities, provided that the agreement on sharing information and data will terminate on the earlier of (1) the fifteenth anniversary of the commencement of the cooperation period or (2) five years after the first date upon which we cease to own in aggregate at least 20% of the voting power of Weibo's then outstanding securities. This agreement can be terminated early or extended by mutual written consent of the parties. The termination of this agreement will not affect the validity and effectiveness of the transitional services agreement, the non-competition agreement and the sales and marketing services agreement.

***Transitional Services Agreement***

Under the transitional services agreement, we agree that, during the service period, as described below, we will provide Weibo with various corporate support services, including but not limited to:

- administrative support;
- operational management support;
- legal support;
- technology support; and
- provision of office facilities.

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We also may provide Weibo with additional services that we and Weibo may identify from time to time in the future.

The price to be paid for the services provided under the transitional service agreement will be the actual direct and indirect costs of providing such services. Direct costs include labor-related compensation and travel expenses and materials and supplies consumed in performing the services. Indirect costs include office occupancy, information technology supervision and other overhead costs of the department incurring the direct costs of providing the services.

The transitional service agreement provides that the performance of a service according to the agreement will not subject the provider of such service to any liability whatsoever except as directly caused by the gross negligence or willful misconduct of the service provider. Liability for gross negligence or willful misconduct is limited to the lower of the price paid for the particular service or the cost of the service's recipient performing the service itself or hiring a third party to perform the service. Under the transitional services agreement, the service provider of each service is indemnified by the recipient against all third-party claims relating to provision of services or the recipient's material breach of a third-party agreement, except where the claim is directly caused by the service provider's gross negligence or willful misconduct.

The service period under the transitional services agreement commenced in March 2014 and ended on the expiration of five years thereafter. After the expiration of the transitional services agreement, we continue to provide certain administration services to Weibo in the ordinary course of business.

***Non-competition Agreement***

Our non-competition agreement with Weibo provides for a non-competition period beginning upon the completion of Weibo's initial public offering and ending on the later of (1) five years after the first date when we cease to own in aggregate at least 20% of the voting power of Weibo's then outstanding securities and (2) fifteenth anniversary of the completion of Weibo's initial public offering. This agreement can be terminated early by mutual written consent of the parties.

We have agreed not to compete with Weibo during the non-competition period in the business that is of the same nature as the microblogging and social networking business operated by Weibo as of the date of the agreement, except for owning non-controlling equity interest in any company competing with Weibo. Weibo has agreed not to compete with us during the non-competition period in the businesses currently conducted by us, as described in our periodic filings with the SEC, other than the microblogging and social networking business currently operated by Weibo as of the date of the agreement, except for owning non-controlling equity interest in any company competing with our company.

The non-competition agreement also provides for a mutual non-solicitation obligation that neither Weibo nor we may, during the non-competition period, hire, or solicit for hire, any active employees of or individuals providing consulting services to the other party, or any former employees of or individuals providing consulting services to the other party within six months of the termination of their employment or consulting services, without the other party's consent, except for solicitation activities through generalized non-targeted advertisement not directed to such employees or individuals that do not result in a hiring within the non-competition period.

*Sales and Marketing Services Agreement*

Under our sales and marketing services agreement with Weibo, Weibo agrees that we will be its sales and marketing agent within the service period commencing in March 2014 and ending on the earlier of (1) the fifteenth anniversary of the commencement of the service period or (2) five years after the first date upon which we cease to own in aggregate at least 20% of the voting power of Weibo's then outstanding securities.

The fee to be reimbursed for the services provided under this agreement shall be the reasonably allocated direct and indirect costs of providing such services. Direct costs include labor-related compensation and travel expenses and materials and supplies consumed in performing the services. Indirect costs include office occupancy, information technology support and other overhead costs of the department incurring the direct costs of providing the service.

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***Intellectual Property License Agreement***

The intellectual property license agreement was entered into by and between Weibo and us as a part of Ali WB's purchase of Weibo's ordinary and preferred shares in April 2013. Under the intellectual property license agreement, we grant Weibo and its subsidiaries a perpetual, worldwide, royalty-free, fully paid-up, non-sublicensable, non-transferable, limited, exclusive license of trademarks, including \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, and a non-exclusive license of certain other intellectual property owned by us to make, sell, offer to sell and distribute products, services and applications on a microblogging and social networking platform. Weibo grants us and our affiliates a non-exclusive, perpetual, worldwide, non-sublicensable, non-transferable limited license of certain of our intellectual property to use, reproduce, modify, prepare derivative works of, perform, display or otherwise exploit such intellectual property. This agreement commenced on April 29, 2013 and will continue in effect unless terminated by us in case of Weibo's breach as provided in the agreement.

**Agreements with Weibo and Alibaba**

In April 2013, concurrently with forming a strategic alliance with several of our affiliated entities, Alibaba invested \$585.8 million through Ali WB, its wholly owned subsidiary, to purchase Weibo's ordinary and preferred shares representing approximately 18% of Weibo's then total outstanding shares on a fully diluted basis. The following are summaries of our strategic alliance with Alibaba and major rights that Ali WB has as Weibo's shareholder.

***Shareholders Agreement***

Under the shareholders' agreement among us, Weibo and Ali WB, Ali WB has the right of first offer if (1) our company or any of our wholly owned subsidiaries desires to sell all or any portion of our shares in Weibo to a third party other than up to 7,000,000 ordinary shares, or (2) any management shareholder of Weibo desires to sell all or any portion of Weibo's shares such shareholder holds to a third party other than up to 20% of the ordinary shares held by such shareholder as of April 29, 2013. In addition, Ali WB has the right to purchase any new securities issued by Weibo to any person, based on Ali WB's pro rata shareholding percentage on an as-converted basis.

***Voting Agreement***

We entered into a voting agreement with Ali WB in April 2014, pursuant to which Ali WB has the right to appoint or nominate such number of directors of Weibo as is proportional to the percentage of its ownership in Weibo on a fully diluted basis (such number of directors to be rounded down the closest integer). Nevertheless, the number of Weibo's non-independent directors Ali WB is entitled to appoint or nominate shall be no fewer than one director but no greater than the number of directors appointed or nominated by us as long as Ali WB holds less shares in Weibo than us. Ali WB's board representation rights will terminate in the event that more than 50% of its acquired shares in Weibo, being the total shares of Weibo acquired by Ali WB in April 2013 and through the exercise of Ali WB's option under the shareholders' agreement, are transferred by Ali WB or its permitted transferees to one or more third parties or are no longer held by Alibaba directly, or indirectly through certain subsidiaries. Ali WB may assign

its board representation rights to a qualified new investor to whom Ali WB transfers at least 50% of its acquired shares and who meets the requirements set forth in the shareholders' agreement and the directors to be appointed by such new qualified investor must meet qualifications set forth in the voting agreement.

*Registration Rights Agreement*

We entered into a registration rights agreement with Weibo and Ali WB in March 2014. Under the registration rights agreement, each of our Company and Ali WB has the right to require Weibo to register the public sale of all the shares owned by these two shareholders as well as the right to participate in registrations of shares by Weibo or any of other shareholders of Weibo. We and Ali WB have customary rights under the registration rights agreement, such as no more than two (2) demand registration rights, unlimited piggyback registration rights, shelf registration rights and rights to request us to pay registration expenses and to bear indemnification liability.



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**Transactions and Agreements with Directors and Officers**

***Share Issuance to Management***

In June 2015, we entered into a share subscription agreement with our chairman of board and chief executive officer, Mr. Charles Chao, pursuant to which we issued 11,000,000 ordinary shares to New Wave, a British Virgin Islands company controlled by Mr. Charles Chao, our chairman of the board and chief executive officer, for a total subscription price of \$456 million at a closing that occurred on November 6, 2015. The shares issued to New Wave are subject to a lock-up restriction for six months following the closing.

On November 6, 2017, we entered into a share subscription agreement with New Wave, pursuant to which we issued to New Wave 7,150 newly created class A preference shares, at par value of US\$1.00 per share. The class A preference shares have no economic rights nor any right to dividend or other distribution. Subject to certain restrictions, the class A preference shares are entitled to vote on all matters submitted to our general meeting. Each class A preference share initially has 10,000 votes, which number of votes will be reduced proportionally if New Wave transfers any number of our ordinary shares it holds to a non-affiliate third party. Immediately following the share issuance, New Wave's aggregate voting power in our company increased from approximately 11.1% to approximately 55.5%.

***Registration Rights Agreement***

On November 6, 2015, we entered into a registration rights agreement with New Wave, pursuant to which we agreed to provide New Wave with certain registration rights in respect of our ordinary shares held by it.

After the expiration of the six-month lock-up period and upon receipt of a written request from New Wave requesting us to effect a registration under the Securities Act of 1933, as amended, covering all of part of the shares held by New Wave, we shall, as soon as practicable, but in no event later than thirty (30) days (excluding any days which occur during a permitted blackout period (as such term is defined in the registration rights agreement)) after receipt of such written request, file with the SEC, and use its reasonable best efforts to cause to be declared effective, a registration statement, or a Shelf Registration Statement, provided, however, that we shall not be obligated to effect any such registration if the aggregate price (net of any underwriters' discounts or commissions) of the sale of shares relating to such registration is less than \$10,000,000. We shall file with the SEC, and use reasonable best efforts to cause to be declared effective, a Shelf Registration Statement on each of November 6, 2017 and 2018, the second and third anniversaries of the closing date, covering the number of shares for which registration is requested by New Wave.

If, at any time, we file a registration statement with the SEC, New Wave will be entitled, subject to certain exceptions, to exercise piggyback registration rights requiring us to include in any such registration that number of shares held by New Wave, subject to certain prescribed limitations provided in the registration rights agreement.

We may, on a limited number of occasions, and in certain prescribed circumstances, delay the filing or effectiveness of any registration statement required to be filed pursuant to the registration rights agreement. Persons who acquire shares from New Wave through share transfer(s) permitted under the registration rights agreement will be entitled to the same rights and subject to the same obligations that New

Wave has under the registration rights agreement.

*Employment and Compensation Agreements*

We have entered into employment and compensation arrangements with our directors and executive officers as described in Item 6. Directors, Senior Management and Employees above.

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***Indemnification Agreements***

We have entered into indemnification agreements with our officers Charles Chao and Bonnie Yi Zhang and directors Yan Wang, Ter Fung Tsao, Yichen Zhang, James Jianzhang Liang and Song-Yi Zhang containing provisions which may require us, among other things, to indemnify our officers and directors against certain liabilities that may arise by reason of their status or service as officers or directors, other than liabilities arising from willful misconduct of a culpable nature, and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

**Control Agreements**

PRC law currently limits foreign equity ownership of companies that provide certain internet related businesses. To comply with these PRC regulations, we operate our websites and provide certain online services in China through a series of contractual arrangements with our VIEs, which are PRC domestic companies, and their shareholders. See Item 4. Information on the Company C. Organizational Structure Contractual Arrangements with VIEs and Their Respective Shareholders.

**Transactions and Agreements with Leju**

On January 1, 2008, we started to reorganize our real estate and home furnishing channels and online real estate advertising business into a separate unit with its own legal entities, management team, advertising operations, systems and physical facilities. The reorganization was completed on April 1, 2008 with the formation of COHT, a joint venture between us and CRIC. On July 23, 2009, we and CRIC entered into a share purchase agreement, as amended on September 29, 2009, pursuant to which CRIC acquired our equity interest in COHT in exchange for CRIC issuing its ordinary shares to us. CRIC merged into and became a 100% subsidiary of E-House on April 20, 2012 and, as a result, each ordinary share of CRIC held by us was converted into 0.6 ordinary share of E-House.

In connection with the formation of COHT in 2008, the terms of the joint venture provided COHT with the rights, for an initial term of ten years, to operate our real estate and home furnishing websites, including licenses to use our trademark, domain names, website technologies and certain software. In 2009, we and COHT entered into an amended and restated advertising inventory agency agreement, a domain name and content license agreement, a restated trademark license agreement and a software license and support services agreement. In December 2013, COHT became a wholly owned subsidiary of Leju Holdings Limited, or Leju, a then majority-owned subsidiary of E-House. In March 2014, we and Leju entered into an advertising inventory agency agreement, an amended and restated domain name and content license agreement, an amended and restated trademark license agreement and an amended and restated software license and support services agreement. The principal effect of the agreements entered into in March 2014 is to extend the term of agreements through 2024. In 2016, 2017 and 2018, we generated \$9.3 million, \$16.1 million and \$20.8 million online advertising agency fee from Leju, respectively. As of December 31, 2018, there were \$4.9 million due from Leju, representing online advertising agency fee payable to us.

***Amended and Restated Advertising Agency Agreement***

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Under the advertising inventory agency agreement, Leju has the exclusive right to sell advertising to real estate, home furnishing and construction materials advertisers on all of our non-real estate websites and is required to pay us fees of approximately 15% of the revenues generated from such sales of advertising, subject to certain limitations on the amount of advertising that it may sell. Fees payable by Leju to us are based on the amount of advertising sold. In addition, Leju authorizes us to be its exclusive agent to sell non-real estate-related advertising on its directly operated websites. Leju is entitled to receive approximately 85% of the revenues generated from these sales. The initial term of the advertising inventory agency agreement is ten years, expiring in 2024.

### *Domain Name and Content License Agreement*

Under the amended and restated domain name and content license agreement, we granted to Leju an exclusive license to use its five domain names, namely, house.sina.com.cn, jiaju.sina.com.cn, construction.sina.com.cn, dichan.sina.com.cn, and esf.sina.com.cn in connection with Leju's real estate internet operations in China. In addition, we also granted to Leju an exclusive license to use all contents, whose copyrights are owned by us or owned by a third-party provider but is sub-licensable by us without requiring payment of any additional fees and without violating the terms of any agreement with such third party provider, in connection with websites associated with the domain names licensed to Leju. For other operating contents, Leju may enter into an agreement with the owner independently and will be responsible for the costs associated with procuring the contents. The licenses are for an initial term of ten years expiring in 2024.

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***Trademark License Agreement***

Under the amended and restated trademark license agreement, we granted to Leju a non-exclusive license to use three of our trademarks and an exclusive license to use four of our related trademarks in connection with Leju's real estate online operations in China through websites located at leju.com and the websites located at house.sina.com.cn, jiaju.sina.com.cn, construction.sina.com.cn, dichan.sina.com.cn and esf.sina.com.cn. The licenses are for an initial term of ten years expiring in 2024.

***Software License and Support Services Agreement***

Under the amended and restated software license and support services agreement, we granted to Leju a non-exclusive license to use (i) the proprietary software used for, among other things, internet content publishing, advertising publishing, sales management, procurement reimbursement, financial management flow, statistics, monitoring and censoring; (ii) certain current software products and interfaces necessary to facilitate Leju's use of such current software products; (iii) the databases; (iv) certain improvements to the licensed software; and (v) related documentation and hardware, in each case to the extent such items (other than licensor improvements) exist and have been delivered to COHT under the software license and support service agreement executed in 2009. We will continue to provide to Leju infrastructure necessary to operate its websites and facilitate its use of the licensed software. In addition, we will continue to provide support services, including routine maintenance, technical support and hardware support. The licenses are for an initial term of ten years expiring in 2024 and free of any fees (subject to certain exceptions). However, to the extent that there are any reasonable, incremental costs for use of the licensed software or the infrastructure, or provision of the support services, due to a change in the business needs, Leju is required to reimburse us for all such costs.

***Registration Rights Agreement with Leju***

On March 21, 2017, we entered into a Registration Rights Agreement with Leju, under which Leju granted us certain registration rights with respect to the ordinary shares of Leju held us.

*Demand registration rights.* We have the right to demand Leju to effect a registration covering the offer and sale of the ordinary shares held by us in Leju. We are entitled to an aggregate of three such registrations. Leju, however, is not required to prepare and file (i) more than two demand registration statements in any 12-month period, or (ii) any demand registration statement within 120 days following the date of effectiveness of any other registration statement. If the demand registration relates to an underwritten public offering and the managing underwriter advises in its reasonable opinion that the number of securities requested to be included in the demand registration exceeds the largest number which reasonably can be sold in such offering without having a material adverse effect on such offering, Leju will include in such demand registration, up to the maximum offering size, following the order of priority: (i) the registrable securities that we propose to register; and (ii) any securities Leju proposes to register and any securities with respect to which any other security holder has requested registration.

*Shelf registration rights.* Once Leju is eligible to file a shelf registration statement pursuant to Rule 415 promulgated under the Securities Act, we will have the right to demand Leju to file a shelf registration statement covering the

ordinary shares held by us in Leju. Leju, however, will not be required to prepare and file more than two shelf registration statements in any 12-month period.

*Piggyback registration rights.* If Leju proposes to file a registration statement for an offering of its ordinary shares, other than in a transaction of the type referred to in Rule 145 under the Securities Act or to Leju's employees pursuant to any employee benefit plan, then Leju must offer us an opportunity to include in the registration all or any part of our registrable securities. If the piggyback registration relates to an underwritten public offering and the managing underwriter advises in its reasonable opinion that the number of securities requested to be included in the piggyback registration together with the securities being registered by Leju or any other security holder exceeds the largest number which reasonably can be sold in such offering without having a material adverse effect on such offering, then (i) if Leju initiates the piggyback registration, Leju will include in such registration the securities it proposes to register first, and allocate the remaining part of the maximum offering size to all other selling security holders on a pro rata basis; (ii) if any holder of Leju's securities initiated the piggyback registration, Leju will include, up to the maximum offering size, first the securities such initiating security holder proposes to register, then the securities of any other selling security holders on a pro rata basis, and lastly the securities Leju proposes to register.

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*Blackout periods.* Leju is entitled to two blackout periods, aggregating to no more than 90 days in any consecutive 12-month period, during which Leju can delay the filing or effectiveness of a registration statement, if Leju would, in the good faith judgment of its board of directors, be required to disclose in the prospectus information not otherwise then required by law to be publicly disclosed, and there is a reasonable likelihood that such disclosure, or any other action to be taken in connection with the prospectus, would materially and adversely affect or interfere with any significant financing, acquisition, merger, disposition of assets, corporate reorganization or other material transaction of negotiations involving Leju.

*Expenses of registration.* Leju will pay all expenses relating to any demand or piggyback registration, except that we shall bear and pay all (i) brokerage commissions, (ii) ADS issuance fees payable to any depository institution, (iii) commissions, fees, spreads, discounts, transfer taxes, stamp duties, (iv) fees and expenses of our counsel or other advisers, subject to certain amounts that Leju will pay, and (v) our own out-of-pocket expenses, in each case, with respect to only our registrable securities.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

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

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

**Legal Proceedings**

From time to time, we are subject to legal proceedings and claims incidental to the conduct of our business.

*Litigation*

## Edgar Filing: SINA CORP - Form 20-F

Weibo and certain of Weibo's current and former directors and officers have been named as defendants in two putative securities class actions filed in the United States District Court for the District of New Jersey: Andrew Goldsmith v. Weibo Corporation. et al., Civil Action No. 2:17-cv-04728-SRC-CLW (filed on June 27, 2017) ( Goldsmith Case ) and Feng Chen v. Weibo Corporation. et al., Civil Action No. 2:17-cv-05694 (filed on August 3, 2017) ( Chen Case ). The Goldsmith Case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADSs between April 27 and June 22, 2017; the Chen Case was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in Weibo ADSs between April 28, 2016 and June 19, 2017. Both cases' complaints allege that Weibo's public filings contained material misstatements and omissions in violation of the federal securities laws.

On September 28, 2017, the court entered an order appointing a lead plaintiff and consolidating the two cases. On November 27, 2017, the lead plaintiff filed a consolidated class action complaint. On January 26, 2018, Weibo and one individual defendant filed a motion to dismiss the amended complaint. On June 7, 2018, the court granted Weibo's motion to dismiss the class action complaint in its entirety with prejudice.



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***Arbitration***

Sina Corporation and Sina Hong Kong Limited, together with GyPSii (Shanghai) Co., Ltd., a joint venture that is 60% owned by Sina Corporation through Sina Hong Kong Limited and 40% owned by GeoSolutions Holding N.V., were named as respondents in an arbitration initiated by GeoSolutions Holding N.V. and its parent company GeoSolutions B.V. with the Netherlands Arbitrage Institute. The claimant in this arbitration claimed damages alleging intellectual property infringement by us in breach of certain license agreements.

On November 7, 2017, the tribunal rendered an award on jurisdiction, among other things, sustaining our objection to Sina Corporation being a party to the arbitration. Accordingly, Sina Corporation is no longer a party to the arbitration and all claims against Sina Corporation were dismissed. Sina Hong Kong Limited, and GyPSii (Shanghai) Co., Ltd. remain the respondents in the arbitration.

In addition, Sina Corporation, Sina Hong Kong Limited, and GyPSii (Shanghai) Co., Ltd. were named as respondents in another arbitration initiated by GeoSolutions Holding N.V. with the China International Economic and Trade Arbitration Commission. The claimant requested an award ordering Sina to turn over the exclusive operations of certain business and payment of revenues (subject to audit) and damages (no specific amount claimed) alleging certain investment agreement breach by the respondents of certain investment agreement. The case had a hearing on June 20, 2018 and is currently pending for the final award.

We believe these cases are without merit and intend to defend the action vigorously. For risks and uncertainties relating to the pending cases against us, please see Item 3. Key Information D. Risk Factors Risks Related to Our Business We may be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

In addition, from time to time, we are involved in legal proceedings, investigations and claims incidental to the conduct of our ordinary course of business. For many of such legal proceedings, we are currently unable to estimate the possible loss or a possible range of loss, if any.

**Dividend Policy**

In October 2016, as approved by our board of directors in August 2016, we completed a distribution of Weibo Class A ordinary shares to our shareholders in the form of a dividend, on a pro rata basis, of one Weibo Class A ordinary share for each ten of our ordinary shares outstanding as of September 12, 2016. We distributed 7,088,116 Weibo shares in total. Immediately following the distribution, we held 108,921,106 Class B ordinary shares in Weibo, representing an equity interest in Weibo of approximately 50% or approximately 75% by voting power.

In July 2017, as approved by our board of directors in May 2017, we completed an additional distribution of Weibo Class A ordinary shares to our shareholders in the form of a dividend, on a pro rata basis, of one Weibo Class A ordinary share for each ten of our ordinary shares outstanding as of June 7, 2017. We distributed 7,142,148 Weibo shares in total. Immediately following the distribution, we held 101,778,958 Class B ordinary shares in Weibo, and our total equity stake in Weibo decreased from approximately 49% (or approximately 74% by voting power) to approximately 46% (or approximately 72% by voting power) of Weibo's total outstanding shares.

We have not declared nor paid any cash dividends on our ordinary shares in the past and have no plans to do so in the foreseeable future.

**B. Significant Changes**

None.

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**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

Our ordinary shares have been quoted on the Nasdaq Global Select Market (formerly the Nasdaq National Market) system under the symbol SINA since April 13, 2000.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ordinary shares have been quoted on the Nasdaq Global Select Market (formerly the Nasdaq National Market) system under the symbol SINA since April 13, 2000.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

**Memorandum and Articles of Association**

We are a Cayman Islands exempted company and our affairs are governed by the Companies Law (2018 Revision) of the Cayman Islands (referred to as the Companies Law below) and our currently effectively amended and restated memorandum and articles of association, which were adopted by our shareholders during our 2018 annual general meeting. The following are summaries of certain provisions of our amended and restated memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our ordinary shares and class A preference shares.

**Registered Office and Objects**

Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited, Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands.

According to Clause 3 of our amended and restated memorandum and articles of association the objects for which we are established are unrestricted and we have full power to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

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**Board of Directors**

See Item 6. Directors, Senior Management and Employees.

**Ordinary Shares and Class A Preference Shares**

*General.* The share capital of our company is divided into 150,000,000 ordinary shares of US\$0.133 each and 3,750,000 preference shares of US\$1.00 each of which 7,150 preference shares have been designated as class A preference shares of US\$1.00 each. Class A preference shares are not convertible into ordinary shares. A holder of a class of shares shall, according to the number of shares of that class held by him/her, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings, and other matters, as other holders of that same class of shares.

*Dividend Rights and Rights to Share Profits.* The class A preference shares have no economic rights nor any right to dividend or other distribution except a right to return of par value of US\$1.00 per share on a winding up of our company *pari passu* with our ordinary shares. All other preference shares and ordinary shares of the same class shall rank *pari passu* with regard to all distributions by way of dividend or otherwise that may be declared by our company.

*Voting Rights.* Each ordinary share is entitled to one vote per share. Each class A preference share is entitled to 10,000 votes per share. The holders of the class A preference shares are entitled to vote on all matters submitted to a general meeting provided that, (i) when New Wave sells or otherwise transfers any number of ordinary shares held by it to a third party which is not an affiliate of New Wave, the number of votes that each class A preference share is entitled to will be reduced proportionally; (ii) on any resolution to elect a director where the nominee is an executive officer of our company, the votes attaching to the class A preference shares on such resolution shall not be counted if a majority of the votes cast by the holders of our ordinary shares is against the appointment of such nominee; (iii) for all matters that are required to be subject to shareholder approval under Rule 5635 of the Nasdaq Stock Market Rules, New Wave shall vote the class A preference shares in accordance with the recommendation of our board of directors to the extent the board determines to submit any such matter to shareholder approval; and (iv) if New Wave transfers the class A preference shares to a third party which is not an affiliate of New Wave, or when New Wave ceases to be controlled by any person holding executive office in our company, the class A preference shares shall cease to have any voting right.

No person other than a member duly registered and who shall have paid everything for the time being due from him payable to us in respect of his shares shall be entitled to be present or to vote, or to be reckoned in a quorum, either personally or by proxy at any meeting of shareholders. Voting at any meeting of shareholders is by show of hands unless a poll is duly demanded. On a show of hands, every shareholder who is present in person shall have one vote, and on a poll, every member present in person or by proxy shall have one vote for each ordinary share and 10,000 votes for each class A preference share registered in his name in our register of members. A poll may be

demanded by, the Chairman of the meeting, at least five shareholders present in person or by proxy, any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders entitled to vote at the meeting, or any shareholder or shareholders holding shares conferring the right to attend and vote at the meeting on which there have been sums paid up in the aggregate of not less than one-tenth of the total sum paid up on all shares conferring that right. A written resolution by all shareholders being entitled to attend and vote at a meeting of shareholders shall be as valid and effective as if the same had been passed at a duly convened and held meeting of shareholders.

All business at meetings of shareholders shall be transacted by shareholders to pass either ordinary resolutions or special resolutions. An ordinary resolution requires the affirmative vote of a simple majority of the votes of such shareholders of our company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of our company and includes a unanimous resolution in writing. A special resolution requires the affirmative vote of not less than two-thirds of the votes of such shareholders of our company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting and includes a unanimous resolution in writing. While ordinary resolution is required for most of business, a special resolution is required for matters such as issuance of redeemable shares, reduction of share capital, removal of a director from office, distribution of assets in liquidation, and amendment of the memorandum and articles in whole or in part.

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*Liquidation Rights.* If the assets available for distribution in a liquidation are insufficient to repay all of the paid-up capital, such assets shall be distributed so that the losses shall be borne by the shareholders in proportion to the capital paid up or ought to have been paid up, at the commencement of the winding up. If such assets are more than sufficient to repay all of the paid-up capital, the excess shall be distributed among the shareholders in proportion to the capital paid up at the commencement of the winding up. This provision is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

*Redemption and Repurchase of Shares.* The board of directors may from time to time authorize us to repurchase all or any portion of the outstanding shares. We may, by special resolution, issue shares on the terms that they may be, or at option of us or the holders are, liable to be redeemed.

*Calls on Shares and Forfeiture of Shares.* The board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares and at least 14 days notice shall be given to such shareholders. The shares that have been called upon and remain unpaid are subject to forfeiture.

**Modification of Rights of Shares**

All or any of the rights attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of not less than two-thirds in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

**Meetings of Shareholders**

We may in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year.

The board of directors may, whenever they think fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more shareholders, or one shareholder which is a recognized clearing house, who held at the date of the deposit of the requisition not less than one-third of the paid-up capital of our company which carries the right of voting at our general meetings. If the board of directors does not within 21 days from the date of the deposit of the requisition proceed duly to convene the general meeting, the requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any such meeting so convened shall not be held after the expiration of three months after the deposit of the requisition.

Advanced notice of at least 21 days in writing is required for the convening of an annual general meeting and any extraordinary general meeting called for the passing of a special resolution. Advanced notice of at least 14 days in writing is required for the convening of any other shareholders meetings. The notice excludes the day on which it is served or deemed to be served and of the day for which it is given.

A quorum required for a meeting of shareholders shall be a shareholder or shareholders together holding not less than one-third of the then outstanding shares of our company that are entitled to vote at such meeting.

**Issue of Shares**

Shares, including preference shares, may be issued with such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the board of directors may determine. No powers shall be taken to freeze or otherwise impair any of the rights attaching to such share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our company. The preference shares may be issued from time to time in one or more series, and the Board is authorized to determine or alter the number of shares constituting any such series of preference shares.



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The board of directors may also issue warrants to subscribe for any class of shares or other securities of our company on such terms as the board of directors may from time to time determine.

**Change in Capital**

We may at any time and from time to time by ordinary resolution increase its share capital by the creation of new shares with the number and amount prescribed by such ordinary resolution.

**Amendment of Memorandum and Articles**

We may at any time and from time to time by special resolution alter or amend its memorandum of association and articles of association in whole or in part subject, in the case of any alteration or amendment which modifies the rights of a class of shares, to consent from holders of that class of shares as more fully set out above.

**2015 Rights Plan**

In 2005, we adopted a Rights Plan, or the 2005 Rights Plan, to protect the best interests of all shareholders. The 2005 Rights Plan expired on February 22, 2015. In order to continue to protect the best interests of our shareholders, our board of directors approved a continuation of the 2005 Rights Plan, or the 2015 Rights Plan in April 2015. In general, the 2015 Rights Plan has substantially the same terms as the 2005 Rights Plan. Pursuant to the 2015 Rights Plan, our stockholders have rights to purchase our ordinary shares at a substantial discount from those securities' fair market value upon a person or group acquiring, without the approval of the board of directors, more than 10% of our ordinary shares. Any person or group who triggers the purchase right distribution becomes ineligible to participate in the Plan, causing substantial dilution of such person or group's holdings. The 2015 Rights Plan has a record date of May 4, 2015 and will expire on April 23, 2025 unless extended by our board of directors before then.

**Differences in Corporate Law**

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

*Mergers and Similar Arrangements*

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) merger means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a consolidation means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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

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

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

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

***Shareholders Suits***

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

- an acts which is illegal or ultra vires;
- an act which, although not ultra vires, could only be effected duly if authorized by a special or qualified majority vote that has not been obtained; and
- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

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

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that our directors and officers shall be entitled to be indemnified out of the assets of our company against all losses or liabilities incurred or sustained by him as a director or officer of our company in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

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

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

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable. Our memorandum and articles of association also contain a dual-class voting structure that gives disproportionate voting power to the class A preference shares held by New Wave. In addition, our memorandum and articles of association contain provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

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

***Directors' Fiduciary Duties***

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

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

***Shareholder Proposals***

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

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Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association provides that, on the written requisition of any two or more shareholders holding shares representing in aggregate not less than one-third of all votes attaching to all outstanding shares of our company which carry the right of voting at general meetings of our company, the board shall convene an extraordinary general meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings, and our memorandum and articles of association does not oblige our company in each year to hold a general meeting as its annual general meeting. The annual general meeting may be held at such time and place as our board of directors shall appoint.

***Cumulative Voting***

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

***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our memorandum and articles of association, directors may be removed on various grounds including but not limited to, by a special resolution of our shareholders or by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the directors (including himself) then in office.

***Transactions with Interested Shareholders***

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

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



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***Dissolution; Winding Up***

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

***Variation of Rights of Shares***

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

***Amendment of Governing Documents***

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

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

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

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

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



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**C. Material Contracts**

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

**D. Exchange Controls**

See Item 4. Information on the Company B. Business Overview Government Regulation and Legal Uncertainties Classified Regulations Foreign Exchange and Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Restrictions on paying dividends or making other payments to us bind our subsidiaries and VIEs in China.

**E. Taxation**

The following summary of the material Cayman Islands and United States federal income tax consequences of an investment in our ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ordinary shares, such as the tax consequences under state, local and other tax laws.

*Cayman Islands Taxation*

According to Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

*United States Federal Income Taxation Considerations*

The following discussion is a summary of United States federal income taxation considerations relating to an investment in our ordinary shares by a U.S. Holder (defined below) that will hold our ordinary shares as capital assets (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the Code). This summary is based upon applicable provisions of the Code, Treasury regulations promulgated thereunder, pertinent judicial decisions, interpretive rulings of the Internal Revenue Service (the IRS) and such other authorities as we have considered relevant, which are subject to differing interpretation or change, possibly with retroactive effect. No ruling has been sought from the IRS with respect to any United States federal income tax considerations described below, and there can be no assurance

that the IRS or a court will not take a contrary position.

This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances. The following discussion does not deal with the tax considerations to any particular investor or to persons in special tax situations such as:

- banks, insurance companies and other financial institutions;
- broker dealers or traders in securities;
- regulated investment companies or real estate investment trusts;
- persons that elect to mark their securities to market;
- tax-exempt entities;
- U.S. expatriates;
- persons liable for the alternative minimum tax;
- persons holding ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our shares (by vote or value);

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- persons that have a functional currency other than the United States dollar; and
- persons who acquired ordinary shares pursuant to the exercise of any employee share option or otherwise as consideration for services.

In addition, this summary does not discuss the Medicare tax on net investment income or any United States federal estate or gift, non-United States, state, or local tax considerations.

The discussion below of the United States federal income tax considerations to U.S. Holders will apply if you are the beneficial owner of ordinary shares and you are, for United States federal income tax purposes,

- a citizen or individual resident of the United States;
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States, any State thereof or the District of Columbia;
- an estate whose income is subject to United States federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial trust decisions or (2) has a valid election in effect to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner of a partnership holding our ordinary shares, such U.S. Holder is urged to consult its tax advisor regarding an investment in our ordinary shares.

**Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ordinary shares.**

*Taxation of Dividends and Other Distributions on the Ordinary Shares*

Subject to the PFIC rules discussed below, the gross amount of any distribution of property, including any distribution of Weibo shares (including the amount of any PRC tax withheld if we are deemed to be a resident enterprise under PRC tax law) paid on our ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in your gross income as dividend income on the day actually or constructively received by you. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, you should assume that any distribution paid will generally be treated as a dividend for United States federal income tax purposes. Any dividend from us will not be eligible for the dividends-received deduction generally allowed to corporations in respect of dividends received from United States corporations.

Individuals and other non-corporate recipients will be subject to tax at the lower capital gain tax rate applicable to qualified dividend income, provided that certain conditions are satisfied, including that (1) our ordinary shares are readily tradable on an established securities market in the United States, or, in the event that we are deemed to be a resident enterprise under the PRC tax law, we are eligible for the benefit of the United States-PRC income tax treaty (the Treaty), (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and for the preceding taxable year, and (3) certain holding period requirements are met. United States Treasury guidance indicates that common or ordinary shares are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq Global Select Market, as are our ordinary shares. Moreover, if we are treated as a resident enterprise for PRC tax purposes under its EIT Law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. You should consult your tax adviser regarding the availability of the lower capital gains rate applicable to qualified dividend income for dividends paid with respect to the ordinary shares (including rules relating to foreign tax credit limitations).

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For United States foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. Depending on your particular circumstances, you may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any non-refundable foreign withholding taxes imposed on dividends received on our ordinary shares. If you do not elect to claim a foreign tax credit for foreign taxes withheld, you are permitted instead to claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which you elect to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on your particular facts and circumstances. Accordingly, you should consult your tax advisor regarding the availability of the foreign tax credit based on your particular circumstances.

***Sale or Other Taxable Disposition of Ordinary Shares***

Subject to the PFIC rules discussed below, you generally will recognize capital gain or loss upon the sale or other taxable disposition of our ordinary shares in an amount equal to the difference, if any, between the amount realized upon the disposition and your adjusted tax basis in such ordinary shares. Any capital gain or loss will be long-term if you have held the ordinary shares for more than one year and will generally be United States-source gain or loss for United States foreign tax credit purposes. In the event that we are deemed to be a resident enterprise under PRC tax law, and gain from the disposition of the ordinary shares would be subject to tax in the PRC, such gain may be treated as PRC-source gain for foreign tax credit purposes under the Treaty. The deductibility of a capital loss may be subject to limitations.

You are urged to consult your tax advisor regarding the United States federal income tax considerations if a foreign tax is imposed on a disposition of our ordinary shares, including the availability of the foreign tax credit under your particular circumstances.

***Passive Foreign Investment Company Considerations***

A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce, or are held for the production of, passive income (the asset test).

Although we do not believe that we should be treated as a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2018, there can be no assurance in this regard. Additionally, depending on how we deploy our passive assets in our operations or for other active purposes and the value of our gross assets, we may or may not be classified as a PFIC for the current taxable year. Because the value of our assets and the amount of our active goodwill will generally be determined by reference to the market price of our ADSs and ordinary shares for purposes of the asset test, recent fluctuations in market price of our ADSs or ordinary shares may put us at risk of being classified as a PFIC. Consequently, we cannot assure you of our PFIC status for our current taxable year ending December 31, 2019, or for any future taxable year. The application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year).

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

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If we are a PFIC for any year during which you hold ordinary shares, we will continue to be treated as a PFIC for all succeeding years during which you hold ordinary shares. However, if we cease to be a PFIC, provided that you have not made a "mark-to-market" election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ordinary shares.

Although the law in this regard is not entirely clear, we treat our VIEs as being owned by us for United States federal income tax purposes because we control their management decisions and we are entitled to substantially all of their economic benefits and, as a result, we consolidate their results of operations in our consolidated United States GAAP financial statements. If it were determined, however, that we are not the owner of our VIEs for United States federal income tax purposes, we would likely be treated as a PFIC for our taxable year ended December 31, 2018 and for subsequent taxable years, generally without regard to whether we reduce our cash holdings.



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For each taxable year that we are treated as a PFIC with respect to ordinary shares you own, you will be subject to special tax rules with respect to any excess distribution that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ordinary shares, unless you make a mark-to-market election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we became a PFIC, will be treated as ordinary income, and
- the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for you for such year and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ordinary shares cannot be treated as capital, even if you hold the ordinary shares as capital assets.

Alternatively, a U.S. Holder of marketable stock (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of the tax treatment discussed in the two preceding paragraphs. If you make a valid mark-to-market election for the ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ordinary shares as of the close of your taxable year over your adjusted basis in such ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ordinary shares over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ordinary shares, as well as to any loss realized on the actual sale or disposition of the ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ordinary shares. Your basis in the ordinary shares would be adjusted to reflect any such income or loss amounts. If you make such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gains rate would not apply).

The mark-to-market election is available only for marketable stock which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (regularly traded) on a qualified exchange or other market, as defined in applicable Treasury regulations. We expect that the ordinary shares will continue to be listed on the Nasdaq Global Select Market, which is a qualified exchange for these purposes, and, consequently, assuming that the ordinary shares are regularly traded, if you are a holder of ordinary shares, it is expected that the mark-to-market election would be available to you if we are or become a PFIC.

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

A U.S. Holder that holds our ordinary shares in any year in which we are classified as a PFIC may make a "deemed sale" election with respect to such ordinary shares in a subsequent taxable year in which we are not classified as a PFIC. If you make a valid deemed sale election with respect to such ordinary shares, you would be treated as having sold all of your ordinary shares for their fair market value on the last day of the last taxable year in which we were a PFIC and such ordinary shares will no longer be treated as PFIC stock. Additionally, you would recognize gain (but not loss), which would be subject to tax as an "excess distribution" received on the last day of the last taxable year in which we were a PFIC. Your basis in the ordinary shares would be increased to reflect gain recognized, and your holding period would begin on the day after we ceased to be a PFIC.

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The deemed sale election is only relevant to U.S. Holders that hold ordinary shares during a taxable year in which we are a PFIC, regardless of whether we were a PFIC in any prior taxable year. U.S. Holders are urged to consult their tax advisors regarding the advisability of making a deemed sale election and the considerations thereof in light of the U.S. Holder's individual circumstances.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If you own our ordinary shares during any taxable year that we are a PFIC, you are generally required to file IRS Form 8621, and the failure so to file may result in certain adverse United States federal income tax considerations to you.

**You should consult your tax advisor concerning the United States federal income tax considerations of purchasing, holding and disposing of our ADSs or ordinary shares, including the possibility of making a mark-to-market election and the unavailability of the qualified electing fund election.**

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

Our corporate internet address is <http://corp.sina.com.cn>. We make available free of charge on or through our website our annual reports, quarterly reports, current reports, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our website, as allowed by the SEC rules. Information contained on SINA's website is not part of this report or any other report filed with the SEC. You may read and copy any public reports we filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site <http://www.sec.gov> that contains reports, proxy and information statements, and other information that we filed electronically.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Interest Rate and Security Market Risk**

Our investment policy limits our investments of excess cash to government or quasi-government securities, high-quality corporate securities and bank-guaranteed products. We protect and preserve our invested funds by limiting default, market and reinvestment risk.

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. In 2018, our interest income was \$83.2 million. As of December 31, 2018, we had approximately \$2.3 billion in cash, cash equivalents and short-term investments held by financial institutions in China, Hong Kong, Taiwan, Singapore and the United States. Interest-earning instruments carry a degree of interest rate risk and fluctuations of interest rates for RMB and U.S. dollars bank deposits can impact our financial results.

Table of Contents**Foreign Currency Exchange Rate Risk**

The majority of our revenues derived and expenses and liabilities incurred are in RMB with a relatively small amount in New Taiwan dollars, Hong Kong dollars and U.S. dollars. Thus, our revenues and operating results may be impacted by exchange rate fluctuations in the currencies of China, Taiwan and Hong Kong. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Fluctuation in the value of the RMB and restrictions on currency exchange may have a material adverse effect on the value of your investment. We have not reduced our exposure to exchange rate fluctuations by using hedging transactions. While we may choose to do so in the future, the availability and effectiveness of any hedging transactions may be limited and we may not be able to successfully hedge our exchange rate risks. Accordingly, we may experience economic losses and negative impacts on earnings and equity as a result of foreign exchange rate fluctuations. In 2018, the foreign currency translation adjustments to our comprehensive income were a loss of \$119.6 million and net currency transaction income of \$0.8 million, respectively. Below is a sensitivity analysis on the impact of a change in the value of the RMB against the U.S. dollar assuming: (1) projected net income from operation in China equal to the net income of 2018, (2) projected net assets of the operation in China equal to the balances in RMB and U.S. dollar as of December 31, 2018 and (3) currency fluctuation occurs proportionately over the period:

| Change in the Value of RMB Against the U.S. Dollar | Translation<br>Adjustments to<br>Comprehensive Income | Transaction Gain<br>(Loss) |
|--|---|----------------------------|
|  | (in \$ thousands)                                     |                            |
| Appreciate 2%                                      | 49,604  | (299)                      |
| Appreciate 5%                                      | 124,211   | (749)                      |
| Depreciate 2%                                      | (49,493)  | 299                        |
| Depreciate 5%                                      | (123,517)   | 749                        |

**Investment Risk**

As of December 31, 2018, our investments totaled \$1.9 billion. We adopted ASU 2016-1, Classification and Measurement of Financial Instruments, beginning January 1, 2018. After the adoption of this new accounting update, we measure investments other than those investments accounted for under the equity method at fair value through earnings. For those investments without readily determinable fair values, we elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes (referred to as the alternative measurement). Changes in the basis of these investments are reported in current earnings. We recognized net gain of \$96.5 million in upward adjustment for fair value changes on investments for the year ended December 31, 2018.

Our investments other than equity method are subject to a wide variety of market related risks that could substantially reduce or increase the fair value of our holdings. Securities with readily determinable fair values (except for equity investments in private equity funds which were qualified as NAV) are publicly traded stocks, which are subject to market price volatility, and represent \$93.3 million of our investments as of December 31, 2018. A hypothetical adverse price change of 10%, which could be experienced in the near term, would decrease the fair value of our marketable equity securities by \$9.3 million. Equity securities using alternative measurement methods are investments in privately held companies. Valuations of our investments in private companies are inherently more complex due to the lack of readily available market data. The fair value is measured at the time of the observable transaction, which is not necessarily an indication of the current fair value as of the balance sheet date. These investments, especially those in the early stages, are inherently risky because the technologies or products these companies have under development are typically in the early phases and may never materialize and they may experience deterioration in financial condition, which could result in a loss of a substantial part of our investment in these companies. The success of our investment in any private company is also dependent on the likelihood of our ability to realize value in our investments through liquidity events such as public offerings, acquisitions, private sales or other favorable market events reflecting appreciation to the cost of our initial investment. Volatility in the global economic climate and financial markets could also result in a significant impairment charge on our non-marketable equity securities. As

of December 31, 2018, the carrying value of our investments using alternative measurement method was \$1.3 billion.

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The carrying values of our equity method investments generally do not fluctuate due to market price changes, however these investments could be impaired if the carrying value exceeds the fair value.

We periodically review our investments for impairment. Factors we consider to make such determination include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period, and our intent to sell, or whether it is more likely than not that we will be required to sell, the investment before recovery. In 2018, we provided \$61.0 million of impairment charges on our investments in equity securities. We are unable to control these factors and an impairment charge recognized by us will unfavorably impact our operating results and financial position.

Our short-term investments as of December 31, 2018 totaled \$0.8 billion, which were composed of bank time deposits over three months but within one year.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

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

See Item 10.B. Additional Information Memorandum and Articles of Association for a description of the rights of securities holders under our currently effective amended and restated memorandum and articles of association, which were adopted by our shareholders during our 2018 annual general meeting.

**ITEM 15.**

**CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this annual report on Form 20-F. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2018.



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Our management has excluded the live streaming business, Yizhibo, from our assessment of internal control over financial reporting as of December 31, 2018 because it was acquired by us in a purchase business combination during 2018. Yizhibo is a division of a consolidated variable interest entity and Yizhibo's total assets and total revenues excluded from management's assessment represented 0.6% and 1.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

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

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

PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of our internal control over financial reporting as of December 31, 2018 as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

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

**ITEM 16B. CODE OF ETHICS**

We have adopted a Code of Ethics which applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. We have posted the code on our corporate website at [www.corp.sina.com.cn](http://www.corp.sina.com.cn).

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

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The following table sets forth the aggregate fees billed by PricewaterhouseCoopers Zhong Tian LLP ( PwC ) and its affiliates, our independent auditor and principal accountant for 2017 and 2018:

|                       | 2017         |    | 2018      |
|-----------------------|--------------|----|-----------|
| Audit Fees(1)         | \$ 3,143,948 | \$ | 3,131,734 |
| Audit Related Fees(2) | 891,381      |    | 709,817   |
| Tax Fees(3)           | 23,000       |    | 28,000    |
| All Other Fees(4)     | 1,800        |    | 1,800     |

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(1) Audit fees means the aggregate fees incurred in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements and assistance with and review of documents filed with the SEC. In 2017 and 2018, the audit refers to financial audit.

(2) Audit-related fees primarily consists of fees related to the issuance of comfort letter in the offering of convertible notes by Weibo in 2017 and other audit-related services.

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(3) Tax fees consist of fees incurred for professional services related to tax advice and assistance with tax reporting.

(4) All other fees consist of \$1,800 subscription fee for accounting rules and materials.

The Audit Committee's policy is to approve all audit and audit-related services. Permissible non-audit services are pre-approved according to fee amount threshold. Permissible non-audit services may include tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to an initial estimated budget. PwC and management are required to periodically report to the Audit Committee regarding the extent of services provided by PwC in accordance with this pre-approval, and the fees performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.

#### ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

#### ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In February 2016, our board of directors approved a share repurchase program, whereby we are authorized to repurchase our ordinary shares with an aggregate value of up to \$500 million for a period through the end of June 2017. The share repurchase program was publicly announced on March 2, 2016. In 2017, our board of directors approved an extension of share repurchase plan through the end of June 2018. The extension was publicly announced on August 9, 2017. We have completed this share repurchase program on June 30, 2018.

In August 2018, our board of directors approved a new share repurchase program, whereby we are authorized to repurchase our ordinary shares with an aggregate value of \$500 million for a period through the end of December 2019. The table below sets forth a summary of the ordinary shares repurchased by us as of December 31, 2018.

| Period       | Total Number of Ordinary Shares Purchased | Average Price Paid Per Share (US\$) | Total Number of Ordinary Shares Purchased as Part of Publicly Announced Plan | Approximate Dollar Value of Ordinary Shares that May Yet Be Purchased Under the Plan (US\$) |
|--------------|---|-------------------------------------|--|---|
| October 2018 | 342,889                                   | 59.39                               | 342,889  | 479,634,836   |

|       |         |       |         |             |
|-------|---------|-------|---------|-------------|
| Total | 342,889 | 59.39 | 342,889 | 479,634,836 |
|-------|---------|-------|---------|-------------|

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

There is no change in our certifying accountant during the two most recent fiscal years or any subsequent interim period.

**ITEM 16G. CORPORATE GOVERNANCE**

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

- the minimum number requirement of audit committee members under Nasdaq Rule 5605(c)(2)(A);

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- shareholder approval for the issuance of securities when the issuance will result in a change of control of the company under Nasdaq Rule 5635(b);
- shareholder approval for share incentive plans under Nasdaq Rule 5635(c); and
- shareholder approval for the issuance of securities, other than in a public offering, equal to 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock under Nasdaq Rule 5635(d).

We are not required to and will not voluntarily meet these requirements. As a result of our use of the foreign private issuer exemption, our investors will not have the same protection afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements. Other than the home country practice disclosed above, we have followed and intend to continue to follow the applicable corporate governance standards under the Nasdaq Rules.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

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

**ITEM 18. FINANCIAL STATEMENTS**

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

**ITEM 19. EXHIBITS**

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The agreements filed as exhibits to this annual report on Form 20-F are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about our company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement, and such representations and warranties have been made solely for the benefit of the other parties to the applicable agreement. The representations and warranties (i) may not be categorical statements of fact, but rather as a method of allocating the risk to one of the parties should such statements prove to be inaccurate, (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement, (iii) may apply standards of materiality in a way that is different from what may be viewed as material by investors, and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about our company may be found elsewhere in this annual report on Form 20-F and our other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 1.1*                  | <u>Amended and Restated Memorandum and Articles of Association of Sina Corporation</u>  |
| 2.1                   | <u>Rights Agreement dated as of April 23, 2015 between Sina Corporation and American Stock Transfer &amp; Trust Company, as Rights Agent (Filed as Exhibit 1 to the Registrant's Registration Statement on Form 8-A12B (No. 001-37361) filed on April 28, 2015, and incorporated herein by reference)</u> |

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- 2.2 Amendment No. 1 to Rights Agreement dated as of June 22, 2015 between Sina Corporation and American Stock Transfer & Trust Company, as Rights Agent (Filed as Exhibit 2 to the Amendment No. 1 to the Registrant's the Registrant's Registration Statement on Form 8-A12B (No. 001-37361) filed on November 27, 2015, and incorporated herein by reference)
- 2.3 Indenture, dated November 20, 2013 between Sina Corporation and The Bank of New York Mellon, as trustee (Filed as Exhibit 2.7 to the Registrant's Annual Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference)
- 2.4 144A 1.00% Convertible Senior Notes due 2018 (Filed as Exhibit 2.8 to the Registrant's Annual Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference)
- 2.5 Indenture, dated as of October 30, 2017, between Weibo Corporation and Deutsche Bank Trust Company Americas, as trustee (Filed as Exhibit 2.5 to the Registrant's Report on Form 20-F filed on April 26, 2018, and incorporated herein by reference)
- 4.1 Form of Indemnification Agreement between SINA.COM (currently known as Sina Corporation) and each of its officers and directors (Filed as Exhibit 10.1 to the Registrant's Registration Statement on Form F-1, Registration No. 333-11718, filed on March 27, 2000, as amended, and incorporated herein by reference)
- 4.2 Translation of Share Pledge Agreements by and between the Registrant's wholly owned subsidiaries and individual shareholders of the Registrant's VIEs (Filed as Exhibit 4.2 to the Registrant's Report on Form 20-F filed on April 26, 2018, and incorporated herein by reference)
- 4.3 Translation of Loan Agreements by and between the Registrant's wholly owned subsidiaries and individual shareholders of the Registrant's VIEs (Filed as Exhibit 4.3 to the Registrant's Report on Form 20-F filed on April 26, 2018, and incorporated herein by reference)
- 4.4 Translation of Agreements on Authorization to Exercise Shareholder's Voting Power by and between the Registrant's wholly owned subsidiaries and individual shareholders of the Registrant's VIEs (Filed as Exhibit 4.4 to the Registrant's Report on Form 20-F filed on April 26, 2018, and incorporated herein by reference)
- 4.5 Translation of Form Loan Repayment Agreement by and between Registrant's wholly owned subsidiaries and individual shareholders of Registrant's VIEs (Filed as Exhibit 4.13 to the Registrant's Report on Form 20-F filed on April 27, 2012, and incorporated herein by reference)
- 4.6 Translation of Form Share Transfer Agreement by and between Registrant's wholly owned subsidiaries and individual shareholders of Registrant's VIEs (Filed as Exhibit 4.14 to the Registrant's Report on Form 20-F filed on April 27, 2012, and incorporated herein by reference).
- 4.7 Translation of Form Exclusive Technical Services Agreement by and between Registrant's wholly owned subsidiaries and Registrant's VIEs (Filed as Exhibit 4.15 to the Registrant's Report on Form 20-F filed on April 27, 2012, and incorporated herein by reference).
- 4.8 Translation of Form Exclusive Sales Agency Agreement by and between Registrant's wholly owned subsidiaries and Registrant's VIEs (Filed as Exhibit 4.16 to the Registrant's Report on Form 20-F filed on April 27, 2012, and incorporated herein by reference).
- 4.9 Translation of Form Trademark License Agreement by and between Registrant's wholly owned subsidiaries and Registrant's VIEs (Filed as Exhibit 4.17 to the Registrant's Report on Form 20-F filed on April 27, 2012, and incorporated herein by reference).
- 4.10 Change of Control Agreement dated February 1, 2001 with Charles Chao (Filed as Exhibit 10.48 to the Registrant's Report on Form 10-Q for the three month period ended March 31, 2001, and incorporated herein by reference).

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- 4.11 Amended and Restated 2007 Share Incentive Plan (Filed as Exhibit 4.1 to the Registrant's Report on Form S-8 filed on September 3, 2010, and incorporated herein by reference).
- 4.12 Form of share option agreement for non-employee directors (Filed as Exhibit 4.44 to the Registrant's Report on Form 20-F filed on June 30, 2008, and incorporated herein by reference).
- 4.13 Form of restricted share unit agreement for existing service providers (Filed as Exhibit 4.45 to the Registrant's Report on Form 20-F filed on June 30, 2008, and incorporated herein by reference).
- 4.14 Form of performance restricted share unit agreement (Filed as Exhibit 4.46 to the Registrant's Report on Form 20-F filed on June 30, 2008, and incorporated herein by reference).
- 4.15 Form of share option agreement for existing service providers (Filed as Exhibit 4.47 to the Registrant's Report on Form 20-F filed on June 30, 2008, and incorporated herein by reference).
- 4.16 Form of restricted share unit agreement for existing service providers (Filed as Exhibit 4.40 to the Registrant's Report on Form 20-F filed on June 29, 2009, and incorporated herein by reference).
- 4.17 Form of restricted share unit agreement for existing service providers (Filed as Exhibit 4.41 to the Registrant's Report on Form 20-F filed on June 29, 2009, and incorporated herein by reference).
- 4.18 Amended and Restated Shareholders' Agreement between Sina Corporation, Ali WB Investment Holding Limited and Weibo Corporation and the amendments thereto (Filed as Exhibit 4.31 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.19 Master Transaction Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 4.32 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.20 Transitional Services Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 4.33 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.21 Non-Competition Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 4.34 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.22 Sales and Marketing Services Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 4.35 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.23 Intellectual Property License Agreement between Sina Corporation and Weibo Corporation (Filed as Exhibit 4.36 to the Registrant's Report on Form 20-F filed on April 29, 2014, and incorporated herein by reference).
- 4.24 Subscription Agreement between Sina Corporation and Mr. Charles Chao dated as of June 1, 2015 (Filed as Exhibit B to the Schedule 13D filed jointly by Mr. Charles Chao and New Wave MMXV Limited on November 16, 2015, and incorporated herein by reference).
- 4.25 Registration Rights Agreement between Sina Corporation and New Wave MMXV Limited dated as of November 6, 2015 (Filed as Exhibit E to the Schedule 13D filed jointly by Mr. Charles Chao and New Wave MMXV Limited on November 16, 2015, and incorporated herein by reference).



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|          |   |
|----------|---|
| 4.26     | <u>2015 Share Incentive Plan (Filed as Exhibit 4.39 to the Registrant's Report on Form 20-F filed on April 28, 2016, and incorporated herein by reference).</u>   |
| 4.27     | <u>Series A-16 Preferred Share Purchase Agreement between our subsidiary WB Online Investment Limited and Xiaoju Kuaizhi Inc. (Filed as Exhibit 4.22 to Weibo Corporation's annual report on Form 20-F filed on April 28, 2016, and incorporated herein by reference).</u>      |
| 4.28     | <u>Registration Rights Agreement dated March 21, 2017 between Sina Corporation and Leju Holdings Limited (Filed as Exhibit 4.42 to Leju Holdings Limited's annual report on Form 20-F filed on April 21, 2017, and incorporated herein by reference)</u>                        |
| 4.29     | <u>Subscription Agreement between Sina Corporation and New Wave XXMV Limited dated as of November 6, 2017 (Filed as Exhibit F to the Schedule 13D/A filed jointly by Mr. Charles Chao and New Wave MMXV Limited on November 15, 2017, and incorporated herein by reference)</u> |
| 8.1*     | <u>List of Subsidiaries and Variable Interest Entities.</u>   |
| 12.1*    | <u>Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>  |
| 12.2*    | <u>Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>  |
| 13.1**   | <u>Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| 13.2**   | <u>Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| 15.1*    | <u>Consent of Independent Registered Public Accounting Firm.</u>  |
| 15.2*    | <u>Consent of TransAsia Lawyers.</u>  |
| 15.3*    | <u>Consent of Maples and Calder (Hong Kong) LLP.</u>  |
| 101.INS* | XBRL Instance Document.   |
| 101.SCH* | XBRL Taxonomy Extension Schema Document.  |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document.   |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document.  |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document.   |

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\* Filed herewith.

\*\* Furnished herewith.

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**SIGNATURES**

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

Sina Corporation

By:

/s/ Charles Chao  
Name: Charles Chao  
Title: Chairman of the Board and

Chief Executive Officer

Date: April 30, 2019

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**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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| <u>Consolidated Balance Sheets as of December 31, 2017 and 2018</u>   | F-3         |
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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Sina Corporation

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

We have audited the accompanying consolidated balance sheets of Sina Corporation and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

***Change in Accounting Principles***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers and the manner in which it accounts for investments in equity securities in 2018.

***Basis for Opinions***

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

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

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

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded its live streaming business ( Yizhibo ) from its assessment of internal control over financial reporting as of December 31, 2018 because it was acquired by the Company in a purchase business combination during 2018. We have also excluded Yizhibo from our audit of internal control over financial reporting. Yizhibo is a division of a consolidated variable interest entity and Yizhibo's total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 0.6% and 1.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

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

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

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

/s/PricewaterhouseCoopers Zhong Tian LLP  
PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 30, 2019

We have served as the Company's auditor since 2002.

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**SINA CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except for share and par value)

|   | As of December 31, |              |
|---|--------------------|--------------|
|   | 2017               | 2018         |
| <b>ASSETS</b>   |                    |              |
| Current assets:   |                    |              |
| Cash and cash equivalents   | \$ 1,990,552       | \$ 1,545,800 |
| Short-term investments  | 1,381,991          | 799,534      |
| Restricted cash   | 216,151            | 97,032       |
| Accounts receivable, net of allowances for doubtful accounts of \$20,214 and \$27,964, respectively (including due from related parties of \$75,037 and \$189,522 as of December 31, 2017 and 2018, respectively, Note 9) | 285,681            | 527,897      |
| Prepaid expenses and other current assets (including prepayment and receivables from related parties of \$40,506 and \$115,976 as of December 31, 2017 and 2018, respectively, Note 9)                                    | 228,238            | 362,435      |
| Total current assets  | 4,102,613          | 3,332,698    |
| Property and equipment, net (Note 9)  | 262,676            | 262,846      |
| Long-term investments, net (Note 4)   | 1,288,816          | 1,889,843    |
| Intangible assets, net (Note 6)   | 22,811             | 225,335      |
| Goodwill (Note 6)   | 81,396             | 94,240       |
| Other assets (Note 9)   | 57,082             | 81,127       |
| Total assets  | \$ 5,815,394       | \$ 5,886,089 |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                    |              |
| Current liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of \$671,205 and \$627,037 as of December 31, 2017 and 2018, respectively, Note 2):                         |                    |              |
| Accounts payable (including due to related parties of \$20,660 and \$50,678 as of December 31, 2017 and 2018, respectively, Note 10)  | \$ 130,431         | \$ 172,562   |
| Amount due to customers   | 216,151            | 97,032       |
| Accrued expenses and other current liabilities (including due to related parties of \$5,681 and \$14,763 as of December 31, 2017 and 2018, respectively, Note 9)  | 446,779            | 540,807      |
| Short-term bank loans   | 89,309             | 78,229       |
| Income taxes payable  | 102,458            | 115,725      |
| Deferred revenues (including deferred revenue from related parties of \$14,666 and \$12,883 as of December 31, 2017 and 2018, respectively, Note 10)  | 134,580            | 139,306      |
| Convertible debt (Note 18)  | 153,092            |              |
| Total current liabilities   | 1,272,800          | 1,143,661    |
| Long-term liabilities (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of \$6,483 and \$51,002 as of December 31, 2017 and 2018, respectively, Note 2):                          |                    |              |
| Convertible debt (Note 18)  | 879,983            | 884,123      |
| Deferred revenues from related parties (Note 10)  | 54,372             | 43,652       |
| Other long-term liabilities   | 8,510              | 51,781       |
| Total long-term liabilities   | 942,865            | 979,556      |
| Total liabilities   | 2,215,665          | 2,123,217    |
| Commitments and contingencies (Note 19)   |                    |              |
| Shareholders' equity:   |                    |              |
| SINA shareholders' equity:  |                    |              |
| Preferred shares: \$1.00 par value; 3,750,000 and 3,750,000 shares authorized; 7,150 shares issued and outstanding as of December 31, 2017 and 2018 (Note 15)   | 7                  | 7            |
|   | 10,838             | 10,961       |

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|  |              |              |
|--|--------------|--------------|
| Ordinary shares: \$0.133 par value; 150,000,000 and 150,000,000 shares authorized;<br>81,489,677 shares issued and 71,409,729 shares outstanding as of December 31, 2017;<br>82,410,842 shares issued and 69,368,140 shares outstanding as of December 31, 2018.<br>Treasury stock (10,079,948 and 13,042,702 shares as of December 31, 2017 and 2018,<br>respectively, Note 18) |              |              |
|  | (484,442)    | (733,705)    |
| Additional paid-in capital   | 3,192,073    | 3,261,795    |
| Accumulated other comprehensive income (loss)  | 90,696       | (33,223)     |
| Retained earnings  | 37,670       | 211,956      |
| Total SINA shareholders' equity  | 2,846,842    | 2,717,791    |
| Non-controlling interests (Note 8)   | 752,887      | 1,045,081    |
| Total shareholders' equity   | 3,599,729    | 3,762,872    |
| Total liabilities and shareholders' equity   | \$ 5,815,394 | \$ 5,886,089 |

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

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## SINA CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except per share data)

|   | Years Ended December 31, |              |              |
|---|--------------------------|--------------|--------------|
|   | 2016                     | 2017         | 2018         |
| Net revenues:   |                          |              |              |
| Advertising   |                          |              |              |
| Third parties   | \$ 732,724               | \$ 1,131,500 | \$ 1,505,690 |
| Related parties   | 138,463                  | 180,366      | 283,595      |
|   | 871,187                  | 1,311,866    | 1,789,285    |
| Non-advertising (including amortization of deferred revenues related to the license to Leju of \$10,435, \$10,435 and \$10,435 for 2016, 2017 and 2018, respectively) | 159,749                  | 272,018      | 319,042      |
|   | 1,030,936                | 1,583,884    | 2,108,327    |
| Costs of revenues:  |                          |              |              |
| Advertising   | 288,044                  | 325,494      | 341,153      |
| Non-advertising   | 66,652                   | 88,643       | 110,887      |
|   | 354,696                  | 414,137      | 452,040      |
| Gross profit  | 676,240                  | 1,169,747    | 1,656,287    |
| Operating expenses:   |                          |              |              |
| Sales and marketing   | 247,068                  | 408,856      | 699,962      |
| Product development   | 216,228                  | 267,392      | 345,942      |
| General and administrative  | 99,474                   | 104,923      | 120,184      |
| Goodwill and acquired intangibles impairment (Note 6)   | 40,194                   |              | 23,245       |
| Total operating expenses  | 602,964                  | 781,171      | 1,189,333    |
| Income from operations  | 73,276                   | 388,576      | 466,954      |
| Interest and other income, net  | 26,213                   | 42,696       | 69,355       |
| Change in fair value of option liability (Note 4)   | (28,456)                 |              |              |
| Income (loss) from equity method investments, net   | (11,766)                 | (16,070)     | 1,120        |
| Realized gain on investments  | 289,693                  | 132,007      | 2,729        |
| Fair value changes through earnings on investments, net (Note 4)  |                          |              | 96,533       |
| Investment related impairment   | (44,433)                 | (122,970)    | (81,281)     |
| Income before income tax expense  | 304,527                  | 424,239      | 555,410      |
| Income tax expense (Note 11)  | (27,219)                 | (74,676)     | (129,084)    |
| Net income  | 277,308                  | 349,563      | 426,326      |
| Less: Net income attributable to the non-controlling interests  | 52,221                   | 192,994      | 300,764      |
| Net income attributable to SINA's ordinary shareholders   | \$ 225,087               | \$ 156,569   | \$ 125,562   |
| Net income  | 277,308                  | 349,563      | 426,326      |
| Other comprehensive income (loss)   |                          |              |              |
| Available-for-sale investments:   |                          |              |              |
| Change in unrealized gain (net of tax of nil, nil, and nil for 2016, 2017 and 2018 respectively)  | 11,845                   | 55,575       |              |
| Less: reclassification adjustment for net gain included in net income (net of tax of nil, nil, and nil for 2016, 2017 and 2018, respectively)                         | 92,640                   | 91,182       |              |
| Net change in unrealized loss, net of tax   | (80,795)                 | (35,607)     |              |
| Currency translation adjustments  | (72,399)                 | 87,258       | (119,647)    |
| Total other comprehensive income (loss)   | \$ (153,194)             | \$ 51,651    | \$ (119,647) |
| Total comprehensive income  | 124,114                  | 401,214      | 306,679      |
| Less: Comprehensive income attributable to non-controlling interests  | 43,536                   | 214,354      | 266,326      |



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|   |    |        |    |         |    |        |
|---|----|--------|----|---------|----|--------|
| Comprehensive income attributable to SINA's ordinary shareholders | \$ | 80,578 | \$ | 186,860 | \$ | 40,353 |
| Basic net income per share  | \$ | 3.20   | \$ | 2.20    | \$ | 1.79   |
| Shares used in computing basic net income per share               |    | 70,301 |    | 71,284  |    | 70,296 |
| Diluted net income per share                                      | \$ | 3.01   | \$ | 2.09    | \$ | 1.70   |
| Shares used in computing diluted net income per share             |    | 77,511 |    | 73,931  |    | 72,375 |

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

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**SINA CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(In thousands)

|  | SINA Shareholders Equity |           |                  |        |                |              |                            |  |                   |                           |                           |
|--|--------------------------|-----------|------------------|--------|----------------|--------------|----------------------------|--|-------------------|---------------------------|---------------------------|
|  | Ordinary Shares          |           | Preferred Shares |        | Treasury Stock |              | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Retained Earnings | Non-controlling Interests | Total Shareholders Equity |
|  | Shares                   | Amount    | Shares           | Amount | Shares         | Amount       |                            |  |                   |                           |                           |
| Balances at January 1, 2016  | 79,115                   | \$ 10,522 |                  | \$     | (9,275)        | \$ (410,693) | \$ 2,211,901               | \$ 204,914                             | \$ 548,628        | \$ 311,396                | \$ 2,876,668              |
| Issuance of ordinary shares pursuant to stock plans                      | 1,429                    | 191       |                  |        |                |              | 31,667                     |  |                   |                           | 31,858                    |
| Non-cash stock-based compensation expenses                               |                          |           |                  |        |                |              | 36,926                     |  |                   | 36,902                    | 73,828                    |
| Repurchase of ordinary shares (Note 18)                                  |                          |           |                  |        | (332)          | (26,125)     |                            |  |                   |                           | (26,125)                  |
| In-kind distribution of Weibo s shares (Note 15)                         |                          |           |                  |        |                |              | 316,650                    |  | (338,598)         | 21,948                    |                           |
| Sale (Purchase) of subsidiaries shares to/from non-controlling interests |                          |           |                  |        |                |              | 1,093                      |  |                   | 5,557                     | 6,650                     |
| Settlement of stock-based awards in a subsidiary                         |                          |           |                  |        |                |              | 11,936                     |  |                   | (7,950)                   | 3,986                     |
| Net income   |                          |           |                  |        |                |              |                            |  | 225,087           | 52,221                    | 277,308                   |
| Unrealized gain (loss) on available-for-sale securities (Note 4)         |                          |           |                  |        |                |              |                            | (82,050)                               |                   | 1,255                     | (80,795)                  |
| Currency translation adjustments   |                          |           |                  |        |                |              |                            | (62,459)                               |                   | (9,940)                   | (72,399)                  |
| Balances at December 31, 2016  | 80,544                   | \$ 10,713 |                  | \$     | (9,607)        | \$ (436,818) | \$ 2,610,173               | \$ 60,405                              | \$ 435,117        | \$ 411,389                | \$ 3,090,979              |
| Issuance of ordinary shares pursuant to stock plans                      | 946                      | 125       |                  |        |                |              | 808                        |  |                   |                           | 933                       |
| Issuance of preferred shares to New Wave (Note 15)                       |                          |           | 7                | 7      |                |              |                            |  |                   |                           | 7                         |
| Non-cash stock-based compensation expenses                               |                          |           |                  |        |                |              | 43,011                     |  |                   | 48,376                    | 91,387                    |
| Repurchase of ordinary shares (Note 18)                                  |                          |           |                  |        | (473)          | (47,624)     |                            |  |                   |                           | (47,624)                  |
| In-kind distribution of Weibo s shares (Note 15)                         |                          |           |                  |        |                |              | 522,271                    |  | (554,016)         | 31,745                    |                           |
| Non-controlling interests arising from business acquisitions (Note 5)    |                          |           |                  |        |                |              |                            |  |                   | 43,112                    | 43,112                    |
| Sale (Purchase) of subsidiaries shares to/from non-controlling interests |                          |           |                  |        |                |              | (1,868)                    |  |                   | 19,382                    | 17,514                    |
| Settlement of stock-based awards in a                                    |                          |           |                  |        |                |              | 17,678                     |  |                   | (15,471)                  | 2,207                     |

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|  |        |           |   |      |          |              |              |             |            |              |              |  |           |
|--|--------|-----------|---|------|----------|--------------|--------------|-------------|------------|--------------|--------------|--|-----------|
| subsidiary   |        |           |   |      |          |              |              |             |            |              |              |  |           |
| Net income   |        |           |   |      |          |              |              | 156,569     |            | 192,994      |              |  | 349,563   |
| Unrealized loss on available-for-sale securities (Note 4)                        |        |           |   |      |          |              |              | (35,075)    |            | (532)        |              |  | (35,607)  |
| Currency translation adjustments   |        |           |   |      |          |              |              | 65,366      |            | 21,892       |              |  | 87,258    |
| Balances at  |        |           |   |      |          |              |              |             |            |              |              |  |           |
| December 31, 2017  | 81,490 | \$ 10,838 | 7 | \$ 7 | (10,080) | \$ (484,442) | \$ 3,192,073 | \$ 90,696   | \$ 37,670  | \$ 752,887   | \$ 3,599,729 |  |           |
| Issuance of ordinary shares pursuant to stock plans                              | 921    | 123       |   |      |          |              | 1,401        |             |            |              |              |  | 1,524     |
| Issuance of ordinary shares pursuant to convertible debt conversion (Note 18)    |        |           |   |      |          |              | 7            |             |            |              |              |  | 7         |
| Non-cash stock-based compensation expenses                                       |        |           |   |      |          |              | 51,548       |             |            | 43,521       |              |  | 95,069    |
| Impact of adoption of new revenue guidance (Note 2)                              |        |           |   |      |          |              |              |             | (253)      | (324)        |              |  | (577)     |
| Impact of adoption of new guidance for investments in equity securities (Note 4) |        |           |   |      |          |              |              | (38,710)    | 38,710     |              |              |  |           |
| Impact of adoption of new guidance for private equity fund investments (Note 4)  |        |           |   |      |          |              |              |             |            | 10,267       |              |  | 10,267    |
| Repurchase of ordinary shares (Note 18)  |        |           |   |      |          | (2,963)      | (249,263)    |             |            |              |              |  | (249,263) |
| Sale (Purchase) of subsidiaries shares to/from non-controlling interests         |        |           |   |      |          |              |              |             |            |              | (1,341)      |  | (1,341)   |
| Settlement of stock-based awards in a subsidiary                                 |        |           |   |      |          |              |              | 16,766      |            | (15,988)     |              |  | 778       |
| Net income   |        |           |   |      |          |              |              |             | 125,562    | 300,764      |              |  | 426,326   |
| Currency translation adjustments   |        |           |   |      |          |              |              | (85,209)    |            | (34,438)     |              |  | (119,647) |
| Balances at  |        |           |   |      |          |              |              |             |            |              |              |  |           |
| December 31, 2018  | 82,411 | \$ 10,961 | 7 | \$ 7 | (13,043) | \$ (733,705) | \$ 3,261,795 | \$ (33,223) | \$ 211,956 | \$ 1,045,081 | \$ 3,762,872 |  |           |

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

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**SINA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

|  | Years Ended December 31, |             |             |
|--|--------------------------|-------------|-------------|
|  | 2016                     | 2017        | 2018        |
| Cash flows from operating activities:  |                          |             |             |
| Net income   | \$ 277,308               | \$ 349,563  | \$ 426,326  |
| Adjustments to reconcile net income to net cash provided by operating activities:        |                          |             |             |
| Depreciation of property and equipment   | 26,560                   | 28,642      | 32,122      |
| Amortization of intangible assets  | 1,908                    | 4,560       | 9,110       |
| Amortization of convertible debt issuance cost (Note 18)                                 | 4,266                    | 690         | 4,140       |
| Stock-based compensation   | 73,828                   | 91,387      | 95,069      |
| Provision for allowance for doubtful accounts  | 14,621                   | 8,465       | 15,424      |
| Deferred tax (benefits) provision  | (5,470)                  | (3,214)     | 33,560      |
| Loss (income) from equity method investments, net  | 11,766                   | 16,070      | (1,120)     |
| Fair value changes through earnings on investments, net (Note 4)                         |                          |             | (96,533)    |
| Dividends received from equity method investments  | 3,103                    | 7,680       | 4,236       |
| Realized gain on investments   | (289,693)                | (132,007)   | (2,729)     |
| Investment related impairment  | 44,433                   | 122,970     | 81,281      |
| Goodwill and acquired intangibles impairment (Note 6)                                    | 40,194                   |             | 23,245      |
| Foreign exchange loss  |                          |             | 32          |
| Loss (gain) on disposal of property and equipment  | 57                       | (178)       | (249)       |
| Change in fair value of option liability (Note 4)  | 28,456                   |             |             |
| Changes in assets and liabilities, net of acquisitions:                                  |                          |             |             |
| Accounts receivable  | (12,601)                 | (61,339)    | (281,955)   |
| Prepaid expenses and other current assets  | (18,160)                 | (15,578)    | (39,127)    |
| Other assets   | 2,554                    | (1,008)     | (9,440)     |
| Accounts payable   | 14,329                   | 15,963      | 49,649      |
| Amount due to customers  | 100,654                  | (25,155)    | (119,119)   |
| Accrued expenses and other current liabilities   | 90,075                   | 113,983     | 68,590      |
| Income taxes payable   | 24,913                   | 58,825      | 17,029      |
| Deferred revenues  | 10,557                   | 15,973      | 1,495       |
| Others   | (9)                      | (2)         | 1           |
| Net cash provided by operating activities  | 443,649                  | 596,290     | 311,037     |
| Cash flows from investing activities:  |                          |             |             |
| Purchases of short-term investments  | (1,116,340)              | (2,140,946) | (2,357,346) |
| Maturities of short-term investments   | 2,153,181                | 1,166,184   | 2,933,641   |
| Cash paid for business combination, net of cash acquired (Note 5)                        |                          | 242         | (47,042)    |
| Purchases of property and equipment  | (37,688)                 | (44,907)    | (46,451)    |
| Purchases of land use rights   |                          |             | (216,050)   |
| Cash paid (including prepayments) on long-term investments                               | (862,848)                | (150,448)   | (1,008,444) |
| RMB deposit received from (repaid to) E-House (Note 4)                                   | 128,153                  | (135,386)   |             |
| Consideration received from E-House for share exchange with Leju (Note 4)                |                          | 127,600     |             |
| Repayment from a third party   |                          | 21,000      |             |
| Proceeds from disposal of investments/ refund of prepayment on long-term investments     | 680,381                  | 168,486     | 293,459     |
| Others   | 959                      | 228         | 324         |
| Net cash provided by (used in) investing activities                                      | 945,798                  | (987,947)   | (447,909)   |
| Cash flows from financing activities:  |                          |             |             |
| Proceeds from issuance of ordinary shares pursuant to stock plans                        | 36,045                   | 3,220       | 2,305       |
| Proceeds from issuance of shares to New Wave, a related party (Note 15)                  |                          | 7           |             |
| Proceeds received from non-controlling interests shareholders                            | 127                      | 20,330      |             |
| Cash paid for purchase of non-controlling interests in subsidiary                        | (3,273)                  | (1,844)     | (1,792)     |
| Proceeds from issuance of Weibo convertible senior notes, net of issuance cost (Note 18) |                          | 879,293     |             |
| Repayment of senior convertible notes of SINA (Note 18)                                  | (646,908)                |             | (153,085)   |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| Repurchase of ordinary shares (Note 18)                                      | (26,125)     | (47,624)     | (249,263)    |
| Proceeds from short-term bank loans  | 103,951      | 87,560       | 143,873      |
| Repayment of short-term bank loans   | (68,113)     | (33,733)     | (150,552)    |
| Proceeds from third-party loans  | 22,485       |              |              |
| Repayment of third-party loans   | (21,599)     | (20,239)     |              |
| Net cash provided by (used in) financing activities                          | (603,410)    | 886,970      | (408,514)    |
| Effect of exchange rate change on cash, cash equivalents and restricted cash | (41,197)     | 62,459       | (18,485)     |
| Net increase (decrease) in cash and cash equivalents and restricted cash     | 744,840      | 557,772      | (563,871)    |
| Cash, cash equivalents and restricted cash at the beginning of the year      | 904,091      | 1,648,931    | 2,206,703    |
| Cash, cash equivalents and restricted cash at the end of the year            | \$ 1,648,931 | \$ 2,206,703 | \$ 1,642,832 |
| Supplemental disclosures:  |              |              |              |
| Cash paid for income taxes   | \$ (8,210)   | \$ (17,313)  | \$ (77,937)  |
| Cash paid for interest, net of amounts capitalized                           | \$ (8,330)   | \$ (1,987)   | \$ (16,836)  |
| Non-cash investing and financing activities                                  |              |              |              |
| Exchanges of long-term investments in E-House and Leju (Note 4)              | 322,726      |              |              |
| In-kind distribution of Weibo s shares (Note 15)                             | 338,598      | 554,016      |              |
| Unpaid consideration for acquisitions  |              | 5,704        | 10,055       |
| Changes in account payable related to property and equipment addition        | \$ 19,923    | \$ (12,369)  | \$ (395)     |

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

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**SINA CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Operations**

Sina Corporation ( SINA, we or the Company ) is an online media company serving China and the global Chinese communities. The Company's digital media network of SINA.com (portal), SINA mobile (mobile portal and mobile apps) and Weibo (social media) enables Internet users to access professional media and user generated content (UGC) in multi-media formats from desktop personal computers and mobile devices and share their interests with friends and acquaintances. SINA.com offers distinct and targeted professional content on each of its region specific websites and a full range of complementary offerings. SINA mobile provides news information and entertainment content from SINA.com customized for mobile users in WAP (mobile browser) format, SINA.cn and mobile application format. Weibo is a leading social media for people to create, share and discover Chinese-language content. By providing an unprecedented and simple way for people and organizations to publicly express themselves in real time, interact with others on a massive global platform and stay connected with the world, Weibo has had a profound social impact in China. Through these properties and other product lines, the Company offers an array of online media and social media services to users to create a rich canvas for businesses and advertisers to effectively connect and engage with their targeted audiences. The Company generates the majority of its revenues from online advertising and marketing services, and, to a lesser degree, from fee-based services.

On April 17, 2014, Weibo completed its initial public offering ( IPO ) on the Nasdaq Global Select Market. After Weibo's offering, SINA continues to control Weibo and consolidates Weibo as its controlling shareholder, but recognizes non-controlling interest reflecting the shares held by the shareholders other than SINA in the consolidated financial statements.

**2. Significant Accounting Policies**

*Basis of presentation and use of estimates*

The preparation of the Company's consolidated financial statements is in conformity with Generally Accepted Accounting Principles in the United States ( US GAAP ), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods reported. Actual results may differ materially from such estimates. The Company believes the basis of consolidation, fair value, the recognition of non-controlling interests, revenue recognition, taxation, business combination, net income (loss) per share, goodwill and other long-lived assets, allowances for doubtful accounts, long-term investments, stock-based compensation and foreign currency represent critical accounting policies that reflect the more significant judgments and estimates used in the preparation of its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ( FASB ) issued, ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The Company adopted new revenue guidance since January 1, 2018 using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting method under ASC 605. The main impacts are a) the presentation of value added tax recognized in revenue from gross to net, which results in equal decrease of revenues and cost of revenues, and b) the recognition of revenues and expenses at fair value for advertising barter transactions, which mainly results in the increase of revenue and advertising expenses. The cumulative-effect adjustment on the retained earnings as of January 1, 2018 related to the initial application of the new revenue standard was immaterial.

In January 2016, the FASB issued an updated guidance, ASU 2016-1, Classification and Measurement of Financial Instruments, which intended to improve the recognition and measurement of financial instruments. The Company adopted the guidance as of the beginning of the fiscal year of 2018. After the adoption of this new accounting update in the first quarter of 2018, the Company measures equity investments other than equity method investments at fair value through earnings, which could vary significantly quarter to quarter. For those investments without readily determinable fair values, the Company elects to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these investments are reported in current earnings starting from January 1, 2018. The cumulative effects of initially applying the guidance mainly related to the reclassification of unrealized gain of \$38.7 million from accumulated other comprehensive income to retained earnings in relation to the available-for-sale securities on January 1, 2018, the date of initially applying the guidance (Refer to Note 4 for details).

### ***Consolidation***

The consolidated financial statements include the accounts of the Company, its wholly-owned and majority-owned subsidiaries and its variable interest entities ( VIEs ), of which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated.

To comply with PRC laws and regulations, the Company provides substantially all of its Internet content, online payment services and mobile value added service ( MVAS ) in China via its VIEs, which hold critical operating licenses that enable the Company to do business in China. Substantially all of the Company's revenues, costs and net income (loss) in China are directly or indirectly generated through these VIEs. The Company has signed various agreements with its VIEs and legal shareholders of the VIEs to allow the transfer of economic benefits from the VIEs to the Company and to direct the activities of the VIEs.

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The Company's VIEs are wholly or partially owned by nominee shareholders of the Company. The capital for the VIEs is funded by the Company and recorded as interest-free loans to these nominee shareholders. These loans were eliminated with the capital of the VIEs during consolidation. Under various contractual agreements, nominee shareholders of the VIEs are required to transfer their ownership in these entities to the Company's subsidiaries in China when permitted by PRC laws and regulations or to designees of the Company at any time for the amount of loans outstanding. All voting rights of the VIEs are assigned to the Company, and the Company has the right to appoint all directors and senior management personnel of the VIEs. The Company has also entered into exclusive technical service agreements with the VIEs, under which the Company provided technical and other services to the VIEs. In addition, nominee shareholders of the VIEs have pledged their shares in the VIEs as collateral for the non-payment of loans or for the technical and other services fees due to the Company. As of December 31, 2017 and 2018, the total amount of interest-free loans to these nominee shareholders was \$262.2 million and \$294.9 million, respectively. The aggregate accumulated loss of all VIEs were approximately \$34.9 million as of December 31, 2017 and the aggregate accumulated income were approximately \$32.2 million as of December 31, 2018, which have been included in the consolidated financial statements.

The following table sets forth the assets, liabilities, results of operations and changes in cash, cash equivalents and restricted cash of the VIEs and their subsidiaries taken as a whole, which were included in the Company's consolidated balance sheets and statements of comprehensive income (loss) with intercompany transactions eliminated:

|                   | As of December 31, |              |
|-------------------|--------------------|--------------|
|                   | 2017               | 2018         |
|                   | (In thousands)     |              |
| Total assets      | \$ 1,007,355       | \$ 1,142,515 |
| Total liabilities | \$ 689,459         | \$ 748,354   |

|                   | Year Ended December 31, |              |              |
|-------------------|-------------------------|--------------|--------------|
|                   | 2016                    | 2017         | 2018         |
|                   | (In thousands)          |              |              |
| Net revenues      | \$ 893,010              | \$ 1,372,419 | \$ 1,842,602 |
| Net income (loss) | \$ (26,627)             | \$ 35,649    | \$ 67,063    |

|   | Year Ended December 31, |             |              |
|---|-------------------------|-------------|--------------|
|   | 2016                    | 2017        | 2018         |
|   | (In thousands)          |             |              |
| Net cash provided by (used in) operating activities                   | \$ 139,225              | \$ (78,813) | \$ (84,961)  |
| Net cash used in investing activities                                 | (152,719)               | (70,971)    | (443,588)    |
| Net cash provided by financing activities                             | 37,021                  | 128,730     | 399,182      |
| Net increase (decrease) in cash, cash equivalents and restricted cash | \$ 23,527               | \$ (21,054) | \$ (129,367) |

As of December 31, 2017 and 2018, the total assets for the consolidated VIEs were \$1,007.4 million and \$1,142.5 million, respectively, which mainly comprised of \$187.4 million and \$184.6 million in cash, cash equivalents and short-term investments, \$216.2 million and \$97.0 million in restricted cash and the remaining balances include goodwill, intangible assets, accounts receivable, long-term investments and property and equipment. As of December 31, 2017 and 2018, total liabilities for the consolidated VIEs were \$689.5 million and \$748.4 million, respectively, which mainly included \$327.1 million and \$400.7 million in accrued expenses and other current liabilities, \$216.2 million



and \$97.0 million in amounts due to customers related to SINA Pay, \$29.0 million and \$31.5 million in income taxes payable, \$99.0 million and \$97.8 million in deferred revenues, and nil and \$59.2 million in short-term bank loan, respectively.

Under the contractual arrangements with the VIEs, the Company has the power to direct activities of the VIEs and can have assets transferred freely out of the VIEs without restrictions. Therefore, the Company considers that there is no asset of VIEs that can only be used to settle obligations of the respective VIEs, except for registered capital and PRC statutory reserves of VIEs amounting to a total of \$336.8 million and \$374.2 million as of December 31, 2017 and 2018, respectively. Since the VIEs are incorporated as limited liability companies under the PRC Company Law, creditors of the VIEs do not have recourse to the general credit of the Company. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Company is conducting certain businesses mainly through its VIEs, the Company may provide such support on a discretionary basis in the future, which could expose the Company to a loss.

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The following is a summary of the Company's major VIEs and subsidiary of VIEs as of December 31, 2018:

- Beijing SINA Internet Information Service Co., Ltd. (the ICP Company), a Chinese company controlled through business agreements, is responsible for operating www.sina.com and www.sina.cn in connection with its Internet content company license, sell online advertising and provide MVAS with its Value-Added Telecommunication Services Operating License via third-party operators in China. It is owned by four nominee shareholders of the Company. The register capital of the ICP Company is \$121.7 million.
- Beijing Star-Village Online Cultural Development Co., Ltd. (StarVI), formerly Beijing Star-Village.com Cultural Development Co., Ltd, a Chinese company controlled through business agreements, mainly is responsible for providing online advertising services through SINA News APP and www.sina.cn since April 2017. Before this, Star VI mainly provided MVAS in China via third-party operators under its Value-Added Telecommunication Services Operating License. It is owned by three nominee shareholders of the Company. The registered capital of the StarVI is \$1.2 million.
- Jinzhuo Hengbang Technology (Beijing) Co., Ltd. (the IAD Company), formerly Beijing SINA Infinity Advertising Co., Ltd., is an advertising agency in China controlled through business agreements and approved for the design, production, issuance and serving as an agency of advertisements. It is owned by two nominee shareholders of the Company. The registered capital of the IAD Company is \$24.8 million.
- Beijing Weimeng Technology Co., Ltd (Weimeng), a Chinese company controlled through business agreement, is responsible for operating www.weibo.com and www.weibo.cn in connection with its Internet content company license and providing MVAS in China via third-party operators under its Value-Added Telecommunication Services Operating License. It is owned by four nominee shareholders of the Company. The registered capital of Weimeng is \$84.9 million.
- Beijing Weibo Interactive Internet Technology Co., Ltd. (Weibo Interactive), an online-game platform company, was acquired by the IAD Company in May 2013. All of the equity interest in Weibo Interactive was transferred to Weimeng in December 2013. The registered capital of Weibo Interactive is \$8.7 million.
- Beijing Sina Payment Technology Co., Ltd. (SINA Pay), an online payment service company wholly owned by the ICP Company. The registered capital of SINA Pay is \$15.7 million.
- Beijing Weiju Future Technology Co. Ltd. (Weiju), a lending related service company, was acquired by the

Company in July 2017. The registered capital of Weiju is \$3.7 million.

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Unrecognized revenue-producing assets held by the VIEs mainly include licenses, such as the Internet Content Provision License, the Value-Added Telecommunication Services Operating License, the Online Culture Operating Permit, Payment Service License and trademarks, patents, copy rights and the domain names. Recognized revenue-producing assets held by the VIEs include core technology, vendor-relationship contracts, trademarks, domain names, customer lists relating to game-related services, lending-related service, living streaming and online payment platform technology, arising from acquisitions. Unrecognized revenue-producing assets, held by the Wholly Foreign Owned Enterprises ( WFOEs ), include customer lists relating to advertising and marketing services, game-related services, Weibo VIP memberships and data licensing, as well as trademarks.

The following is a summary of the VIE agreements between our wholly owned subsidiary, Sina.com Technology (China) Co., Ltd. ( STC ), our VIE ICP Company and ICP Company s shareholders:

*Loan Agreements.* STC has granted interest-free loans to the shareholders of the VIEs with the sole purpose of providing funds necessary for the capital injection into the VIEs. The terms of the loans in general are for 10 years. STC, at its own discretion, has the right to shorten or extend the terms of the loans if necessary. These loans were eliminated with the capital of the VIEs during consolidation.

*Share Transfer Agreements.* Each shareholder of the ICP Company has granted STC an option to purchase his/her shares in the respective VIEs at a purchase price equal to the amount of capital injection. STC may exercise such option at any time until it has acquired all shares of such VIE, subject to applicable PRC laws. The options will be effective until the earlier of (i) the shareholders of the ICP Company and STC have fully performed their obligations under this agreement, or (ii) the respective shareholders of the ICP Company and STC agree to terminate the share transfer agreement in writing.

*Agreements on Authorization to Exercise Shareholder s Voting Power.* Each shareholder of the ICP Company has authorized STC to exercise all of his/her voting power as a shareholder of the ICP Company. The authorizations are irrevocable and will not expire until the ICP Company dissolves. Modification, supplement or adjustment of the terms may only be made with the consents from STC.

*Share Pledge Agreements.* Each shareholder of the ICP Company has pledged all of his/her shares in ICP Company and all other rights relevant to the share rights to STC, as a collateral security for his/her obligations to pay off all debts to STC under the loan agreement and for the payment obligations of the ICP Company under the trademark license agreement and the technical services agreement. In the event of default of any payment obligations, STC will be entitled to certain rights, including transferring the pledged shares to itself and disposing of the pledged shares through a sale or auction. During the term of each agreement, STC is entitled to receive all dividends and distributions paid on the pledged shares. The pledges will be effective until the earlier of (i) the three-year anniversary of the due date of the last guaranteed debt, (ii) the ICP Company and its shareholders have fully performed their obligations under the above-referred agreements, or (iii) STC has unilaterally consented to terminate the respective share pledge agreement.

*Loan Repayment Agreements.* Each shareholder of the ICP Company has agreed that the interest-free loans under the loan agreements shall only be repaid through share transfer. Once the share transfers are completed, the purchase price for the share transfer will be offset against the loan repayment. The loan repayment agreements will be effective until the earlier of (i) the shareholders of the ICP Company and STC have fully performed their obligations under the respective agreement, and (ii) the respective shareholders of the ICP Company and STC agree to terminate the share transfer agreement in writing.

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*Exclusive Technical Services Agreements.* Each shareholder of the ICP Company below has entered into an exclusive technical services agreement with STC pursuant to which STC is engaged to provide certain technical services to the ICP Company. The exclusive technical services agreement can only be prematurely terminated by STC and will not expire until the ICP Company dissolves, and the service fees are adjusted annually through written agreements. Due to its control over the respective VIEs, the Company's wholly owned subsidiaries have the right to determine the service fees to be charged to the respective VIEs by considering, among others, the technical complexity of the services, the actual costs that may be incurred for providing the services, the operations of each VIE, applicable tax rates, planned capital expenditures and business strategies.

The ICP Company has engaged STC to provide technical services for its (i) online advertising and other related businesses, and (ii) value-added telecommunication and other related businesses. The ICP Company is obligated to pay service fees to STC.

*Exclusive Sales Agency Agreements.* The ICP Company has granted STC the exclusive right to distribute, sell and provide agency services for all the products and services provided by the ICP Company. These exclusive sale agency agreements will not expire until the ICP Company is dissolved. The Exclusive Sales Agency Agreements enable us to collect sales agency fees from the ICP Company if we decide to do so.

*Trademark License Agreements.* STC has granted the ICP Company trademark licenses to use the trademarks held by STC, in specific areas, and the ICP Company is obligated to pay license fees to STC. The terms of these agreements are for one year and are automatically renewed provided that there is no objection from STC. In addition, only STC can terminate its trade license agreement prematurely.

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(i) STC, our VIE IAD Company and IAD Company's shareholders, (ii) our subsidiary Starshining Mobile Technology (China) Ltd. (Star Shining), our VIE StarVI and StarVI's shareholders, and (iii) our subsidiary Weibo Internet Technology (China) Ltd. (Weibo Technology), our VIE Weimeng and Weimeng's shareholders have also entered into VIE agreements in substantially the same form as described above, except for the below specific services provided under the exclusive technical services agreement.

The IAD Company has engaged STC to provide technical services for its (i) online advertising and other related businesses, and (ii) value-added telecommunication and other related businesses. Pursuant to changes in applicable PRC laws in 2008, SINA established two wholly owned subsidiaries to engage directly in online advertising and related businesses.

StarVI has engaged Star Shining to provide technical services for its Internet information service, and Star Shining has the sole right to appoint any company or companies at its discretion to perform such technical services.

Weimeng has engaged Weibo Technology to provide technical services for its online advertising and other related businesses.

The service fees that the Company's wholly owned subsidiaries charged to the major VIEs amounted to \$467.6 million, \$784.8 million and \$985.6 million, respectively, for the fiscal years ended December 31, 2016, 2017 and 2018, respectively.

The Company believes that the contractual arrangements among its subsidiaries, the VIEs and its shareholders are in compliance with the current PRC laws and legally enforceable. However, uncertainties in the interpretation and enforcement of the PRC laws, regulations and policies could limit the Company's ability to enforce these contractual arrangements. As a result, the Company may be unable to consolidate the VIEs and its subsidiary in the consolidated financial statements. The Company's ability to control its VIEs also depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholders' approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable. In addition, if the legal structure and contractual arrangements with its VIEs were found to be in violation of any future PRC laws and regulations, the Company may be subject to fines or other actions. The Company believes the possibility that it will no longer be able to control and consolidate its VIEs as a result of the aforementioned risks and uncertainties is remote.

***Non-controlling interests***

For the Company's majority-owned subsidiaries and VIEs, non-controlling interests are recognized to reflect the portion of their equity that are not attributable, directly or indirectly, to the Company as the controlling shareholders. The majority of the Company's non-controlling interests relate to Weibo Corporation and its subsidiaries. To reflect the economic interest in Weibo held by non-controlling shareholders, Weibo's net income (loss) attributable to the non-controlling ordinary shareholders is

recorded as non-controlling interests in the Company's consolidated statements of comprehensive income (loss). Non-controlling interests are classified as a separate line item in the equity section of the Company's consolidated balance sheets and have been separately disclosed in the Company's consolidated financial statements to distinguish the interests from that of the Company.

*Fair value*

All financial assets and liabilities are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The Company remeasures the equity method investments at fair value on a non-recurring basis only if an impairment charge were to be recognized. For those investments without readily determinable fair value, the Company measures them at fair value when observable price changes or impairments are identified. The fair values of the Company's privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The fair values of the Company's equity investments in the equity securities of publicly listed companies are measured using quoted market prices. The fair values of the Company's investments in private equity funds are measured using net asset value per share as a practical expedient, provided certain criteria are met. The Company's non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired.



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Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company uses significant unobservable inputs to measure the fair value of guarantee liabilities. Guarantee liabilities are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors. The carrying amount of cash and cash equivalents, short-term investments, restricted cash, accounts receivable and other current assets, accounts payable, amount due to customers and accrued expenses and other current liabilities (excluded for guarantee liabilities) approximates fair value.

*Net income (loss) per share*

Basic net income (loss) per share is computed using the weighted average number of ordinary shares outstanding during the period. Options to purchase ordinary shares and restricted share units are not considered outstanding in computation of basic earnings per share. Diluted net income (loss) per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period, which include options to purchase ordinary shares, restricted share units and conversion of the convertible debt. The computation of diluted net income (loss) per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts or a decrease in loss per share amounts) on net income (loss) per share. Additionally, the Company takes into account the effect on consolidated net income (loss) per share of dilutive shares of entities in which the Company holds equity interests and interest expenses along with relevant amortized issuance costs of convertible debt under certain circumstances. The dilutive impact from equity interests mainly include long-term investments accounted for using the equity method and the consolidated subsidiaries, such as Weibo.

*Cash equivalents*

The Company considers all highly liquid investments with original maturities of three months or less as cash equivalents. Cash equivalents are comprised of investments in time deposits that mature within three months, which are stated at cost plus accrued interest, and money market funds are stated at fair market value.

*Restricted cash and amount due to customers*

The restricted cash primarily represents the cash balances temporarily held on account for the merchant customers of the Company through the SINA Pay online payment platform and is considered legally restricted with the release of Measures for Online Payment Business of Non-financial Institutions by the People's Bank of China ( PBOC ) in December 2015. The Company can only use segregated bank accounts for such customer amounts and the cash in the segregated accounts can only be used for the online payment business as designated by the customers.

Amount due to customers represents the balances that are payable on demand to customers and therefore reflected as current liability on the consolidated balance sheets. The SINA Pay customer accounts are used to facilitate payments to online merchants or third party banks and are deemed as pass through accounts between the payor and the online merchant. The balances are in-transit to customers and the payments are normally made within the normal trade settlement dates. The changes in amount due to customers are presented within operating activities in the consolidated statements of cash flows.

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***Short-term bank loans***

Short-term bank loans as of December 31, 2017 and 2018 amounted to \$89.3 million and \$78.2 million, respectively, which consisted of several bank borrowings denominated in RMB. All of these bank borrowings were repayable within one year. The effective interest rate for the outstanding borrowings for 2017 and 2018 ranged from approximately 4.6% and 4.8% per annum.

***Business combination***

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of consideration of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income (loss).

In a business combination achieved in stages, the Company remeasures its previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings. The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Company determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

***Goodwill***

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired as a result of the Company's acquisitions of interests in its subsidiaries and consolidated VIEs. The Company assesses goodwill for impairment in accordance with ASC subtopic 350-20 (ASC 350-20), Intangibles - Goodwill and Other: Goodwill, which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. US GAAP provides the option to apply the qualitative assessment first and then the quantitative assessment, if necessary, or to apply the quantitative assessment directly. The qualitative approach starts the goodwill impairment test by assessing qualitative factors by taking into consideration of macroeconomics, overall financial performance, industry and market conditions and the share price of the Company, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If so, the quantitative impairment test is performed; otherwise, no further testing is required. When the Company performs the quantitative impairment test, the Company firstly determines whether it is more likely than not that the fair value of a reporting

unit is less than its carrying amount. For those reporting units where it is determined that it is more likely than not that their fair values are less than the units' carrying amounts, the Company performs the second step of a two-step quantitative goodwill impairment test to allocate the fair value of reporting units to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit.

Table of Contents***Long-lived assets***

Intangible assets mainly include land use rights and certain intangible assets arising from acquisitions. Land use rights represent the land use rights acquired for the purpose of constructing offices, which is being amortized on a straight-line basis over the term of the land use right period, approximately 50 years. The acquisition related intangible assets are recognized at fair value upon acquisition and amortized on a straight-line basis over their estimated useful lives, generally from one to ten years. The amortization of intangible assets was \$1.9 million, \$4.6 million and \$9.1 million for 2016, 2017 and 2018, respectively.

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

|                                    |  |
|------------------------------------|--|
| Office building                    | - 45 years   |
| Office building related facilities | - 20 years   |
| Furniture and fixtures             | - 5 years  |
| Computers and equipment            | - 3 to 4 years   |
| Leasehold improvements             | - over the shorter of the estimated useful lives of the assets or the remaining lease term |

Depreciation expenses were \$26.6 million, \$28.6 million and \$32.1 million for 2016, 2017 and 2018, respectively.

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as prepayment for office building in other assets. Prepayment for office building is transferred to specific fixed assets items and depreciation of these assets commences when they are ready for their intended use.

Long-lived assets and certain identifiable intangible assets other than goodwill to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold or use is based on the amount by which the carrying value exceeds the fair value of the asset. The impairment charges of intangible assets for the years ended December 31, 2016, 2017 and 2018 was \$3.5 million, nil and \$12.7 million, respectively (Note 6).

***Long-term investments***

Long-term investments are comprised of investments in publicly traded companies, privately-held companies and limited partnerships.

***Equity Securities Accounting For Under the Equity Method***

The Company uses the equity method to account for common-stock-equivalent equity investments and limited-partnership investments in entities over which it has significant influence but does not own a majority equity interest or otherwise control.

*Equity Securities Other Than Equity Method Investments Prior To 2018*

Before adopting ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, for long-term investments over which the Company does not have significant influence, the cost method accounting is used. For long-term investments in shares that are not ordinary shares or in-substance ordinary shares and that do not have readily determinable fair value, the cost method accounting is used. Investments in limited partnerships over whose operating and financing policies the Company has virtually no influence are accounted for using the cost method.

Marketable equity securities were reported at fair value, classified and accounted for as available-for-sale securities prior to 2018 and its changes in fair value were previously reported in other comprehensive income. The Company assessed its available-for-sale securities for other-than-temporary impairment by considering factors including, but not limited to, its ability and intent to hold the individual security, severity of the impairment, expected duration of the impairment and forecasted recovery of fair value. Investments classified as available-for-sale securities are reported at fair value with unrealized gains or losses, if any, recorded in accumulated other comprehensive income in shareholders' equity. If the Company determined a decline in fair value is other-than-temporary, the cost basis of the individual security was written down to fair value as a new cost basis and the amount of the write-down was accounted for as a realized loss charged to the consolidated statements of comprehensive income. The fair value of the investment would then become the new cost basis of the investment and are not adjusted for subsequent recoveries in fair value.

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*Adoption of ASU 2016-01*

Beginning January 1, 2018, the Company measures equity investments other than equity method investments at fair value through earnings. For those equity investments without readily determinable fair values, the Company elects to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Under this measurement alternative, changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The Company makes reasonable efforts to identify price changes that are known or that can reasonably be known.

The marketable equity securities were reclassified as investment with readily determinable fair values beginning January 1, 2018. There will no longer be an available-for-sale classification for equity securities.

Prior to the adoption of ASU 2016-01, the Company recorded investments in private equity funds without significant influence exerted by the Company under cost method. Under the new guidance, investments in private equity funds using the Net Asset Value ( NAV ) practical expedient under ASC 820 are required to be measured at fair value on a recurring basis.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Company does not assess whether those securities are impaired. For those equity investments that the Company elects to use the measurement alternative, the Company makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Company has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Company has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value. Prior to 2018, these securities were classified as available-for-sale securities and measured and recorded at fair value with unrealized changes in fair value recorded through other comprehensive income.

Investments in entities which the Company can exercise significant influence and holds an investment in voting common shares or in-substance common shares (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 ( ASC 323 ), Investment Equity Method and Joint Ventures. Under the equity method, the Company initially records its investments at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. The Company subsequently adjusts the carrying amount of the investments to recognize the Company's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Company evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

*Convertible debt*

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The Company determines the appropriate accounting treatment of its convertible debts in accordance with the terms in relation to the conversion feature, call and put option, and beneficial conversion feature. After considering the impact of such features, the Company may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt.

The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense over the period from the issuance date to the earliest conversion date. The Company presented the issuance cost of debt in the balance sheet as a direct deduction from the related debt.

### *Treasury stock*

The Company accounted for those shares repurchased and no longer outstanding as treasury stock at cost.



Table of Contents**Revenue recognition**

The Company adopted the new revenue guidance as of January 1, 2018 using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting method under ASC 605.

**Impact on Adoption of New Revenue Recognition**

Pursuant to the adoption of ASC606, the main impacts are a) the presentation of VAT recognized in revenue from gross to net, which results in equal decreases of revenues and cost of revenues, and b) the recognition of revenues and expenses at fair value for advertising barter transactions ( Barter Transaction ), which mainly results in the increase of revenue and advertising expenses.

Under the previous guidance of ASC 605, advertising barter transactions for which the fair value of the advertising services was not determinable was recorded at the carrying amount of the advertising surrendered since the Company did not settle such barter transactions with the counterparties in cash. Under the new guidance of ASC 606, advertising barter transactions are recorded at the fair value of the advertising received by reference to the fair value of advertising services provided to other customers.

The Company recorded a net reduction to opening retained earnings of \$0.3 million resulting from Barter Transactions as of January 1, 2018 due to the cumulative impact of adopting ASC 606.

Adoption of the standards related to revenue recognition which impacted the Company's current period reported results are as follows:

|                        | Year Ended December 31, 2018 |  |                       |              |
|------------------------|------------------------------|--|-----------------------|--------------|
|                        | ASC 605                      | Adjustments                            |                       | ASC 606      |
|                        |                              | VAT                                    | Barter<br>Transaction |              |
|                        |                              | ( In thousands, except for percentage) |                       |              |
| Net revenues           | \$ 2,113,954                 | \$ (118,006)                           | \$ 112,379            | \$ 2,108,327 |
| - Advertising          | 1,776,944                    | (100,038)                              | 112,379               | 1,789,285    |
| - Non-advertising      | 337,010                      | (17,968)                               |                       | 319,042      |
| Cost of revenues       | 570,046                      | (118,006)                              |                       | 452,040      |
| Operating expenses     | 1,076,520                    |  | 112,813               | 1,189,333    |
| - Sales and marketing  | 587,149                      |  | 112,813               | 699,962      |
| Income from operations | \$ 467,388                   | \$                                     | \$ (434)              | \$ 466,954   |
| Gross margin           | 73.0%                        |  |                       | 78.6%        |
| Operating margin       | 22.1%                        |  |                       | 22.1%        |

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No other material impacts on the consolidated financial statements of 2018 arising from the adjustments on VAT and Barter Transaction. Other than the above, the Company's revenue recognition under ASC 606 did not change from that under ASC 605.

Under ASC 606, revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company identifies its contracts with customers and all performance obligations within those contracts. The Company then determines the transaction price and allocates the transaction price to the performance obligations within the Company's contracts with customers, recognizing revenue when, or as, the Company satisfies its performance obligations when control of the promised goods or services transferred to the customers.

Certain customers may receive sales rebates, which are accounted for as variable consideration. The Company estimates annual expected revenue volume of each individual agent with reference to their historical results. The Company recognizes revenue for the amount of fees it receives from its advertisers, after deducting sales rebates and net of value-added tax ( VAT ) under ASC 606. The Company believes that there will not be significant changes to its estimates of variable consideration.

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The following table presents our revenues disaggregated by revenue source.

|                                    | 2016                | Year Ended December 31, |  | 2018                |
|------------------------------------|---------------------|-------------------------|--|---------------------|
|                                    |                     | 2017                    |  |                     |
|                                    |                     | (In thousands)          |  |                     |
| Portal advertising                 | \$ 304,090          | \$ 320,473              |  | \$ 290,215          |
| Weibo advertising                  | 570,982             | 996,745                 |  | 1,499,180           |
| Elimination                        | (3,885)             | (5,352)                 |  | (110)               |
| <b>Advertising revenues</b>        | <b>871,187</b>      | <b>1,311,866</b>        |  | <b>1,789,285</b>    |
| Portal non-advertising             | 74,931              | 122,535                 |  | 111,412             |
| Weibo value added services ( VAS ) | 84,818              | 153,309                 |  | 219,338             |
| Elimination                        |                     | (3,826)                 |  | (11,708)            |
| <b>Non-advertising revenues</b>    | <b>159,749</b>      | <b>272,018</b>          |  | <b>319,042</b>      |
| <b>Net revenue</b>                 | <b>\$ 1,030,936</b> | <b>\$ 1,583,884</b>     |  | <b>\$ 2,108,327</b> |

**Advertising Revenues**

The Company generates revenues primarily by delivering advertising on the Company's portal properties and Weibo's social media's properties. Advertising revenues are derived principally from online advertising and marketing, including display advertising and promoted marketing, and, to a lesser extent, sponsorship arrangements. The majority of the Company's revenue transactions are based on standard business terms and conditions, which are recognized net of agency rebates.

Display advertising arrangements allow advertisers to place advertisements on particular areas of the Company's websites or platform, in particular formats and over particular periods of time. Advertising revenues from display advertising arrangements are recognized ratably over the contract period of display, when the collectability is reasonably assured. The Company enters into cost per day ( CPD ) advertising arrangements with customers, under which the Company recognizes revenues ratably over the contract period. The Company also enters into cost per mille ( CPM ), or cost per thousand impressions, advertising arrangements with the customers. Promoted marketing arrangements are primarily priced based on CPM. Under the CPM model, customers are obligated to pay when the advertisement is displayed and the Company recognizes revenues based on the number of times that the advertisement has been displayed.

Sponsorship arrangements allow advertisers to sponsor a particular area on its websites in exchange for a fixed payment over the contract period. Advertising revenues from sponsorship are recognized ratably over the contract period. Advertising revenues derived from the design, coordination and integration of online advertising and sponsorship arrangements to be placed on the Company's websites are recognized ratably over the term of such arrangements.

The Company's contracts with customers may include multiple performance obligations, which primarily consist of combination of services to allow customer to place advertisements on different areas of the Company's websites or platform. For such arrangements, advertising arrangements involving multiple deliverables are broken down into single-element arrangements based on their stand-alone selling price for revenue recognition purposes. For the deliverables that have not been sold separately, the best estimate of the stand-alone selling price is taken into consideration of the pricing of advertisements of the Company's platform with similar characteristics and advertisements with similar formats and quoted prices from competitors and other market conditions. Revenues recognized with reference to best estimates of selling price were immaterial for all periods presented. Most of such contracts have all performance obligations completed within one year.



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***Non-advertising Revenue***

*Portal non-advertising services*

*Loan facilitation services*

The Company provides lending related services through which the Company matches lenders to borrowers and facilitates the execution of loan agreements between the lenders and the borrowers, with the terms of loan generally within one year. The Company is obligated to recommend borrowers to the lenders from certain mobile platform and to provide a credit assessment on the potential borrowers to facilitate the lenders in making their own investment decision. In light of the above, the Company determined that the Company is not the legal lender and does not record loans receivable and payable arising from the loan. The Company earns loan matching servicing fees and the post origination services from the borrowers base on an agreed fixed percentage of loan amount. The Company also provides guarantee on the principal, interest payment and penalty fee of the defaulted loans to the lenders. Although the Company did not sell these services separately, the Company determined that all deliverables have standalone value. The Company determined that the financial guarantee is within the scope of ASC 460-10 Guarantees and recognized it as a separate liability at inception, with the remaining consideration recognized as revenues under ASC 606-25. The value of guarantee liability is estimated taking into consideration discounting expected future payouts, net expected loss rates and incorporating a markup margin. Subsequent to the inception of the loan, the guarantee liability initially recognized is reassessed in each period end of financial statements as the Company is released from risk under the guarantee either through expiry or cash out. Upon the occurrence of any triggering event or condition under the guarantee, the Company compensates the lenders for their principal and interest losses and obtains the recourse rights from the lender to recover the amounts paid under the guarantee.

The Company considers the loan matching services and the post origination services as a multiple element revenue arrangement, and first allocates the consideration to the guarantee liability equaling to the fair value of the guarantee liability. Then the remaining consideration is allocated to the loan matching services and post-origination services using their relative estimated selling prices under ASC 606. The revenue from loan matching service is recognized when the facilitation obligation is completed, which is generally at the loan inception date. Post-origination revenue is recognized when service is provided.

*Online payment services*

The Company provides online payment service for Internet merchants and earns transaction fees from fund transfer transactions. Revenues resulting from these transactions are recognized when transactions are completed. Transaction fee is charged based on certain criteria (such as account type and volume of payments) for funds they receive.

*Weibo VAS*

Weibo fee-based services allow the Company's users to subscribe to services on its websites or platform, mainly including Weibo VIP membership, living stream and game-related service. Revenues from these services are recognized when control of the

promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

*Weibo VIP membership*

Weibo VIP membership is a service package consisting of one performance obligation of providing user certification and preferential benefits, such as daily priority listings and higher quota for following user accounts. Prepaid VIP membership fees are recorded as deferred revenue and recognized as revenue ratably over the contract period of the membership service.

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*Live streaming*

Live streaming generates revenue from sales of virtual items in the Yizhibo platform. Users can access the platform and view the live streaming content and interact with the broadcasters for free.

The Company designs, creates and offers various virtual items for sales to users with pre-determined selling price. Each virtual item is considered as a distinctive performance obligation. Sales proceeds are recorded as deferred revenue and recognized as revenue based on the consumption of the virtual items. Users can purchase and present virtual items to broadcasters to show support for their favorite ones. Under the arrangements with broadcasters or broadcaster agencies, the Company shares with them a portion of the revenues derived from the consumption of virtual items. Revenues derived from the sale of virtual items are recorded on a gross basis as the Company has determined that it acts as the principal to fulfill all obligations related to the live streaming services. The portion paid to broadcasters and/or broadcaster agencies is recognized as cost of revenues. The Company does not have further obligations to the user after the virtual items are consumed.

*Game related services*

The majority of the game related service revenues are generated from purchasing of virtual items through its game platform. Each virtual item is considered as a distinctive performance obligation. The Company collects payments from the game players in connection with the sale of virtual currency, which are converted into in-game credits (game tokens) that can be used to purchase virtual items in the third party developed games. The Company remits certain predetermined percentages of the proceeds to the game developers when the virtual currency is converted into in-game credits.

The Company has determined that the game developers are the primary obligors for the web game services, based on whether the game developers are responsible for developing, maintaining and updating the game related services and have reasonable latitude to establish the prices of virtual items for which in-game credits are used. Revenue is recorded on a gross basis for games when the Company is acting as the principal in fulfilling all obligations related to the games and revenue is recorded net of predetermined revenue sharing with the game developers for games. The Company's primary responsibility is to promote the games of the developers, provide virtual currency exchange service, maintain the platform for game players to easily access the games and offer customer support to resolve registration, log-in, currency exchange and other related issues.

Virtual currencies in general are not refundable once they have been sold unless there are unused in-game credits at the time a game is discontinued. Sale of virtual items are recognized as revenues over the estimated consumption period of in-game virtual items, which is typically from a few days to one month after the purchase of in-game credits.

**Contract Balances**

The Company enters into contracts with its customers, which may give rise to contract assets (unbilled revenue) or contract liabilities (deferred revenue). The payment terms and conditions within the Company's contracts vary by the type and location of its customer and products or services purchased, the substantial majority of which are due in less than one year. No material impact on the contract assets was arising from the new guidance of revenue recognition.

Deferred revenue related to unsatisfied performance obligations at the end of the period and consist of a) the unamortized balance of license fees, which are mostly derived from a licensing agreement to Leju, a subsidiary of E-House (China) Holdings Limited ( E-House ) and b) the unamortized balance of service fee paid by third parties, which are mainly received from the customer advance of advertising and marketing services and online gaming business. The deferred revenues are amortized on a straight-line basis through the service period. Due to the generally short-term duration of the contracts, the majority of the performance obligations are satisfied in the following reporting period. The amount of revenue recognized that was included in the deferred revenue balance at the beginning of the period was \$106.7 million for the year ended December 31, 2018.



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**Practical Expedients and Exemptions**

The Company generally expenses sales commissions when incurred because the amortization periods are generally one year or less. These costs are recorded within sales and marketing expenses.

***Allowance for doubtful accounts***

The Company maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Company determines the allowance for doubtful accounts based on a historical, rolling average, bad debt rate in the prior year and other factors, such as credit-worthiness of the customers and the age of the receivable balances. The Company also provides specific provisions for bad debts when facts and circumstances indicate that the receivable is unlikely to be collected. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, or if the company incurs more bad debt than the original estimates, additional allowances would be required that could materially impact the Company's financial position and results of operations.

***Cost of revenues***

*Advertising.* Cost of advertising revenues consists mainly of costs associated with the production of websites, which includes fees paid to third parties for Internet connection, content and costs of revenue shared with third parties, payroll-related expenses and equipment depreciation associated with the website production.

*Non-advertising.* Costs of non-advertising revenues mainly consist of fees or royalties paid to third-party content and service providers, costs of revenue shared with third parties, costs for providing the enterprise services and employee related cost for non-advertising business.

Prior to January 1, 2018, the Company presents taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction on a gross basis in the financial statements. The Company is subject to 6.7% Value-Added Tax ( VAT or turnover tax ) and surcharges for its revenues and an additional 3% cultural business construction fees for its advertising and marketing revenues. Pursuant to the adoption of ASC 606 effectively beginning January 1, 2018, the Company changed the presentation of the VAT from gross basis to net against revenue, which results in equal decrease of revenues and cost of revenues. The total amounts of such taxes for 2016, 2017 and 2018 were \$88.1 million, \$138.3 million and \$65.7 million, respectively, with VAT excluded from the cost of sales since 2018.

***Advertising expenses***

Advertising expenses consist primarily of costs for the promotion of corporate image, marketing expenses related to advertising barter transaction, product marketing and direct marketing. The Company expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. The Company expenses all such direct marketing expenses. Advertising expenses for 2016, 2017 and 2018 were \$123.4 million, \$268.3 million and \$521.4 million, respectively.

*Product development expenses*

Product development expenses consist primarily of payroll-related expenses incurred for enhancement to and maintenance of the Company's websites as well as costs associated with new product development and product enhancements. The Company expenses all costs incurred for the planning and post implementation phases of development and costs associated with repair or maintenance of the existing site or the development of website content. Since inception, the amount of costs qualifying for capitalization has been immaterial and, as a result, all product development costs have been expensed as incurred.

*Operating leases*

The Company leases office space under operating lease agreements with initial lease term up to six years. Rental expense is recognized from the date of initial possession of the leased property on a straight-line basis over the term of the lease. Certain lease agreements contain rent holidays, which are recognized on a straight-line basis over the lease term. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease terms.

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***Stock-based compensation***

All stock-based awards to employees and directors, including stock options and restricted share units ( RSUs ), are measured at the grant date based on the fair value of the awards. Stock-based compensation, net of forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. Options granted generally vest over four years.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options. The determination of the estimated fair value of stock-based payment awards on the grant date using an option pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the Company's expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, a risk-free interest rate and any expected dividends. Shares of the Company's subsidiary, which do not have quoted market prices before they were publicly listed, were valued based on the income approach, if a revenue model had been established, or valued based on the market approach, if information from comparable companies had been available or a weighted blend of these approaches if more than one is applicable.

The Company recognizes the estimated compensation cost of service-based restricted share units based on the fair value of its ordinary shares on the date of the grant. The Company recognizes the compensation cost, net of estimated forfeitures, over a vesting term of generally four years.

For service-based restricted stock awards and performance-based restricted stock awards, the Company recognizes the compensation expense only when it is probable that those awards will meet the performance and service vesting condition on a straight-line basis over the requisite service period.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option and restricted share units forfeitures and records stock-based compensation expense only for those awards that are expected to vest. See Note 15 for further discussion on stock-based compensation.

***Taxation***

*Income taxes*

Income taxes are accounted for using the asset and liability approach. Under this approach, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carry-forwards. The Company records a valuation allowance against the amount of deferred tax assets that it determines is not more-likely-than-not to be realized.

*Uncertain tax positions*

To assess uncertain tax positions, the Company applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

*Foreign currency*

The Company's reporting currency and functional currency are the U.S. dollar. The Company's operations in China and in international regions use their respective currencies as their functional currencies. The financial statements of these subsidiaries are re-measured into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates of exchange in the period for revenues and expenses. Translation gains and losses are recorded in accumulated other comprehensive income or loss as a component of shareholders' equity. Translation gains or losses are not released to net income unless the associated net investment has been sold, liquidated, or substantially liquidated.

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Foreign currency transactions denominated in currencies other than the functional currency are re-measured into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-measured into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in interest and other income, net.

Foreign currency translation adjustments included in the Company's comprehensive income were losses of \$72.4 million and \$119.6 million for 2016 and 2018, respectively, and an income of \$87.3 million for 2017. The Company recorded a net foreign currency transaction income of \$0.3 million and \$0.8 million in 2016 and 2018, respectively, and net losses of \$2.0 million in 2017, which is recorded in the interest and other income, net in the consolidated statements of comprehensive income.

***Comprehensive income (loss)***

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Comprehensive income (loss) for the periods presented includes net income (loss), net change in unrealized gains (losses) on marketable securities classified as available-for-sale (net of tax), foreign currency translation adjustments, and share of change in other comprehensive income of equity investments one quarter in arrears. On January 1, 2018, the date of initially applying ASU 2016-1, an unrealized gains of \$38.7 million on marketable securities previously classified as available-for-sale was reclassified from accumulated other comprehensive income to retained earnings. Subsequently all the fair value changes arising from marketable securities will be recognized in the earnings.

***Recent accounting pronouncements***

In February 2016, the FASB issued a new standard on leases, ASU 2016-2, which requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize a liability to make lease payments (the Lease Liability) and a right-of use representing its right to use the underlying asset for the lease term in the statements of financial position. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In July 2018, the FASB issued an amendment on leases, ASU 2018-11, which provides another transition method in addition to the existing transition methods by allowing entities to initially apply the new leases standard at the effective date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company will adopt the new lease standard beginning the first quarter of fiscal year 2019 using the transition method provided by ASU 2018-11 and will not retrospectively adjust the prior comparative periods. The impact of initially applying the guidance on the opening balance of 2019 is estimated mainly to be recognition of approximately \$35 million to \$40 million of leasing related assets and liabilities that arise from operating leases, respectively.

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In June 2016, the FASB issued of ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, which will be effective for the Company in the fiscal year of 2020. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which an entity recognizes an allowance based on the estimate of expected credit loss. In November 2018, the FASB issued an amendment of Topic 326, ASU No. 2018-19, which clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20 and should be accounted for in accordance with Topic 842, Leases. The Company is currently evaluating the impact of adopting ASU No. 2016-13 on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying value, which eliminates the current requirement to calculate a goodwill impairment charge by comparing the implied fair value of goodwill with its carrying amount. The amendments will be effective beginning the first quarter of fiscal year 2020. The Company will early adopt the guidance in 2019 on a prospective basis and no impact is expected from the amendments.

Table of Contents**3. Cash, Cash Equivalents, Restricted Cash and Short-term Investments**

Cash, cash equivalents and restricted cash consisted of the following:

|  | As of December 31, |              |
|--|--------------------|--------------|
|  | 2017               | 2018         |
|  | (In thousands)     |              |
| Cash and cash equivalents:                       |                    |              |
| Cash   | \$ 1,766,927       | \$ 1,383,610 |
| Cash equivalents:                                |                    |              |
| Bank time deposits (maturing within 3 months)    | 24,966             | 75,367       |
| Money market funds                               | 198,659            | 86,823       |
|  | 223,625            | 162,190      |
|  | 1,990,552          | 1,545,800    |
| Restricted cash                                  | 216,151            | 97,032       |
| Total cash, cash equivalents and restricted cash | \$ 2,206,703       | \$ 1,642,832 |
| Short-term investments:                          |                    |              |
| Bank time deposits                               | \$ 1,381,991       | \$ 799,534   |

The carrying amounts of cash, cash equivalents, restricted cash and short-term investments approximate fair values. Interest income for the years ended December 31, 2016, 2017 and 2018 was \$38.0 million, \$43.2 million and \$83.2 million, respectively. The maturity dates of the bank time deposits are within one year.

Table of Contents**4. Long-term Investments**

Long-term investments comprised investments in publicly traded companies, privately held companies and limited partnerships. The following sets forth the changes in the Company's long-term investments.

|   | Equity Method |            |            | Available for<br>Sale Securities/<br>Equity Securities<br>Readily<br>Determinable<br>Fair Values<br>(In thousands) | Cost<br>Method/ Equity<br>Securities<br>Without Readily<br>Determinable Fair<br>Values | Total        |
|---|---------------|------------|------------|--|--|--------------|
|   | (E-House)     | (Leju)     | (Others)   |  |  |              |
| <b>Balance at January 1, 2016</b>                         | \$ 210,461    | \$ 4,344   | \$ 131,417 | \$ 311,497   | \$ 554,921   | \$ 1,212,640 |
| New investments/transferred from prepayments              | 139,953       | 195,126    | 56,160     | 52,449   | 331,949  | 775,637      |
| Income (loss) from investments                            | (3,760)       | 308        | (8,314)    |  |  | (11,766)     |
| Investment impairment                                     |               |            | (2,455)    | (4,822)  | (29,032)   | (36,309)     |
| Unrealized loss, net                                      |               |            |            | (80,795)   |  | (80,795)     |
| Disposal/dilution of investments                          | (341,052)     |            | 10,902     | (124,040)  | (67,658)   | (521,848)    |
| Dividend received   |               |            | (3,103)    |  |  | (3,103)      |
| Others*   | (5,602)       | (116)      | (2,642)    |  | (7,889)  | (16,249)     |
| <b>Balance at December 31, 2016</b>                       | \$            | \$ 199,662 | \$ 181,965 | \$ 154,289   | \$ 782,291   | \$ 1,318,207 |
| New investments/transferred from prepayments              |               |            | 26,204     | 10,000   | 132,079  | 168,283      |
| Income (loss) from investments                            |               | (30,796)   | 14,726     |  |  | (16,070)     |
| Investment impairment                                     |               | (113,103)  | (1,207)    | (1,275)  | (6,513)  | (122,098)    |
| Unrealized loss, net                                      |               |            |            | (35,607)   |  | (35,607)     |
| Disposal/dilution/refund of investments                   |               |            | 19,112     | (22,248)   | (10,410)   | (13,546)     |
| Changes from cost method to consolidation (Note 5)        |               |            |            |  | (29,071)   | (29,071)     |
| Changes from cost method to equity method                 |               |            | 19,121     |  | (19,121)   |              |
| Changes from cost method to available-for-sale securities |               |            |            | 2,213  | (2,213)  |              |
| Dividend received/entitled                                |               |            | (7,829)    |  |  | (7,829)      |
| Others*   |               | 1,646      | 5,330      |  | 19,571   | 26,547       |
| <b>Balance at December 31, 2017</b>                       | \$            | \$ 57,409  | \$ 257,422 | \$ 107,372   | \$ 866,613   | \$ 1,288,816 |
| Impact of adoption of new investment guidance **          |               |            |            | 37,686   | (27,419)   | 10,267       |
| New investments/transferred from prepayments              |               |            | 140,379    | 149,140  | 382,031  | 671,550      |



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|   |           |                  |                   |                   |                     |
|---|-----------|------------------|-------------------|-------------------|---------------------|
| Income (loss) from equity method investments  | (9,080)   | 10,200           |                   |                   | 1,120               |
| Investment impairment   |           | (5,699)          |                   | (55,289)          | (60,988)            |
| Disposal/dilution/refund of investments   |           | 3,235            | (87,351)          |                   | (84,116)            |
| Changes from investments without readily determinable fair value to readily determinable fair value |           |                  | 30,000            | (30,000)          |                     |
| Fair value change through earnings (including adjustment of subsequent observable price changes)    |           |                  | (70,020)          | 166,553           | 96,533              |
| Dividend received/entitled  |           | (4,087)          |                   |                   | (4,087)             |
| Others*   | (186)     | (8,235)          | (891)             | (19,940)          | (29,252)            |
| <b>Balance at December 31, 2018</b>   | <b>\$</b> | <b>\$ 48,143</b> | <b>\$ 393,215</b> | <b>\$ 165,936</b> | <b>\$ 1,282,549</b> |
|   |           |                  |                   |                   | <b>\$ 1,889,843</b> |

\* Others mainly represents the impacts from foreign exchange change. For equity method investments, others represents the equity pick-up of other comprehensive income (loss) of investees caused by foreign exchange change.

\*\* Upon the adoption of ASU 2016-01, \$27.4 million of investments in private equity funds were adjusted to their NAV of \$37.7 million and reclassified from cost method to equity investments with readily determinable fair value on January 1, 2018.

Table of Contents*Equity Method*

As of December 31, 2018, investments accounted for under the equity method totaled \$441.4 million, which included a \$48.1 million investment in Leju Holdings Limited ( Leju ) and a \$110.1 million investment in Tian Ge Interactive Holding Limited ( Tian Ge ) (\$57.4 million in Leju and \$98.1 million in Tian Ge as of December 31, 2017, respectively). Investments are accounted for under the equity method when the Company has significant influence in the investment and the investment is considered as in substance ordinary shares. Investments in limited partnerships, whose operating and financial policies the Company had significant influence over were also accounted for using the equity method.

On April 15, 2016, E-House entered into a definitive agreement and plan of merger, or the Merger Agreement, with E-House Holdings Ltd., or Parent. Pursuant to the Merger Agreement, Parent acquired E-House for a cash consideration equal to US\$6.85 per ordinary share, and upon the closing of the merger, E-House continued as the surviving corporation and a wholly owned subsidiary of Parent. In connection with the transaction contemplated by the Merger Agreement, the Company made an equity contribution of approximately \$140 million to Parent in August 2016 to subscribe newly issued shares of Parent. At the same time, the shares of E-House held by the Company were also rolled over and converted into the shares of Parent. On August 12, 2016, or the closing date, the Company held 49,764,809 ordinary shares of Parent, which represented 43% of Parent's then total outstanding shares and had a cost basis then to the Company of \$340.7 million. The Company also entered into a Shareholders Agreement with Parent and certain other shareholders of Parent on the closing date, under which the Company granted an option ( E-House Option ) to Parent to repurchase all the equity interest held by the Company in Parent during the 18-month period following the closing date for a consideration consisting of (i) 30% of the total outstanding ordinary shares of Leju at the time of the repurchase, and (ii) certain cash payment. In accordance with ASC Subtopic 815-10, the option is deemed legally detachable and separately exercisable from the repurchase of ordinary shares of Leju and, thus, accounted for as a freestanding instrument. The option was initially recognized as an option liability valued at \$ 3.1 million on the basis of its fair value at the grant date, together with its subsequent changes in fair value were reflected in the fair value change in option liability. The fair value of option liability was determined by i) the number of Leju shares the Company received in this transaction, ii) the difference between the designated unit price of Leju shares agreed in the Shareholders Agreement by transaction parties and the fair value of unit price of Leju in the open market at each period end and iii) time value of the option liability. Immediately prior to the exercise of the option, the fair value of the investor option liability was approximately \$28.5 million.

On December 30, 2016, Parent exercised such option right and repurchased 49,764,809 of its ordinary shares from the Company, for the aggregate consideration comprised of 40,651,187 shares of Leju with a fair value of \$195.1 million and approximately \$127.6 million in cash. As a result, together with Leju Dividend Shares received in 2014 by the Company, on December 31, 2016, the Company totally held 42,117,874 Leju shares with a fair value of \$202.2 million, which represented 31.1% of Leju's then total outstanding shares, and ceased to hold any beneficial ownership in Parent. The Company used the equity method to account for the investment in Leju. During 2017, the U.S. dollar cash consideration was received from Parent, and an equivalent RMB deposit received in 2016 to ensure the later payment of cash consideration in U.S. dollar was repaid to the Parent. As a result of the share exchange, the Company recognized a one-time gain of \$4.6 million, which was the difference between all the considerations received and the carrying value of the investment in E-House on the transaction date, after offsetting the cumulative currency translation adjustments previously recorded for E-House as other comprehensive loss. Earning/(loss) from Parent for the period from October 1, 2016 to December 30, 2016 was included in the disposal gain of \$4.6 million from this transaction. For the year ended December 31, 2016, a loss of \$28.5 million was recognized as fair value change in option liability when marked to market in the Company's consolidated statements of comprehensive income. In 2017, the Company recorded a \$30.8 million of loss and a \$113.1 million of other- than-temporary impairment loss on its investments in Leju related to changes in the government policy in real estate industry in China and to the decline of

Leju's stock price after the investment. In 2018, the Company recorded a \$9.1 million of loss. The closing price of Leju as of December 31, 2018 was \$1.4 per ADS/share, higher than its carrying amount per share (approximately \$1.14). The aggregate market value of the Company's investment in Leju is approximately \$59.0 million.

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On July 9, 2014, Tian Ge, an equity method investee of the Company, completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited with the new issuance of 349.9 million ordinary shares ( Tian Ge IPO ). Immediately after the Tian Ge IPO, the Company's equity interest in Tian Ge was diluted from 36% to 25% and the Company in substance disposed part of its interest in Tian Ge. The closing price of Tian Ge as of December 31, 2018 was HK\$3.06 (equivalent to \$0.39) per ADS/share, as compared to the carrying amount per share of approximately \$0.37. The aggregate market value of the Company's investment in Tian Ge was approximately \$117.2 million.

The Company made an investment in an investing fund of \$48.0 million in 2018, which was accounted for under equity method. Other investments under equity method made during the presented periods were individually immaterial.

None of the Company's equity method investments meets the SEC's definition of a significant subsidiary for the years ended December 31, 2016, 2017 and 2018. The Company summarizes the condensed financial information of the Company's equity investments as a group below in accordance with Rule 4-08 of Regulation S-X.

|  | 2016         | Year Ended December 31, |             | 2018 |
|--|--------------|-------------------------|-------------|------|
|  |              | 2017                    |             |      |
|  |              | (In thousands)          |             |      |
| <b>Operating data:</b>                 |              |                         |             |      |
| Revenue                                | \$ 1,884,793 | \$ 626,402              | \$ 926,219  |      |
| Gross profit                           | \$ 1,385,828 | \$ 470,681              | \$ 550,181  |      |
| Loss from operations                   | \$ (21,238)  | \$ (128,034)            | \$ (2,014)  |      |
| Net loss                               | \$ (57,894)  | \$ (34,455)             | \$ (41,682) |      |
| Net loss attributable to the investees | \$ (27,895)  | \$ (33,053)             | \$ (39,600) |      |

|                            | As of December 31, |                | 2018 |
|----------------------------|--------------------|----------------|------|
|                            | 2017               | (In thousands) |      |
| <b>Balance sheet data:</b> |                    |                |      |
| Current assets             | \$ 918,942         | \$ 946,459     |      |
| Long-term assets           | \$ 733,487         | \$ 1,402,989   |      |
| Current liabilities        | \$ 257,650         | \$ 283,495     |      |
| Long-term liabilities      | \$ 24,875          | \$ 33,148      |      |
| Non-controlling interests  | \$ (1,445)         | \$ (572)       |      |

The investment in Leju was accounted for using the equity method with the cost allocated as follows:

|  | As of December 31, |                | 2018 |
|--|--------------------|----------------|------|
|  | 2017               | (In thousands) |      |
| Carrying value of investment in Leju                               | \$ 57,409          | \$ 48,143      |      |
| Proportionate share of Leju's net tangible and intangible assets * | 80,753             | 75,723         |      |
|  | \$ (23,344)        | \$ (27,580)    |      |

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Carrying value of investment less proportionate share of Leju's net tangible and intangible assets

The difference above has been primarily assigned to:

|  |    |          |    |          |
|--|----|----------|----|----------|
| Goodwill and amortizable intangible assets * | \$ | (23,344) | \$ | (27,580) |
| Deferred tax liabilities                     | \$ | (23,344) | \$ | (27,580) |
| Cumulative loss in equity interest           | \$ | (30,243) | \$ | (39,323) |

\* The weighted average remaining life of the intangible assets recorded in Leju's financial statements was 5 years, and the intangible assets not included in Leju's financial statements was fully impaired in the end of June 2017. The negative basis difference mainly arising from intangible assets is being amortized over 5 years, the weighted average remaining lives of primary assets.

Table of Contents**Equity Securities with Readily Determinable Fair Values**

Equity securities with readily determinable fair values include i) marketable equity securities, which are publicly traded stocks or funds measured at fair value and ii) private equity funds, which are qualified NAV under ASC 820.

Prior to January 1, 2018, the Company accounted for the marketable equity securities at fair value with unrealized gains and losses recognized in accumulated other comprehensive income. Upon the adoption of ASU 2016-01, the Company measures equity securities with readily determinable fair values at fair value through earnings. Due to the initial application of the ASU 2016-01, The Company reclassified a cumulative unrealized gain of \$38.7 million in accumulated other comprehensive income arising from marketable securities to the retained earnings and also recognized a cumulative-effect adjustment of \$10.3 million to increase its carrying amount for the investments qualified for NAV and credited to the retained earnings as of January 1, 2018.

The following table shows the carrying amount and fair value of equity securities with readily determinable fair values and private equity funds:

|                          | Cost<br>Basis     | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value     |
|--------------------------|-------------------|------------------------------|-------------------------------|-------------------|
| (In thousands)           |                   |                              |                               |                   |
| Jupai                    | \$ 23,068         | 44,107                       |                               | 67,175            |
| Other equity securities  | 45,594            | 10,163                       | (15,560)                      | 40,197            |
| <b>December 31, 2017</b> | <b>\$ 68,662</b>  | <b>\$ 54,270</b>             | <b>\$ (15,560)</b>            | <b>\$ 107,372</b> |
| Jupai                    | \$ 23,068         | \$                           | \$ (7,119)                    | \$ 15,949         |
| Pintec                   | 30,000            |                              | (2,776)                       | 27,224            |
| Other equity securities  | 74,844            | 4,562                        | (29,317)                      | 50,089            |
| Private equity funds     | 58,246            | 16,277                       | (1,849)                       | 72,674            |
| <b>December 31, 2018</b> | <b>\$ 186,158</b> | <b>\$ 20,839</b>             | <b>\$ (41,061)</b>            | <b>\$ 165,936</b> |

The Company invested Jupai Holding Limited ( JP ) with a total cost of \$7.8 million under cost method since 2014. In July 2015, JP completed its listing on the New York Stock Exchange ( JP IPO ) and the investment was transferred to marketable securities which measures at fair value. As of December 31, 2018, the Company had an unrealized loss of \$7.1 million in relation to the investment in JP. In June 2018, the Company invested Pintec Technology Holding Limited ( Pintec ) with a total cost of \$30 million, which was initially recorded under the investment without readily determinable fair value. In October 2018, Pintec completed its listing on the NASDAQ Stock Exchange ( Pintec IPO ) and the investment was transferred to marketable securities which measures at fair value from marked to market. As of December 31, 2018, the Company had the unrealized loss of \$2.8 million. The marketable securities are valued using the market approach based on the quoted prices in active markets at the reporting date. The Company classifies the valuation techniques that use these inputs as Level 1 of fair value measurements.

Private equity funds pursue various investment strategies, including event driven and multi-strategy. Investments in private equity generally are not redeemable due to the closed-ended nature of these funds. Instead, distributions from each fund will be received as the underlying investments of the funds are disposed and monetized. As of December 31, 2018, the unfunded commitments related to

investments in private equity funds was \$53.5 million. Investments in private equity funds may be subject to lock-up period, which is usually from 5 to 10 years and restricts an investor from withdrawing from the fund during the investment period.

As of December 31, 2018, equity securities with readily determinable fair values were \$165.9 million. In 2018, the Company recognized a net loss of \$74.2 million from the fair value change of marketable equity securities, which substantially was unrealized. The Company also recognized unrealized gain of \$ 4.2 million for the equity investments qualified NAV in 2018.

Table of Contents***Equity Securities without Readily Determinable Fair Values***

Prior to January 1, 2018, the Company accounted for equity securities under cost method at cost less impairment. As of December 31, 2017, the equity securities previously accounted for under the cost method had a carrying value of \$866.6 million. Started from January 1, 2018, the Company elected measurement alternative and recorded equity investments without readily determinable fair values at cost, less impairment, adjusted for subsequent observable price changes. \$27.4 million of investment in private equity funds were adjusted to their fair values of \$37.7 million and reclassified from cost method to equity securities with readily determinable fair value. Based on ASU 2016-01, entities that elect the measurement alternative will report changes in the carrying value of the equity investments in current earnings. If this measurement alternative is elected, changes in the carrying value of the equity investment will be required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The implementation guidance notes that an entity should make a reasonable efforts to identify price changes that are known or that can reasonably be known.

In 2016, the Company further invested \$120 million in the preference shares of a private company, which primarily focus on developing social applications. In 2018, the Company invested in a) preference shares of two private companies in Fintech industry, which primarily focus on the insurance business and Fintech services, with the consideration of \$96.4 million and \$91.5 million, respectively; and b) preference shares of a private company, which primarily focus on developing artificial intelligence of automobile, with the consideration of \$90.0 million. Other investments without readily determinable fair values made during the presented periods were individually immaterial.

In 2018, the Company recognized \$55.3 million impairment related to investments without readily determinable fair value and no other downward adjustment was related to investments without readily determinable fair value. These impairments were primarily driven by revised projections of future operating results reflecting unfavorable macroeconomic conditions and performance of the investees. The fair value of each of these investments was derived using discounted cash flow analysis based on Level 3 inputs.

As of December 31, 2018, investments accounted for without readily determinable fair values were \$1,282.5 million. During 2018, the Company recorded \$166.6 million gains from upward adjustments, mainly from two investments, which were based on identified observable price changes indicated by new issuance of identical securities of the same investee or transaction of identical securities between other existing shareholders. The Company did not dispose any interests of these investments and all of gains were unrealized as of December 31, 2018. The Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

The following table summarizes the total carrying value of the equity securities accounted for alternative measures as of December 31, 2018 including cumulative unrealized upward and downward adjustments made to the initial cost basis of the securities (in thousands):

|   |    |           |
|---|----|-----------|
| Initial cost basis                            | \$ | 1,191,225 |
| Upward adjustments                            |    | 166,553   |
| Impairment                                    |    | (55,289)  |
| Foreign currency translation                  |    | (19,940)  |
| Total carrying value at the end of the period | \$ | 1,282,549 |

Subsequently, in the first quarter of 2019, the Company noted impairment indicators for two equity investments without readily determinable fair value, as the respective investees suffered significant performance deterioration caused by loss of certain significant cooperation agreement and financing difficulties coupled with investment losses that all occurred in the first quarter of 2019. As a result, the investees made business plan changes and scaled down their operations and employees. The Company expects to recognize \$75.2 million impairment for these two



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equity investments in the first quarter of 2019. The Company also expects to recognize \$163.3 million gains from upward adjustment of fair value for one equity investment, as the identical shares of the same investee were listed for the first quarter of 2019 on the Shenzhen Stock Exchange in China.

Table of Contents**5. Acquisitions**

The Company accounts for business combinations using the purchase method of accounting, which requires the acquisition cost be allocated to the assets and liabilities of the Company acquired, including separately identifiable intangible assets, based on their estimated fair values. The Company makes estimates and judgments in determining the fair value of the acquired assets and liabilities based on independent appraisal reports as well as its experience with similar assets and liabilities in similar industries. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

**Yizhibo**

On October 1, 2018( Acquisition Date ), Weibo entered into a series of business and asset transfer agreements with Yixia Tech Co., Ltd. ( Yixia Tech ) to acquire the whole live streaming business of Yizhibo, which was previously operated by Yixia Tech. The acquisition included the Yizhibo APP and related assets/technology, employees and business contracts with a cash consideration of US\$50.0 million. As of December 31, 2018, Weibo had paid \$40.0 million to Yixia Tech, with the remaining \$10.0 million scheduled to be paid in 2019. Weibo engaged an independent valuation firm to help its management determine the value of assets and liabilities from the acquisition. Total identifiable intangible assets acquired on acquisition date included supplier-relationship of \$9.7 million with estimated useful life of five years, core technology of \$6.6 million with estimated useful life of eight years, and trademark and domain name of \$5.6 million with estimated useful life of ten years. The acquisition mentioned above resulted in an increase of \$28.0 million to revenue and an immaterial impact to net income for 2018.

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

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

Table of Contents**Weihui**

Prior to 2017, the Company held a 45% equity interest of Weihui, which is primarily engaged in providing technology service for financial service platforms, including design and develop online platform, payment system integration, etc. Pursuant to the investment agreement, the Company had contingent redemption right on its investment in Weihui, so the interest held by the Company did not meet the definition of in-substance common shares under ASC 323-10-15. As there was no readily determinable fair value for the Company's investment in Weihui, it was accounted for an investment under the cost method prior to 2017. The carrying amount of the investment in Weihui prior to the acquisition was \$29.1 million.

In April 2017, the Company entered into a new share purchase agreement and purchased additional 10% equity interest of Weihui with consideration of \$12.2 million and obtained control, holding aggregate 55% of Weihui's equity interest with contingent redemption rights upon the completion of the transaction. In accordance with ASC 805 accounting for step-up acquisition, the Company's previously held 45% equity interest was re-measured to fair value at the acquisition date, which was valued with the assistance of an independent valuation firm and a re-measurement gain of \$6.0 million was recognized. The Company began to consolidate Weihui's financial statements from April 2017 and the remaining 45% of its common shares without any preference right was recognized as non-controlling interests on the balance sheet. Total identifiable intangible assets acquired upon acquisition mainly included core technology of \$15.9 million valued by the excess earnings method, customer relationships of \$3.8 million, which have an estimated useful life of five years. Consideration for Weihui was allocated on the acquisition date based on their fair value of the assets acquired and the liabilities assumed as follows:

|   | As of acquisition date<br>(In thousands) |         |
|---|--|---------|
| Consideration                                     | \$                                       | 12,222  |
| Fair value of previously held 45% equity interest |  | 35,119  |
| Non-controlling interests                         |  | 24,707  |
| Total   |  | 72,048  |
| Cash and cash equivalents                         |  | 12,078  |
| Other tangible assets                             |  | 1,602   |
| Identifiable intangible assets acquired           |  | 19,748  |
| Liabilities assumed                               |  | (2,687) |
| Goodwill  |  | 41,307  |
| Total   | \$                                       | 72,048  |

**Weiju**

In July 2017, the Company acquired 60% equity interest of Weiju, which primarily provides online loan facilitation services to the borrowers, with total consideration of \$36.4 million, including \$5.5 million paid to selling shareholders and \$30.9 million paid to Weiju for its newly issued shares. Total consideration was paid by the Company in March 2018. The Company began to consolidate Weiju's financial statements from July 2017 and the remaining 40% equity interest of Weiju was recognized as non-controlling interests on the balance sheet. Total identifiable intangible

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assets acquired upon acquisition mainly included core technology of \$5.3 million, which have an estimated useful life of five years. The Company has engaged an independent valuer to assist management in assessing the enterprise value of Weiju and preparing the purchase price allocation as follows:

|   |    | As of acquisition date<br>(In thousands) |
|---|----|--|
| Consideration                           | \$ | 36,405                                   |
| Non-controlling interests               |    | 18,405                                   |
| Total                                   |    | 54,810                                   |
| Tangible assets                         |    | 27,423                                   |
| Identifiable intangible assets acquired |    | 5,278                                    |
| Liabilities assumed                     |    | (1,319)                                  |
| Goodwill                                |    | 23,428                                   |
| Total                                   | \$ | 54,810                                   |

The acquisitions above did not have a material impact on the Company's consolidated financial statements, and, therefore, pro forma disclosures have not been presented. In 2017 and 2018, no other significant acquisition has material impact on the Company's consolidated financial statements. No acquisition incurred in 2016.

Table of Contents**6. Goodwill and Intangible Assets***Goodwill*

The changes in the carrying value of goodwill by segment are as follows (in thousands):

|  | Portal<br>Advertising | Weibo    | Others  | Total    |
|--|-----------------------|----------|---------|----------|
| <b>Balance as of January 1, 2016</b>   | 41,745                | 11,117   |         | 52,862   |
| Impairment provided in 2016            | (36,726)              |          |         | (36,726) |
| Foreign exchange impact                | (5,019)               | (851)    |         | (5,870)  |
| <b>Balance as of December 31, 2016</b> | \$                    | \$       | 10,266  | \$       |
| New acquisitions (Note 5)              |                       | 2,318    | 64,735  | 67,053   |
| Foreign exchange impact                |                       | 836      | 3,241   | 4,077    |
| <b>Balance as of December 31, 2017</b> | \$                    | \$       | 13,420  | \$       |
| New acquisitions (Note 5)              |                       | 27,152   | 652     | 27,804   |
| Impairment provided in 2018            |                       | (10,554) |         | (10,554) |
| Foreign exchange impact                |                       | (672)    | (3,734) | (4,406)  |
| <b>Balance as of December 31, 2018</b> | \$                    | \$       | 29,346  | \$       |
|  |                       |          | 64,894  | \$       |
|  |                       |          |         | 94,240   |

The Company tests goodwill for impairment at the reporting unit level on an annual basis as of December 31 and between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. The Company's goodwill as of December 31, 2017 and 2018 was \$81.4 million and \$94.2 million respectively. No new acquisition incurred in 2016.

For the portal advertising segment, the Company witnessed a decrease trend in revenue in 2016, which was mainly caused by an increasingly competitive online advertising market landscape. This led to a shift of advertising budget of brand advertisers, the largest customer segment in terms of revenue contribution for portal advertising business, from portal to APPs. As of December 31, 2016, the Company performed a quantitative analysis for the reporting unit under portal advertising business, with the assistance of an independent third party valuer to determine the fair value of reporting units and the implied fair value of their goodwill. Based on the assessment, the Company provided a full impairment charges of \$36.7 million for the goodwill arising from the acquisitions made under portal advertising segment as of December 31, 2016.

As to Weibo, no impairment provision was made in 2016 and 2017. In 2018, the Company also performed a quantitative analysis on its reporting units considering the fact of under expectation performance and decreased revenue. The Company estimated the fair value by using the income approach or market approach. The income approach considered a number of factors, which included, but were not limited to, expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in the industry and required the Company to make certain assumptions and estimates regarding industry economic factors and future profitability of the Company's business. Based on the assessment, the Company provided \$10.6 million of impairment charge on goodwill related to Weibo VAS business as of December 31, 2018.

For other reporting units, the Company performed a qualitative analysis by taking into consideration the macroeconomics, overall financial performance, industry and market conditions and the share price of the Company, on the goodwill arising from newly acquired businesses, in addition to other entity specific factors. Based on the assessment, the Company determined that it was not necessary to perform a quantitative

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goodwill impairment test and concluded that no impairment indicators on its goodwill were noted as of December 31, 2017. In 2018, considering the strict government policy in Fintech industry in China and the increasing market competition, the Company performed a quantitative analysis on the reporting unit as of December 31, 2018, with the assistance of an independent third party valuer to determine the fair value of reporting unit and concluded that there was no impairment.

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Table of Contents**Intangible assets**

The following table summarizes the Company's intangible assets arising from acquisitions and land use rights:

|                              | As of December 31, 2017 |   |   |           | As of December 31, 2018 |   |   |            |
|------------------------------|-------------------------|---|---|-----------|-------------------------|---|---|------------|
|                              | Cost                    | Accumulated<br>Amortization<br>(In thousands) | Accumulated<br>Impairment<br>(In thousands) | Net       | Cost                    | Accumulated<br>Amortization<br>(In thousands) | Accumulated<br>Impairment<br>(In thousands) | Net        |
| Land use rights              | \$                      | \$  | \$  | \$        | \$ 202,340              | \$ (2,341)                                    | \$  | \$ 199,999 |
| Technology                   | 38,547                  | (18,582)                                      | (1,243)                                     | 18,722    | 44,342                  | (22,747)                                      | (11,598)                                    | 9,997      |
| Supplier-relationship        |                         |   |   |           | 9,738                   | (495)   |   | 9,243      |
| Trademark and<br>Domain name |                         |   |   |           | 5,623                   | (147)   |   | 5,476      |
| Software                     | 1,861                   | (1,861)                                       |   |           | 1,859                   | (1,859)                                       |   |            |
| Others                       | 12,090                  | (5,776)                                       | (2,225)                                     | 4,089     | 11,275                  | (5,998)                                       | (4,657)                                     | 620        |
| Total                        | \$ 52,498               | \$ (26,219)                                   | \$ (3,468)                                  | \$ 22,811 | \$ 275,177              | \$ (33,587)                                   | \$ (16,255)                                 | \$ 225,335 |

Land use rights represent the land rights acquired for the purpose of constructing offices. In 2018, the Company obtained the land use rights from local authorities with cash consideration, which was amortized on a straight-line basis over the term of the land use right period, approximately 50 years. Amortization expense related to land use rights for the year ended December 31, 2018 was \$2.4 million.

Other intangible assets mainly include technology arising from acquisition, which are amortized over the estimated useful lives ranging from one to ten years.

Amortization expense related to intangible assets for the years ended December 31, 2016, 2017 and 2018 was \$1.9 million, \$4.6 million and \$9.1 million, respectively. In 2016, the Company recognized \$3.5 million impairment loss of acquired intangible assets, which is related to the All Sure business acquired in 2013, as a result of the management's assessment that the impairment existed based on its conclusion that All Sure was unable to provide expected synergies with the portal business. The impaired intangible assets consisted primarily of core technology, trademark and domain names. No impairment on acquired intangible assets was made for the year ended December 31, 2017. In 2018, the Company recognized \$12.7 million impairment loss of acquired intangible assets, which is related to Weihui business acquired in April 2017, as a result of the management's assessment that the impairment existed based on the under expectation performance of Weihui and its conclusion that Weihui was unable to provide expected synergies with the Company's Fintech business. The impaired intangible assets consisted primarily of core technology and customer list.

As of December 31, 2018, estimated amortization expenses for future periods are expected to be as follows:

| Year Ended December 31, | (In thousands) |
|-------------------------|----------------|
| 2019                    | \$ 8,491       |
| 2020                    | 8,487          |

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|                                      |    |         |
|--------------------------------------|----|---------|
| 2021                                 |    | 8,447   |
| 2022                                 |    | 7,931   |
| 2023 and thereafter                  |    | 191,443 |
| Total expected amortization expense* | \$ | 224,799 |

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\* The table above excludes \$0.5 million of indefinite lived intangible assets which was included in the category of Others.



Table of Contents**7. Investment in Weibo**

In April 2014, Weibo completed an initial public offering (the IPO) with the new issuance of 19,320,000 Class A ordinary shares, of which 6,000,000 Class A ordinary shares were allotted to Alibaba Group. Prior to the completion of the IPO, a wholly owned subsidiary of Alibaba Group Holding Limited (Alibaba) invested \$585.8 million to purchase 30.0 million of preferred shares and 4.8 million of ordinary shares of Weibo, representing an ownership interest of 18% on a fully diluted basis.

With the completion of the IPO, all the ordinary shares held by SINA were converted into an equal number of the Class B ordinary shares, all the ordinary shares held by other shareholders were converted into an equal number of the Class A ordinary shares, and all of its outstanding preferred shares were automatically converted into 30,046,154 Class A ordinary shares. Concurrent with the IPO, Alibaba Group further acquired an additional 2,923,478 Class A ordinary shares of Weibo in a private placement and 21,067,300 Class A ordinary shares from the Company. Each Class A ordinary share is entitled to one vote per share and each Class B ordinary share is entitled to three votes per share. Each Class B ordinary share can be converted into one Class A ordinary share at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares.

*Share Ownership*

As of December 31, 2018, the share ownership of Weibo was as follows:

| Shareholder Name | Shares Type             | Ownership Percentage | Voting Power* |
|------------------|-------------------------|----------------------|---------------|
| SINA             | Class B Ordinary shares | 45.3%                | 71.3%         |
| Alibaba          | Class A Ordinary shares | 30.2%                | 15.8%         |
| Others           | Class A Ordinary shares | 24.5%                | 12.9%         |
| Total            |                         | 100.0%               | 100.0%        |

The Company has been the controlling shareholder of Weibo from inception and has consolidated Weibo's financial results for the periods presented.

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\* Class A ordinary shares are entitled to one vote per share and Class B ordinary shares, which the Company holds, are entitled to three votes per share.

Table of Contents**8. Non-controlling interests**

The following table summarizes the Company's non-controlling interests:

|        | As of December 31,<br>2017 | (In thousands) | As of December 31,<br>2018 |
|--------|----------------------------|----------------|----------------------------|
| Weibo  | \$ 666,141                 |                | \$ 969,803                 |
| Others | 86,746                     |                | 75,278                     |
| Total  | \$ 752,887                 |                | \$ 1,045,081               |

Non-controlling interests related to Weibo mainly represent Weibo's cumulative results of operations and changes in equity (deficit) attributable to non-controlling shareholders, along with non-controlling shareholders' original investments for the ordinary and preferred shares issued by Weibo. The increase in non-controlling interests related to Weibo both for 2017 and 2018 mainly resulted from a) the pick-up of Weibo's results of operations and changes in equity attributable to non-controlling shareholders (Note 7 Investment in Weibo), and b) the declaration of in-kind dividend to SINA's shareholders in 2017, which resulted in an increase of non-controlling interests based on the change in equity interest held by the Company in Weibo as of the declaration date (Note 15 Shareholders' Equity In-kind Distribution).

Table of Contents**9. Other Balance Sheet Components**

|   | 2016        | As of December 31,<br>2017<br>(In thousands) | 2018        |
|---|-------------|--|-------------|
| <b>Accounts receivable, net:</b>  |             |  |             |
| Accounts receivable   |             | \$ 305,895                                   | \$ 555,861  |
| Allowance for doubtful accounts:  |             |  |             |
| Balance at the beginning of year  | \$ (14,980) | (14,068)                                     | (20,214)    |
| Additional provision charged to expenses  | (14,621)    | (8,465)                                      | (15,424)    |
| Write-off   | 15,533      | 2,319  | 7,674       |
| Balance at the end of year  | \$ (14,068) | \$ (20,214)                                  | \$ (27,964) |
|   |             | \$ 285,681                                   | \$ 527,897  |
| <b>Prepaid expenses and other current assets:</b>   |             |  |             |
| Prepayments and loan to investees <sup>1</sup> (including prepayment and receivables from related parties of \$40,506 and \$115,976 as of December 31, 2017 and 2018) |             | \$ 62,172                                    | \$ 190,444  |
| Secured loan to a founder of a related party <sup>2</sup>   |             | 80,000                                       | 80,000      |
| Rental and other operation deposits   |             | 30,191                                       | 9,842       |
| Amounts deposited by Weibo users <sup>3</sup>   |             | 25,277                                       | 30,631      |
| Content fees and revenue share  |             | 12,013                                       | 14,769      |
| Advertising and marketing fees  |             | 2,926  | 4,742       |
| Deductible value added tax  |             |  | 10,304      |
| Others  |             | 15,659                                       | 21,703      |
|   |             | \$ 228,238                                   | \$ 362,435  |
| <b>Property and equipment, net:</b>   |             |  |             |
| Office building   |             | \$ 208,731                                   | \$ 197,337  |
| Office building related facilities  |             | 3,499  | 3,308       |
| Computers and equipment   |             | 214,644                                      | 217,335     |
| Leasehold improvements  |             | 14,258                                       | 17,328      |
| Furniture and fixtures  |             | 11,355                                       | 11,558      |
| Other   |             | 2,473  | 2,996       |
|   |             | 454,960                                      | 449,862     |
| Less: Accumulated depreciation  |             | (192,284)                                    | (187,016)   |
|   |             | \$ 262,676                                   | \$ 262,846  |
| <b>Other assets:</b>  |             |  |             |
| Investment related deposits   |             | \$ 38,897                                    | \$ 46,777   |
| Deferred tax assets   |             | 16,158                                       | 23,213      |
| Deposits for land use rights  |             |  | 6,321       |
| Others  |             | 2,027  | 4,816       |
|   |             | \$ 57,082                                    | \$ 81,127   |
| <b>Accrued expenses and other current liabilities:</b>  |             |  |             |
| Accrued sales rebates   |             | \$ 104,117                                   | \$ 149,371  |
| Accrued payroll related expenses (including sales commission)   |             | 141,129                                      | 117,562     |
| Advertising and marketing expenses  |             | 88,614                                       | 83,893      |
| Guarantee liabilities (Note 17)   |             | 10,143                                       | 10,952      |
| Deposit for secured loan <sup>2</sup>   |             |  | 43,614      |
| Turnover tax  |             | 32,367                                       | 44,280      |
| Amounts due to Weibo users <sup>3</sup>   |             | 25,277                                       | 30,631      |
| Employee reimbursement  |             | 8,055  | 8,934       |
| Professional fee  |             | 9,253  | 10,014      |
| Unpaid consideration for acquisitions   |             | 5,704  | 10,055      |
| Others  |             | 22,120                                       | 31,501      |
|   |             | \$ 446,779                                   | \$ 540,807  |

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<sup>1</sup> Prepayment and loan balance to investees as of December 31, 2017 and 2018 were individually immaterial. The Company recognized \$8.1 million, \$0.9 million and \$20.3 million of impairment on the prepayment of investments as a result of the deterioration of the investees' operation for the year ended December 31, 2016, 2017 and 2018, respectively.

<sup>2</sup> The Company issued a one-year loan of \$100 million to a founder of a related party in August 2016 with an annual interest rate of 5%. \$20 million was repaid as of December 31, 2017 and the remaining were extended to August 15, 2018 and then August 15, 2019, with an annual interest rate of 7.5%, and secured by RMB deposits included in accrued expenses and other current liabilities (equivalent to \$43.6 million) and mortgaged shares of the related party provided by its founder as of December 31, 2018. Subsequently, as of March 31, 2019, all the loan amount was fully secured by RMB deposits received by the Company.

<sup>3</sup> Weibo wallet enables Weibo users to conduct hobby-oriented activities on Weibo, such as handing out red envelopes and coupons to users. Weibo wallet also enables users to purchase different types of products and services on Weibo, including those offered by the Company, such as marketing services and VIP membership, and those offered by the Company's platform partners, such as e-commerce merchandises, financial products and virtual gifts. The amounts deposited by users primarily represent the receivables temporarily held on account for Weibo wallet users through a third party online payment platform. Amounts due to users represent the balances that are payable on demand to Weibo wallet users and therefore are reflected as current liability on the consolidated balance sheets.

Table of Contents**10. Related Party Transactions**

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

| Name of related parties                  | Relationship with the Company                          |
|--|--|
| Leju and its subsidiaries ( Leju )       | An investee of the Company                             |
| Alibaba and its subsidiaries ( Alibaba ) | Strategic partner and significant shareholder of Weibo |
| New Wave MMXV Limited ( New Wave )       | An entity controlled by Mr. Charles Chao               |

(a) Service provided to related parties

The Company entered into the following transactions with related parties:

| Transactions   | 2016       | Year ended December 31, |                | 2018       |
|--|------------|-------------------------|----------------|------------|
|  |            | 2017                    | (In thousands) |            |
| <b>Revenues:</b>   |            |                         |                |            |
| License revenue from Leju <sup>1</sup>                       | \$ 10,435  | \$ 10,435               | \$ 10,435      | \$ 10,435  |
| Agency and advertising service earned from Leju <sup>1</sup> | 9,265      | 16,091                  | 20,754         | 20,754     |
| Promotion and advertising service to Alibaba <sup>2</sup>    | 82,021     | 91,724                  | 126,882        | 126,882    |
| Others <sup>3</sup>  | 47,809     | 94,107                  | 160,184        | 160,184    |
|  | \$ 149,530 | \$ 212,357              | \$ 318,255     | \$ 318,255 |

Other related parties mainly include investee companies over on which the Company has significant influence. These investees are mainly high-tech companies operating in different internet-related industries, such as short video applications, social and new media marketing services and so on.

<sup>1</sup> The amended and restated advertising agency agreement, the domain name and content license agreement, the trademark license agreement and the software license and support services agreement ( License Agreements ) were entered into with Leju, a subsidiary of E-House, and such amount allocated to the fair value of the License Agreements was \$187.4 million, which represents the difference between the total consideration and the fair value of equity interests disposed. This amount was recorded as deferred revenues and amortized over ten years prior to March 2014, when the License Agreement was extended for another ten years. Accordingly, the remaining deferred revenue balance as of March 2014 will be amortized prospectively under the straight-line method until 2024. For the years ended December 31, 2016, 2017 and 2018, the Company recorded \$10.4 million revenue from License Agreements from such deferred revenue account, respectively. As of December 31, 2017 and 2018, the total amount of deferred revenue from Leju was \$64.5 million and \$54.1 million, respectively, which includes \$54.1 million and \$43.7 million of non-current portion of deferred revenue, respectively. Based on the amended and restated advertising agency agreements with Leju, agency fees and advertising revenue earned from Leju for 2016, 2017 and 2018, generated from the sales of advertising through SINA were amounting to \$9.3 million, \$16.1 million and \$20.8

million, respectively.

<sup>2</sup> On April 29, 2013, affiliated entities of the Company formed a strategic alliance with affiliated entities of Alibaba to jointly explore social commerce and develop marketing solutions to enable merchants on Alibaba e-commerce platforms to better connect and build relationships with Weibo's users. Alibaba purchased advertising from the Company and continued to do so subsequently. The Company has continued to keep strategic collaboration and work with Alibaba in the area of social commerce and other areas after the expiration of the strategic framework agreement in January 2016 and recorded \$82.0 million, \$91.6 million and \$126.7 million in advertising and marketing revenues from Alibaba in 2016, 2017 and 2018, respectively.

<sup>3</sup> Within other related parties, one related party that is an equity investee in the short video business contributed \$53.9 million of advertising and marketing revenues in 2018 and represented \$80.9 million of accounts receivable due from other related parties at December 31, 2018.

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## (b) Balances with related parties

The Company had the following balances with related parties:

|  | As of December 31, |            |
|--|--------------------|------------|
|  | 2017               | 2018       |
|  | (In thousands)     |            |
| Accounts receivable from Leju                                | \$ 1,513           | \$ 4,905   |
| Accounts receivable from Alibaba                             | 43,676             | 53,480     |
| Accounts receivable from other related parties <sup>3</sup>  | 29,848             | 131,137    |
|  | \$ 75,037          | \$ 189,522 |
| Deferred revenues in relation to License Agreement with Leju | \$ 64,521          | \$ 54,087  |
| Account payable to related parties                           | \$ 20,660          | \$ 50,678  |
| Accrued and other liabilities to related parties             | \$ 5,681           | \$ 14,763  |

## (c) Shares Issuance to Management

On November 6, 2015, the Company completed an issuance of 11,000,000 ordinary shares to New Wave, a holding company that holds ordinary shares on behalf of our senior management and controlled by Mr. Charles Chao, Chairman and chief executive officer ( CEO ) of the Company, for an aggregate price of \$456,390,000 pursuant to a legally binding subscription agreement signed in June 2015. The shares acquired in this transaction are subject to a contractual lock-up restriction for six months after the closing on November 6, 2015. The per share purchase price of US\$41.49 represents the average closing trading price of SINA's ordinary shares for the 30 trading days ended May 29, 2015, the last trading day before the signing of the subscription agreement. No stock-based compensation expenses arose from this placement.

On November 6, 2017, the Company entered into a share subscription agreement with New Wave, which held 7,944,386 ordinary shares of the Company then. Pursuant to the agreement, the Company issued to New Wave 7,150 newly created class A preference shares with 10,000 votes per share initially (the Class A Preference Shares ), at par value of US\$1.00 per share. Immediately following the share issuance, New Wave's aggregate voting power in the Company increased from approximately 11.1% to approximately 55.5%. The Class A Preference Shares have no economic rights and no participant rights to any dividend, and as a result, the Company concluded that the transfer of economic benefits from the Company or shareholders to New Wave and the fair value of these Class A Preferred Shares was immaterial.

See Note 15 to Consolidated Financial statements Shares Issuance to Management.

## (d) Other transactions with related parties

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Transactions with related parties included in cost and operating expenses represented 4.4%, 4.4%, and 4.1% of total cost and operating expenses for 2016, 2017 and 2018, respectively. The Company believes that the terms of the agreements with the related parties are comparable to the terms of market rate transactions with third-party customers and vendors.

Other than the transactions disclosed above or elsewhere in the consolidated financial statements, the Company had no material loan and interest income /expense with related parties for the years ended December 31, 2016, 2017 and 2018.



Table of Contents**11. Income Taxes**

The Company is registered in the Cayman Islands and has operations in four tax jurisdictions – the PRC, the U.S., Hong Kong and Taiwan. The operations in Taiwan represent a branch office of the subsidiary in the U.S. For operations in the U.S., Hong Kong and Taiwan, the Company has incurred net accumulated operating losses for income tax purposes. The Company believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Company has provided full valuation allowance for the deferred tax assets arising from the losses at these locations as of December 31, 2017 and 2018.

The components of income before income taxes are as follows:

|   | 2016                              | Year Ended December 31,<br>2017 |              | 2018 |
|---|-----------------------------------|---------------------------------|--------------|------|
|   | (In thousands, except percentage) |                                 |              |      |
| Income before income tax expense                  | \$ 304,527                        | \$ 424,239                      | \$ 555,410   |      |
| Income (loss) from non-China operations           | \$ 125,064                        | \$ (79,945)                     | \$ (143,680) |      |
| Income from China operations                      | \$ 179,463                        | \$ 504,184                      | \$ 699,090   |      |
| Income tax expense applicable to China operations | \$ 11,985                         | \$ 73,165                       | \$ 129,406   |      |
| Effective tax rate for China operations           | 7%                                | 15%                             | 19%          |      |

The Company has recorded income tax provisions from its PRC operations for the years ended December 31, 2016, 2017 and 2018. The income (loss) from non-China operation mainly resulted from the disposal/dilution gain (loss) or impairment loss related to overseas investments, stock-based compensation and fair value change in option liability, etc. In 2016, the Company's non-China operations recorded (i) aggregated gains of \$156.4 million from disposing a series of investments under cost method (ii) a gain of \$44.2 million related to disposal of its partial investment in Alibaba, (iii) a gain of \$34.5 million related to disposal of its remaining investment in Youku Tudou due to its privatization and (iv) a loss of \$28.5 million in change in fair value of option liability related to E-House. A portion of the non-China operations in 2016 resulted in the recognition of non-China income tax expense. In 2017, the Company's non-China operations recorded (i) a gain of \$92.3 million related to disposal of its investment in Alibaba, offset by (ii) impairment of \$113.1 million provided in Leju investment and (iii) stock based compensation expenses recognized in the financial statements. In 2018, the Company's non-China operations recorded (i) an aggregated loss of \$66.3 million in fair value change on overseas investments and (ii) stock based compensation expenses recognized in the financial statements.

***Cayman Islands***

Under the current tax laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed. As such, the significant income from the disposition gain of Alibaba and certain private foreign entity's shares are not subject to tax.

*U.S.*

As of December 31, 2018, the Company's subsidiary in the U.S. had approximately \$88.8 million of federal and \$7.9 million of state net operating loss carryforwards available to offset future taxable income. The federal net operating loss carryforwards will expire, if unused, in the years ending June 30, 2019 through December 31, 2038, and the state net operating loss carryforwards will expire, if unused, in the years ending December 31, 2028 through December 31, 2038. Included in the net operating loss carryforwards were \$40.4 million and \$4.2 million of federal and state net operating loss carryforwards relating to employee stock options, the benefit of which will be credited to equity when realized. The Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in certain situations when changes occur in the stock ownership of a company. In the event the Company has a change in ownership, utilization of carryforwards could be restricted. The deferred tax assets for the U.S. subsidiary as at December 31, 2018 consisted mainly of net operating loss carryforwards, for which a full valuation allowance has been provided, as management believes it is more likely than not that these assets will not be realized in the future.

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The following table sets forth the significant components of the net deferred tax assets for operation in the U.S.:

|   | 2017 | As of December 31,<br>(In thousands) | 2018      |
|---|------|--------------------------------------|-----------|
| Deferred tax assets:  |      |                                      |           |
| Net operating loss carry-forwards   | \$   | 30,557                               | \$ 30,484 |
| Other tax credits, allowances for doubtful accounts, accruals and other liabilities |      | 563                                  | 539       |
| Total deferred tax assets   |      | 31,120                               | 31,023    |
| Less: valuation allowance   |      | (31,120)                             | (31,023)  |
| Deferred tax assets, net  | \$   |                                      | \$        |

**Hong Kong**

As of December 31, 2018, the Company's Hong Kong subsidiaries had approximately \$36.5 million of net operating loss carryforwards which can be carried forward indefinitely to offset future taxable income. As of December 31, 2018, the deferred tax assets for the Hong Kong subsidiary, consist mainly of net operating loss carryforwards, for which a full valuation allowance has been provided. Management believes it is more likely than not that these assets will not be realized in the future.

The following table sets forth the significant components of the net deferred tax assets for Hong Kong operation:

|                                   | 2017 | As of December 31,<br>(In thousands) | 2018     |
|-----------------------------------|------|--------------------------------------|----------|
| Deferred tax assets:              |      |                                      |          |
| Net operating loss carry-forwards | \$   | 5,776                                | \$ 6,023 |
| Less: valuation allowance         |      | (5,776)                              | (6,023)  |
| Deferred tax assets               | \$   |                                      | \$       |

**China**

Effective January 1, 2008, the Enterprise Income Tax Law (the EIT Law) in China unifies the enterprise income tax rate for the entities incorporated in China at 25% if they are not eligible for any preferential tax treatment. High and new technology enterprises enjoy a preferential tax rate of 15% under the EIT Law. As of December 31, 2018, some of the Company's subsidiaries in China, such as SINA.com Technology (China) Co., Ltd., SINA Technology (China) Co., Ltd., Beijing New Media Information Technology Co., Ltd., and Sina (Shanghai) Management Co., Ltd., were qualified as high and new technology enterprises and enjoyed a preferential tax rate of 15% under the new EIT Law.

On February 22, 2008, relevant governmental regulatory authorities released qualification criteria, application procedures and assessment processes for software enterprise, which were updated in April 2013. An entity qualified as a software enterprise, may enjoy an income tax exemption for two years beginning with its first profit making year and a reduced tax at a rate of 12.5% for the subsequent three years. Weibo Technology, qualified as software enterprises, started to enjoy the relevant tax holiday from its first accumulative profitable year in 2015 and has been subject to a reduced enterprise income tax rate of 12.5% since 2017. In late 2018, Weibo Technology was approved to be qualified as a key software enterprise for 2017 and thus entitled to enjoy a further reduced preferential tax rate of 10% for 2017. Weibo Technology used the tax credit of its key software enterprise status of 2017 and recognized \$10.8 million of tax credit related to 2017 in 2018.

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The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose de facto management body is located in the PRC should be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the de facto management body as the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located. Based on a review of surrounding facts and circumstances, the Company does not believe that it is likely that its operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, should SINA be treated as a resident enterprise for PRC tax purposes, the Company has accrued PRC tax on worldwide income at a uniform tax rate of 25% retroactive to January 1, 2008.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by an FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the Previous EIT Law. The Cayman Islands, where the Company is incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to conduit or shell companies without business substance and that a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant the tax treaty benefits.

A majority of the Company's FIEs' operations in China are invested and held by Hong Kong registered entities. If the Company is regarded as a non-resident enterprise and our Hong Kong subsidiaries are regarded as resident enterprises, then our Hong Kong subsidiaries may be required to pay a 10% withholding tax on any dividends payable to us. If our Hong Kong entities are regarded as non-resident enterprises, then the Company's PRC subsidiaries may be required to pay a 5% withholding tax for any dividends payable to our Hong Kong subsidiaries. However, it is still unclear at this stage whether Circular 601 applies to dividends from the Company's PRC subsidiaries paid to our Hong Kong subsidiaries and if our Hong Kong subsidiaries were not considered as beneficial owners of any dividends from their PRC subsidiaries, the dividends payable to our Hong Kong subsidiaries would be subject to withholding tax at a rate of 10%. In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. Based on the subsequently issued interpretation of the EIT, Article 4 of Cai Shui (2008) Circular No. 1, dividends on earnings prior to 2008 but distributed after 2008 are not subject to withholding income tax. The Company decided that its foreign invested enterprises will not distribute PRC earnings made since 2008 beyond to their immediate foreign holding companies and will maintain such cash onshore to reinvest in its PRC operations. As of December 31, 2017 and 2018, the Company did not record any withholding tax on the retained earnings of its FIEs in the PRC as the Company intends to reinvest all earnings in China since 2008 to further expand its business in China, and its FIEs do not intend to declare dividends on the retained earnings made since 2008 to their immediate foreign holding companies.

The Company's VIEs are wholly owned by the Company's employees and controlled by the Company through various contractual agreements. To the extent that these VIEs have undistributed earnings, the Company accrued appropriate expected tax associated with repatriation of such undistributed earnings.

The Company did not recognize any amount of unrecognized tax benefits and related interest and penalties in its financial statement during the presented periods in accordance with ASC740-10. Included in the long-term liabilities as of December 31, 2017 and 2018, there was both

approximately \$0.6 million unrecognized tax liability, respectively, arising from transferring pricing arrangements between subsidiaries and VIEs in previous periods, which is immaterial to the consolidated financial statements for all periods presented. The Company also did not expect any significant increase or decrease in this unrecognized tax liability within 12 months following the reporting date. In general, the PRC tax authorities have up to five years to review a company's tax filings. Accordingly, tax filings of the Company's PRC subsidiaries and VIEs for tax years 2014 through 2018 remain subject to the review by the relevant PRC tax authorities. In the case of a transferring pricing related adjustment, the statute of limitation is ten years, which indicates that such arrangement will open for examination by PRC tax authorities.

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In December 2009, the State Administration of Tax ( SAT ) in China issued a circular on strengthening the management of proceeds from equity transfers by non-China tax resident enterprises and requires foreign entities to report indirect sales of China tax resident enterprises. If the existence of the overseas intermediary holding company is disregarded due to lack of reasonable business purpose or substance, gains on such sale are subject to PRC withholding tax. In February 2015, SAT issued the Circular on Several Issues Related to Enterprise Income Tax for Indirect Asset Transfer by Non-PRC Resident Enterprises , or SAT Circular 7, if a non-resident enterprise transfers the equity interests of or similar rights or interests in overseas companies which directly or indirectly own PRC taxable assets through an arrangement without a reasonable commercial purpose, but rather to avoid PRC corporate income tax, the transaction will be re-characterized and treated as a direct transfer of PRC taxable assets subject to PRC corporate income tax. SAT Circular 7 specifies certain factors that should be considered in determining whether an indirect transfer has a reasonable commercial purpose. However, as SAT Circular 7 is newly issued, there is uncertainty as to the application of SAT Circular 7 and the interpretation of the term reasonable commercial purpose. SAT Circular 7 became effective on February 2015, but it also applies to indirect transfers which occurred before its issuance but have not received assessment from the tax authorities. Although the Company believes that it is more likely than not all the transactions made by the Company during all the presented periods would be determined to have reasonable commercial purpose, should this not be the case, the Company would be subject to a significant withholding tax that could materially and adversely impact its financial position, results of operations and cash flows.

### *Composition of income tax expenses for China operations*

The following table sets forth current and deferred portion of income tax expenses of the Company's China subsidiaries and VIEs:

|                                   | 2016      | Year Ended December 31,<br>2017<br>(In thousands) | 2018       |
|-----------------------------------|-----------|---|------------|
| Current tax provision             | \$ 17,455 | \$ 76,379   | \$ 95,846  |
| Deferred tax (benefits) provision | (5,470)   | (3,214)   | 33,560     |
| Income tax expense                | \$ 11,985 | \$ 73,165   | \$ 129,406 |

The deferred tax provision in 2018 mainly consisted of \$40.8 million deferred tax provision for those gains recognized from fair value changes on investments with the adoption of the new guidance on accounting for investment in equity securities starting from 2018, and deferred tax benefits in relation to the increase in deferred tax assets.

### *Reconciliation of the differences between statutory tax rate and the effective tax rate for China operations*

The following table sets forth reconciliation between the statutory EIT rate and the effective tax rate for China operations:

|  | 2016  | Year Ended December 31,<br>2017 | 2018  |
|--|-------|---------------------------------|-------|
| Statutory EIT rate   | 25%   | 25%                             | 25%   |
| Effect on tax holiday and preferential tax rate <sup>1</sup> | (29)% | (11)%                           | (11)% |
| Permanent differences  | (1)%  | (1)%                            | 1%    |
| Change in valuation allowance                                | 12%   | 2%                              | 4%    |
| Effective tax rate for China operations                      | 7%    | 15%                             | 19%   |

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<sup>1</sup> Included the impact of Weibo Technology's preferential tax treatment of key software enterprise status of 2017 in 2018

The provisions for income taxes for the years ended December 31, 2016, 2017 and 2018 differ from the amounts computed by applying the EIT primarily due to the tax holidays and the preferential tax rate enjoyed by certain of the Company's entities in the PRC. The increase in effective tax rate for China operations in 2017 as compared to 2016 was mainly due to the change in tax status of Weibo Technology in 2017 from being fully tax exempted to being subject to a reduced enterprise income tax rate of 12.5%. The increase in effective tax rate for China operations in 2018 as compared to 2017 was mainly due to higher impact from the change of valuation allowance and permanent differences, which was offset in part by the preferential tax rate effect of Weibo Technology's key software enterprise qualification obtained in 2018.



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The following table sets forth the effect of tax holiday related to China operations:

|                                     | 2016                                    | Year Ended December 31, |           | 2018 |
|-------------------------------------|---|-------------------------|-----------|------|
|                                     |   | 2017                    |           |      |
|                                     | (In thousands, except per share amount) |                         |           |      |
| Tax holiday effect                  | \$ 51,829                               | \$ 56,377               | \$ 76,246 |      |
| Basic net income per share effect   | \$ 0.74                                 | \$ 0.79                 | \$ 1.08   |      |
| Diluted net income per share effect | \$ 0.67                                 | \$ 0.76                 | \$ 1.05   |      |

The following table sets forth the significant components of deferred tax assets and liabilities for China operations:

|                                    | 2017       | As of December 31, |  | 2018 |
|------------------------------------|------------|--------------------|--|------|
|                                    |            | (In thousands)     |  |      |
| <b>Deferred tax assets:</b>        |            |                    |  |      |
| Allowances for doubtful accounts   | \$ 21,454  | \$ 24,267          |  |      |
| Net operating loss carry forwards  | 14,913     | 31,016             |  |      |
| Accruals                           | 17,330     | 21,989             |  |      |
| Depreciation and other liabilities | 23,294     | 33,020             |  |      |
| Total deferred tax assets          | 76,991     | 110,292            |  |      |
| Less: valuation allowance          | (60,833)   | (87,079)           |  |      |
| Net deferred tax assets            | \$ 16,158  | \$ 23,213          |  |      |
| <b>Deferred tax liabilities:</b>   |            |                    |  |      |
| Depreciation                       | \$ (650)   | \$ (821)           |  |      |
| Investment gain                    |            | (40,781)           |  |      |
| Acquired intangible assets         | (3,836)    | (3,213)            |  |      |
| Others                             | (3,274)    | (6,278)            |  |      |
| Total deferred tax liabilities     | \$ (7,760) | \$ (51,093)        |  |      |

A valuation allowance is provided against deferred tax assets when the Company determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Company considered factors including (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary differences and carry-forwards; and (iii) tax planning strategies. Historically, deferred tax assets were valued using the previous statutory rate of 25% or applicable preferential rates.

As of December 31, 2017 and 2018, the Company provided a full valuation allowance of the deferred tax assets for China operations mainly related to the allowance for doubtful accounts. Given that the Company has been unsuccessful in getting approval from the relevant tax authorities for the deduction of the tax allowance on bad debt in recent years, the Company believes it is more likely than not that these deferred tax assets will not be utilized.

As of December 31, 2017 and 2018, the Company had net operating loss carry forwards for China operations totaling \$70.5 million and \$149.9 million to offset against future net profit for income tax purposes, resulting in \$14.9 million and \$31.0 million deferred tax assets. The Company anticipates that it is more likely than not that these net operating

losses may not be fully utilized based on its estimate of the operation performance of these PRC entities; therefore, deferred tax assets generated from net operating losses were offset by a valuation allowance of \$14.8 million and \$29.8 million, respectively.

The deferred tax liabilities arising from investments was related to the deferred tax provision on the fair value changes of investments since the adoption of new investment guidance starting from 2018.

Table of Contents**12. Net Income (Loss) Per Share**

Basic net income (loss) per share is computed using the weighted average number of the ordinary shares outstanding during the period. Restricted share units are not considered outstanding in the computation of basic earnings per share (EPS). Diluted EPS is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. The computation of diluted EPS does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in EPS amounts or a decrease in loss per share amounts) on net income per share. For the years ended December 31, 2016, 2017 and 2018, the interest expenses and amortized issuance costs of \$10.8 million, \$1.5 million and \$1.4 million, respectively, as well as the number of if converted shares related to convertible debt were recognized as dilutive factors and included in the calculation of diluted net income per share. For the years ended December 31, 2016, 2017 and 2018, stock options and unvested restricted share units that were anti-dilutive and excluded from the calculation of diluted net income per share were immaterial on a weighted average basis.

In calculating the Company's consolidated basic and diluted EPS, the numerator include SINA's share of income (loss) from Weibo based on Weibo's basic and diluted EPS, respectively, multiplied by the number of Weibo shares held by SINA. In 2016, 2017 and 2018, the effect on consolidated net income per share of dilutive shares from Weibo was \$2.1 million, \$3.6 million and \$3.3 million, respectively. The Company also believes that it is not necessary to make any allocation to the preferred shareholders when applying the two class method of calculating EPS in accordance with ASC 260, because the preferred shares are not participant securities (see Note 15- preferred shares for details)

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

|  | Year Ended December 31,                  |            |            |
|--|--|------------|------------|
|  | 2016                                     | 2017       | 2018       |
|  | (In thousands, except per share amounts) |            |            |
| Basic net income per share calculation:  |  |            |            |
| Numerator:   |  |            |            |
| Net income attributable to SINA's ordinary shareholders  | \$ 225,087                               | \$ 156,569 | \$ 125,562 |
| Denominator:   |  |            |            |
| Weighted average ordinary shares outstanding   | 70,301                                   | 71,284     | 70,296     |
| Basic net income per share   | \$ 3.20                                  | \$ 2.20    | \$ 1.79    |
| Diluted net income per share calculation:  |  |            |            |
| Numerator:   |  |            |            |
| Net income attributable to SINA's ordinary shareholders  | \$ 225,087                               | \$ 156,569 | \$ 125,562 |
| Less: Effect on consolidated net income per share of dilutive shares of the Company's equity interests | 2,275                                    | 3,915      | 3,699      |
| Add: Effect on interest expenses and amortized issuance cost of convertible debt                       | 10,831                                   | 1,531      | 1,403      |
| Net income attributable for calculating diluted net income per share                                   | 233,643                                  | 154,185    | 123,266    |
| Denominator:   |  |            |            |
| Weighted average ordinary shares outstanding   | 70,301                                   | 71,284     | 70,296     |
| Weighted average ordinary shares equivalents:  |  |            |            |
| Effects of dilutive securities   |  |            |            |
| Stock options  | 112                                      | 94         | 87         |
| Unvested restricted share units  | 958                                      | 1,172      | 683        |
| Convertible debt   | 6,140                                    | 1,381      | 1,309      |

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|  |         |         |         |
|--|---------|---------|---------|
| Shares used in computing diluted net income per share attributable to SINA | 77,511  | 73,931  | 72,375  |
| Diluted net income per share   | \$ 3.01 | \$ 2.09 | \$ 1.70 |

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**13. Employee Benefit Plans**

*China Contribution Plan*

The Company's subsidiaries and VIEs in China participate in a government-mandated, multi-employer, defined contribution plan, pursuant to which certain retirement, medical, housing and other welfare benefits are provided to employees. Chinese labor laws require the Company's subsidiaries to pay to the local labor bureau a monthly contribution at a stated contribution rate based on the monthly basic compensation of qualified employees. The local labor bureau is responsible for meeting all retirement benefit obligations; the Company has no further commitments beyond its monthly contribution. For the years ended December 31, 2016, 2017 and 2018, the Company contributed a total of \$59.7 million, \$69.9 million and \$93.8 million to the government funds, respectively.

*401(k) Savings Plan*

The Company's U.S. subsidiary has a savings plan that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code (the 401(k) Plan). Under the 401(k) Plan, participating employees may defer 100% of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. All employees on the U.S. payroll of the Company age 21 years or older are eligible to participate in the 401(k) Plan. The Company has not been required to contribute to the 401(k) Plan.

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**14. Profit Appropriation**

Relevant PRC laws and regulations permit PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The Company's subsidiaries and VIEs in China are required to make appropriations to certain non-distributable reserve funds. In accordance with the laws applicable to China's Foreign-Invested Enterprises ( FIEs ), its subsidiaries have to make appropriations from its after-tax profit (as determined under Generally Accepted Accounting Principles in the PRC ( PRC GAAP )) to non-distributable reserve funds including the (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. General reserve fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. The appropriation of the other two reserve funds is at the Company's discretion. At the same time, the Company's VIEs, in accordance with the China Company Laws, must make appropriations from its after-tax profit (as determined under the PRC GAAP) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. Statutory surplus fund is at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company.

General reserve fund and statutory surplus fund are restricted for setting off against losses, expansion of production and operation or increase in register capital of the respective company. As a result of these PRC laws and regulations, the general reserve, statutory surplus and registered capital of PRC subsidiaries and VIEs are restricted in terms of being transferred to the Company either in the form of dividends, loans or advances. The balance of restricted net assets was \$514.6 million or 18.9% of the Company's total consolidated net assets as of December 31, 2018. Except for the above, there is no other restriction on the use of proceeds generated by the Company's subsidiaries and VIEs to satisfy any obligations of the Company.

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**15. Shareholders' Equity**

*Stockholder Rights Plan*

In 2005, the Company adopted a Rights Plan (the "2005 Rights Plan") to protect the best interests of all shareholders. The 2005 Rights Plan expired on February 22, 2015. In order to continue to protect the best interests of our shareholders, the Company's board of directors approved a continuation of the 2005 Rights Plan (the "2015 Rights Plan") in April 2015. In general, the 2015 Rights Plan has substantially the same terms as the 2005 Rights Plan. Pursuant to the 2015 Rights Plan, stockholders of SINA have rights to purchase ordinary shares of the Company at a substantial discount from those securities' fair market value upon a person or group acquiring, without the approval of the Board of Directors, more than 10% of the Company's ordinary shares. Any person or group who triggers the purchase right distribution becomes ineligible to participate in the Plan, causing substantial dilution of such person or group's holdings. The 2015 Rights Plan has a record date of May 4, 2015 and will expire on April 23, 2025 unless extended by the Company's board of directors before then.

In addition, the Company's Board of Directors has the authority, without further action by its shareholders, to issue up to 3,750,000 preference shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with its ordinary shares. Preference shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. Similarly, the Board of Directors may approve the issuance of debentures convertible into voting shares, which may limit the ability of others to acquire control of the Company.

*Shares Issuance to Management*

*Preferred Shares*

On November 6, 2017, the Company entered into the Share Subscription Agreement with New Wave, which held 7,944,386 ordinary shares of the Company then. Pursuant to the agreement, the Company issued to New Wave 7,150 newly created the Class A Preference Shares with 10,000 votes per share initially, at par value of US\$1.00 per share. Immediately following the share issuance, New Wave's aggregate voting power in the Company increased from approximately 11.1% to approximately 55.5%.

The following is a summary of the key terms of the Class A Preference Shares:

- The Class A Preference Shares have no economic rights nor any right to any dividend or other distribution by the Company.

- The Class A Preference Shares are entitled to vote on all matters submitted to a general meeting of the Company. When New Wave sells or otherwise transfers any number of Ordinary Shares held by it to a third party which is not an affiliate of New Wave, the number of votes that each Class A Preference Share is entitled to will be reduced proportionally.
- On any resolution to elect a director where the nominee is an executive officer of the Company, the votes attaching to the Class A Preference Shares on such resolution shall not be counted if a majority of the votes cast by the holders of the Company's ordinary shares is against the appointment of such nominee.
- For all matters that are required to be subject to shareholder approval under Rule 5635 of the Nasdaq Stock Market Rules, New Wave shall vote the Class A Preference Shares in accordance with the Board's recommendation to the extent the board determines to submit any such matter to shareholder approval.
- If New Wave transfers the Class A Preference Shares to a third party which is not an affiliate of New Wave, or when New Wave ceases to be controlled by any person holding executive office in the Company, the Class A Preference Shares shall cease to have any voting right.

The Class A Preference Shares have no economic rights and no participant rights to any dividend, and as a result, the Company concluded that the transfer of economic benefits from the Company or shareholders to New Wave and the fair value of these Class A Preferred Shares was immaterial.



Table of Contents***In-kind Distribution***

On August 31, 2016 and May 26, 2017, the Company announced its planned distribution of shares of Weibo to SINA's shareholders as of the record date on a pro rata basis, or one Weibo Share for each ten outstanding SINA ordinary shares, respectively (the 2016 Distribution and the 2017 Distribution). As of distribution date, the Company has distributed Class A ordinary shares of Weibo, based on the ordinary shares of SINA outstanding as of the record date.

| Distribution      | Record Date        | Distribution Date | Distributed Share | SINA's Ordinary Shares |
|-------------------|--------------------|-------------------|-------------------|------------------------|
| 2016 Distribution | September 12, 2016 | October 14, 2016  | 7,088,116         | 70,881,168             |
| 2017 Distribution | June 7, 2017       | July 10, 2017     | 7,142,148         | 71,421,480             |

The 2016 Distribution resulted in a decrease of \$338.6 million in retained earnings, which was equal to the fair value of Weibo shares distributed and also led an increase of \$21.9 million in the non-controlling interests related to Weibo, which represented the change in the underlying net assets related to the equity interest held by the Company in Weibo as of the declaration date. The 2017 Distribution resulted in a decrease of \$554.0 million in retained earnings, which was equal to the fair value of Weibo shares distributed and also led an increase of \$31.7 million in the non-controlling interests related to Weibo, which represented the change in the underlying net assets related to the equity interest held by the Company in Weibo as of the declaration date. The remaining difference has been reflected as an increase in additional paid-in capital in 2016 and 2017, respectively. As of December 31, 2018, the Company held 45.3% economic interest and 71.3% voting interest in Weibo.

***2015 Share Incentive Plan***

On June 29, 2007, the Company adopted the 2007 Share Incentive Plan (the 2007 Plan), which plan was amended and restated on August 2, 2010 (the Amended and Restated 2007 Plan). The Amended and Restated 2007 Plan permits the granting of share options, share appreciation rights, restricted share units and restricted shares. The Amended and Restated 2007 Plan terminated on August 1, 2015. Under the 2007 Plan, a total of 10,000,000 ordinary shares of the Company are available for issuance. As of December 31, 2018, there were 155,000 options and 92,000 restricted share units outstanding under the Amended and Restated 2007 Plan.

In July, 2015, the Company adopted the 2015 Share Incentive Plan (the 2015 Plan), which permits the granting of share options, share appreciation rights, restricted share units and restricted shares. Under the 2015 Plan, a total of 6,000,000 ordinary shares of the Company is available for issuance. The maximum number of ordinary shares available for issuance will be reduced by one share for every one share issued pursuant to a share option or share appreciation right and by 1.75 share for every one share issued as restricted shares or pursuant to a restricted shares unit. The maximum number of ordinary shares that may be granted subject to awards under the 2015 Plan during any given fiscal year will be limited to 3% of the total outstanding shares of the Company as of the end of the immediately preceding fiscal year, plus any shares remaining available under the share pool for the immediately preceding fiscal year. Share options and share appreciation rights must be granted with an exercise price of at least 110% of the fair market value

on the date of grant.

Upon adoption, the 2015 Plan replaced the existing 2007 Plan and, as a result, no additional awards could be granted under the 2007 Plan. As of December 31, 2018, there were nil options and 2,065,000 restricted share units outstanding under the 2015 Plan.

*Stock-Based Compensation*

The following table sets stock-based compensation included in each of the accounts, including amount arising from Weibo's incentive plan:

|                            | 2016      | Year Ended December 31,<br>2017<br>(In thousands) |           | 2018 |
|----------------------------|-----------|---|-----------|------|
| Costs of revenues          | \$ 7,742  | \$ 9,257  | \$ 10,128 |      |
| Sales and marketing        | 15,496    | 20,790  | 21,942    |      |
| Product development        | 20,793    | 29,163  | 30,830    |      |
| General and administrative | 29,797    | 32,177  | 32,169    |      |
|                            | \$ 73,828 | \$ 91,387   | \$ 95,069 |      |

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

|                          | Shares Available<br>(In thousands) |
|--------------------------|------------------------------------|
| <b>January 1, 2016</b>   | 5,728                              |
| Granted*                 | (2,456)                            |
| Cancelled/forfeited      | 353                                |
| Expired                  | (279)                              |
| <b>December 31, 2016</b> | 3,346                              |
| Granted*                 | (673)                              |
| Cancelled/forfeited      | 320                                |
| Expired                  | (85)                               |
| <b>December 31, 2017</b> | 2,908                              |
| Granted*                 | (2,456)                            |
| Cancelled/forfeited      | 128                                |
| Expired                  | (13)                               |
| <b>December 31, 2018</b> | 567                                |

\* In 2016, 2017 and 2018, 1,403,000, 385,000 and 1,404,000, restricted shares units, or 2,456,000, 673,000 and 2,456,000 equivalent option shares, respectively, were granted.

*Stock Option*

No options were granted during the presented periods under 2015 Incentive Plan.

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

|   | Options<br>Outstanding<br>(In thousands) | Weighted Average<br>Exercise Price | Weighted Average<br>Remaining<br>Contractual Life<br>(In years) | Aggregate<br>Intrinsic Value<br>(In thousands) |
|---|--|------------------------------------|---|--|
| <b>January 1, 2016</b>                              | 923                                      | \$ 44.83                           | 3.37  | \$ 5,208                                       |
| Exercised   | (674)                                    | \$ 47.26                           |   |  |
| Cancelled/expired/forfeited                         | (15)                                     | \$ 35.69                           |   |  |
| <b>December 31, 2016</b>                            | 234                                      | \$ 38.41                           | 3.63  | \$ 5,226                                       |
| Exercised   | (26)                                     | \$ 35.69                           |   |  |
| Cancelled/expired/forfeited                         | (18)                                     | \$ 37.61                           |   |  |
| <b>December 31, 2017</b>                            | 190                                      | \$ 38.86                           | 2.56  | \$ 11,693                                      |
| Exercised   | (34)                                     | \$ 43.85                           |   |  |
| Cancelled/expired/forfeited                         | (1)                                      | \$ 35.69                           |   |  |
| <b>December 31, 2018</b>                            | 155                                      | \$ 37.75                           | 1.93  | \$ 2,467                                       |
| Vested and expected to vest as of December 31, 2017 | 190                                      | \$ 38.86                           | 2.56  | \$ 11,693                                      |

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|   |     |    |       |      |    |       |
|---|-----|----|-------|------|----|-------|
| Exercisable as of December 31, 2017                 | 117 | \$ | 39.74 | 2.31 | \$ | 7,063 |
| Vested and expected to vest as of December 31, 2018 | 155 | \$ | 37.75 | 1.93 | \$ | 2,467 |
| Exercisable as of December 31, 2018                 | 153 | \$ | 37.77 | 1.93 | \$ | 2,435 |

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The total intrinsic value of options exercised during 2016, 2017 and 2018 was \$22.0 million, \$1.6 million and \$1.5 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. Cash received from the exercises of stock option of the Company during 2016, 2017 and 2018 was \$31.9 million, \$0.9 million and \$1.5 million. As reported by the NASDAQ Global Selected Market, the Company's ending stock price as of December 31, 2017 and 2018 was \$100.31 and \$53.64, respectively.

As of December 31, 2017 and 2018, there was \$1.2 million and \$0.02 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options granted to the Company's employees and directors, respectively. Total unrecognized compensation cost is expected to be recognized over a weighted-average period of 0.04 years as of December 31, 2018. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

Information regarding the stock options outstanding as of December 31, 2017 and 2018 are summarized below:

| Range of Exercise Prices       | Options Outstanding<br>(In thousands) | Weighted Average Exercise Price | Options Exercisable<br>(In thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life<br>(In years) |
|--------------------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|---|
| <b>As of December 31, 2017</b> |                                       |                                 |                                       |                                 |   |
| \$35.69 - \$35.69              | 36                                    | \$ 35.69                        | 13                                    | \$ 35.69                        | 3.04  |
| \$38.27 - \$38.27              | 124                                   | \$ 38.27                        | 74                                    | \$ 38.27                        | 2.90  |
| \$45.13 - \$45.13              | 30                                    | \$ 45.13                        | 30                                    | \$ 45.13                        | 0.55  |
|                                | 190                                   | \$ 38.86                        | 117                                   | \$ 39.74                        | 2.56  |
| <b>As of December 31, 2018</b> |                                       |                                 |                                       |                                 |   |
| \$35.69 - \$35.69              | 31                                    | \$ 35.69                        | 29                                    | \$ 35.69                        | 2.04  |
| \$38.27 - \$38.27              | 124                                   | \$ 38.27                        | 124                                   | \$ 38.27                        | 1.90  |
|                                | 155                                   | \$ 37.75                        | 153                                   | \$ 37.77                        | 1.93  |

Table of Contents**Restricted Share Units***Summary of Service-Based Restricted Share Units*

The following table sets forth the summary of service-based restricted share unit ( RSU ) activities:

|                          | Shares Granted<br>(In thousands) | Weighted-Average<br>Grant Date<br>Fair Value |
|--------------------------|----------------------------------|--|
| <b>January 1, 2016</b>   | 1,967                            | \$ 40.85                                     |
| Awarded*                 | 1,384                            | \$ 49.89                                     |
| Vested                   | (754)                            | \$ 42.91                                     |
| Cancelled/forfeited      | (192)                            | \$ 40.10                                     |
| <b>December 31, 2016</b> | 2,405                            | \$ 45.47                                     |
| Awarded*                 | 365                              | \$ 75.05                                     |
| Vested                   | (905)                            | \$ 45.45                                     |
| Cancelled/forfeited      | (165)                            | \$ 44.57                                     |
| <b>December 31, 2017</b> | 1,700                            | \$ 51.92                                     |
| Awarded*                 | 1,383                            | \$ 77.67                                     |
| Vested                   | (874)                            | \$ 48.44                                     |
| Cancelled/forfeited      | (64)                             | \$ 57.78                                     |
| <b>December 31, 2018</b> | 2,145                            | \$ 69.76                                     |

\*24,000, 20,000 and 25,000 RSUs were granted to non-employee directors in 2016, 2017 and 2018, respectively.

As of December 31, 2017 and 2018, there was \$77.5 million and \$118.2 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested, service-based RSUs granted to the Company's employees and non-employee directors, which is expected to be recognized over a weighted-average period of 2.3 years and 3.0 years respectively. The total fair value based on the respective vesting dates of the restricted share units vested was \$43.6 million, \$92.2 million and \$69.7 million during the years ended December 31, 2016, 2017 and 2018, respectively.

The following table sets forth a summary of performance-based RSU activities for the years ended December 31, 2016, 2017 and 2018:

|                        | Shares Granted<br>(In thousands) | Weighted-Average<br>Grant Date<br>Fair Value |
|------------------------|----------------------------------|--|
| <b>January 1, 2016</b> |                                  | \$   |
| Awarded                | 19                               | \$ 47.47                                     |
| Cancelled/forfeited    | (1)                              | \$ 47.47                                     |

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|                          |      |    |        |
|--------------------------|------|----|--------|
| <b>December 31, 2016</b> | 18   | \$ | 47.47  |
| Awarded                  | 19   | \$ | 65.18  |
| Vested                   | (15) | \$ | 47.47  |
| Cancelled/forfeited      | (8)  | \$ | 58.51  |
| <b>December 31, 2017</b> | 14   | \$ | 65.18  |
| Awarded                  | 21   | \$ | 102.88 |
| Vested                   | (12) | \$ | 65.18  |
| Cancelled/forfeited      | (11) | \$ | 98.10  |
| <b>December 31, 2018</b> | 12   | \$ | 101.86 |

As of December 31, 2016, 2017 and 2018, all performance-based restricted shares granted but not cancelled had been fully vested.

Table of Contents***Weibo's Stock-Based Compensation***

In August 2010, the Company's subsidiary Weibo Corporation adopted the 2010 Share Incentive Plan (the "2010 Weibo Incentive Plan"), which has a term of ten years and permits the granting of options, share appreciation rights, restricted share units and restricted shares of Weibo to employees, directors and consultants of Weibo and its affiliates. Under the plan, a total of 35 million ordinary shares were initially reserved for issuance. The maximum number of ordinary shares available for issuance will be reduced by one share for every one share issued pursuant to a share option or share appreciation right and by 1.75 share for every one share issued as restricted share or pursuant to a restricted share unit. No options were granted during the periods presented. In March 2014, Weibo's shareholders adopted the 2014 Share Incentive Plan (the "2014 Plan"), which has a term of ten years. At the same time, the 2010 Weibo Incentive Plan was terminated and all remaining shares were forwarded to the 2014 Plan. Initially, the 2014 Plan were funded by the remaining 4,647,872 shares from the 2010 Share Incentive Plan and another 1,000,000 new added shares and by 1 share for every one share issued as restricted share or pursuant to a restricted share unit. On January 1, 2015, shares in the 2014 Plan was allowed a one-time increase in the amount equal to 10% of the total number of Weibo shares issued and outstanding on a fully-diluted basis as of December 31, 2014 ( "One-time Addition"). The ordinary shares for issuance under the 2014 plan are on one-for-one basis for each share issued as restricted shares or pursuant to a restricted share unit. Weibo intends to use such share incentive plan to attract and retain employee talent.

The following table sets forth the stock-based compensation included in each of the relevant accounts arising from Weibo's incentive plan:

|                            | 2016      | Year Ended December 31, |           | 2018 |
|----------------------------|-----------|-------------------------|-----------|------|
|                            |           | 2017                    |           |      |
|                            |           | (In thousands)          |           |      |
| Cost of revenues           | \$ 2,616  | \$ 3,716                | \$ 3,522  |      |
| Sales and marketing        | 5,357     | 8,264                   | 6,837     |      |
| Product development        | 15,076    | 21,879                  | 21,187    |      |
| General and administrative | 13,853    | 14,178                  | 9,465     |      |
|                            | \$ 36,902 | \$ 48,037               | \$ 41,011 |      |

Stock compensation expenses related to the grants for Weibo were \$36.9 million, \$48.0 million and \$41.0 million in 2016, 2017 and 2018, respectively, which were amortized over four years on a straight-line basis.



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The following table sets forth a summary of the number of shares available for issuance under Weibo's incentive plan:

|                             | Shares Available<br>(In thousands) |
|-----------------------------|------------------------------------|
| <b>January 1, 2016</b>      | 20,217                             |
| Granted                     | (1,917)                            |
| Cancelled/expired/forfeited | 578                                |
| <b>December 31, 2016</b>    | 18,878                             |
| Granted                     | (736)                              |
| Cancelled/expired/forfeited | 398                                |
| <b>December 31, 2017</b>    | 18,540                             |
| Granted                     | (1,597)                            |
| Cancelled/expired/forfeited | 350                                |
| <b>December 31, 2018</b>    | 17,293                             |

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

|   | Options<br>Outstanding<br>(In thousands) | Weighted Average<br>Exercise Price | Weighted Average<br>Remaining<br>Contractual Life<br>(In years) | Aggregate<br>Intrinsic Value<br>(In thousands) |
|---|--|------------------------------------|---|--|
| <b>January 1, 2016</b>                              | 6,303                                    | \$ 1.26                            | 2.4   | \$ 114,975                                     |
| Exercise  | (3,625)                                  | \$ 1.10                            |   |  |
| Cancelled/expired/forfeited                         | (91)                                     | \$ 3.37                            |   |  |
| <b>December 31, 2016</b>                            | 2,587                                    | \$ 1.41                            | 1.6   | \$ 101,403                                     |
| Exercise  | (2,122)                                  | \$ 1.04                            |   |  |
| Cancelled/expired/forfeited                         | (28)                                     | \$ 0.68                            |   |  |
| <b>December 31, 2017</b>                            | 437                                      | \$ 3.24                            | 2.0   | \$ 43,800                                      |
| Exercise  | (248)                                    | \$ 3.14                            |   |  |
| Cancelled/expired/forfeited                         | (5)                                      | \$ 1.16                            |   |  |
| <b>December 31, 2018</b>                            | 184                                      | \$ 3.45                            | 1.5   | \$ 10,089                                      |
| Vested and expected to vest as of December 31, 2017 | 437                                      | \$ 3.24                            | 2.0   | \$ 43,800                                      |
| Exercisable as of December 31, 2017                 | 437                                      | \$ 3.24                            | 2.0   | \$ 43,800                                      |
| Vested and expected to vest as of December 31, 2018 | 184                                      | \$ 3.45                            | 1.5   | \$ 10,089                                      |
| Exercisable as of December 31, 2018                 | 184                                      | \$ 3.45                            | 1.5   | \$ 10,089                                      |

No options were granted in the years ended December 31, 2016, 2017 and 2018. The total intrinsic value of options exercised for the years ended December 31, 2016, 2017 and 2018 was \$129.3 million, \$135.2 million and \$25.6 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. Cash received from the exercises of stock option for Weibo during the years ended December 31, 2016, 2017 and 2018 was \$4.2 million, \$2.3 million and \$0.8 million, respectively. As reported by the NASDAQ Global Selected Market, the Company's ending stock price as of December 31, 2017 and 2018 was \$103.46 and \$58.43, respectively.



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All unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested stock options granted to Weibo's employees and directors has been fully amortized in 2017.

Information regarding stock options of Weibo outstanding is summarized below:

| Range of Exercise Prices       | Options Outstanding<br>(In thousands) | Weighted Average Exercise Price | Options Exercisable<br>(In thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life<br>(In years) |
|--------------------------------|---------------------------------------|---------------------------------|---------------------------------------|---------------------------------|---|
| <b>As of December 31, 2017</b> |                                       |                                 |                                       |                                 |   |
| \$ 0.96 - \$1.80               | 31                                    | \$ 0.97                         | 31                                    | \$ 0.97                         | 0.2   |
| \$ 3.25 - \$3.36               | 179                                   | \$ 3.33                         | 179                                   | \$ 3.33                         | 1.4   |
| \$ 3.43 - \$3.50               | 227                                   | \$ 3.48                         | 227                                   | \$ 3.48                         | 2.6   |
|                                | 437                                   | \$ 3.24                         | 437                                   | \$ 3.24                         | 2.0   |
| <b>As of December 31, 2018</b> |                                       |                                 |                                       |                                 |   |
| \$ 3.25 - \$3.36               | 32                                    | \$ 3.30                         | 32                                    | \$ 3.30                         | 0.8   |
| \$ 3.43 - \$3.50               | 152                                   | \$ 3.48                         | 152                                   | \$ 3.48                         | 1.7   |
|                                | 184                                   | \$ 3.45                         | 184                                   | \$ 3.45                         | 1.5   |

*Weibo's Restricted Share Units*

The following table sets forth the summary of service-based restricted share unit activities for Weibo:

|                                | Shares Granted<br>(In thousands) | Weighted-Average Grant Date Fair Value |
|--------------------------------|----------------------------------|--|
| <b>As at January 1, 2016</b>   |                                  |  |
| Awarded                        | 6,501                            | \$ 13.98                               |
| Vested                         | 1,806                            | \$ 24.94                               |
| Cancelled/forfeited            | (2,274)                          | \$ 14.73                               |
|                                | (575)                            | \$ 14.58                               |
| <b>As at December 31, 2016</b> | 5,458                            | \$ 17.23                               |
| Awarded                        | 581                              | \$ 62.87                               |
| Vested                         | (2,406)                          | \$ 17.01                               |
| Cancelled/forfeited            | (366)                            | \$ 17.72                               |
| <b>As at December 31, 2017</b> | 3,267                            | \$ 25.45                               |
| Awarded                        | 1,406                            | \$ 68.18                               |
| Vested                         | (1,757)                          | \$ 21.59                               |
| Cancelled/forfeited            | (160)                            | \$ 44.00                               |
| <b>As at December 31, 2018</b> | 2,756                            | \$ 48.62                               |

As of December 31, 2018, unrecognized compensation cost, adjusted for estimated forfeitures and related to non-vested, service-based restricted share units granted to Weibo's employees and directors, was \$112.5 million. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.5 years. The total fair value based

on the vesting date of the restricted share units vested was \$33.5 million, \$40.9 million and \$37.9 million during the years ended December 31, 2016, 2017 and 2018, respectively.

Table of Contents*Weibo's Summary of Performance-Based RSUs*

The following table sets forth a summary of Weibo's performance-based RSU activities for the year ended December 31, 2016, 2017 and 2018:

|                          | Shares Granted<br>(In thousands) | Weighted-Average<br>Grant Date<br>Fair Value |
|--------------------------|----------------------------------|--|
| <b>January 1, 2016</b>   |                                  | \$   |
| Awarded                  | 111                              | \$ 27.00                                     |
| Cancelled/forfeited      | (3)                              | \$ 27.00                                     |
| <b>December 31, 2016</b> | 108                              | \$ 27.00                                     |
| Awarded                  | 155                              | \$ 50.45                                     |
| Vested                   | (102)                            | \$ 27.00                                     |
| Cancelled/forfeited      | (32)                             | \$ 46.42                                     |
| <b>December 31, 2017</b> | 129                              | \$ 50.32                                     |
| Awarded                  | 191                              | \$ 86.63                                     |
| Vested                   | (126)                            | \$ 50.32                                     |
| Cancelled/forfeited      | (190)                            | \$ 86.90                                     |
| <b>December 31, 2018</b> | 4                                | \$ 87.14                                     |

As of December 31, 2017 and 2018, there was \$0.7 million and \$0.02 million unrecognized compensation cost related to performance-based restricted share units granted to Weibo's employees, respectively.

Table of Contents**16. Segment Information**

The Company currently operates in three principal business segments globally – Portal advertising, Weibo and Others. Information regarding the business segments provided to the Company's chief operating decision makers ( CODM ) are at the revenue or gross margin level. The Company currently does not allocate operating expenses or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments of Portal advertising and Others. The Company currently does not allocate other long-lived assets to the geographic operations, except for property and equipment.

With the increased revenues arising from Fintech business, mainly include online payment service and newly acquired loan facilitation service, the CODM started to evaluate the performance of Fintech business. However, the Fintech business was not deemed to be significant enough to qualify as a separate reportable segment, therefore together with other non-reportable segments it was included in Others .

The following tables present summary information by segment:

**For the Year Ended December 31, 2016:**

|   | Portal<br>advertising | Others    | Portal<br>advertising & Others<br>(In thousands, except percentages) | Weibo      | Elimination* | Total        |
|---|-----------------------|-----------|--|------------|--------------|--------------|
| Net revenues                                    | \$ 304,090            | \$ 74,931 | \$ 379,021   | \$ 655,800 | \$ (3,885)   | \$ 1,030,936 |
| - Advertising                                   | 304,090               |           | 304,090  | 570,982    | (3,885)      | 871,187      |
| - Non-advertising                               |                       | 74,931    | 74,931   | 84,818     |              | 159,749      |
| Costs of revenues                               | 136,196               | 47,555    | 183,751  | 171,231    | (286)        | 354,696      |
| Gross margin                                    | 55%                   | 37%       | 52%  | 74%        |              | 66%          |
| Operating expenses:                             |                       |           |  |            |              |              |
| Sales and marketing                             |                       |           | \$ 102,384   | \$ 148,283 | \$ (3,599)   | \$ 247,068   |
| Product development                             |                       |           | 62,140   | 154,088    |              | 216,228      |
| General and administrative                      |                       |           | 58,256   | 41,218     |              | 99,474       |
| Goodwill and acquired<br>intangibles impairment |                       |           | 40,194   |            |              | 40,194       |
| Total operating expenses                        |                       |           | \$ 262,974   | \$ 343,589 | \$ (3,599)   | \$ 602,964   |
| Income (loss) from<br>operations                |                       |           | (67,704)   | 140,980    |              | 73,276       |
| Interest and other income,<br>net               |                       |           | 17,456   | 8,757      |              | 26,213       |
| Change in fair value of<br>option liability     |                       |           | (28,456)   |            |              | (28,456)     |
| Loss from equity method<br>investments, net     |                       |           | (11,636)   | (130)      |              | (11,766)     |
| Realized gain on long-term<br>investments       |                       |           | 289,159  | 534        |              | 289,693      |
| Investment related<br>impairment                |                       |           | (4,272)  | (40,161)   |              | (44,433)     |
| Income before income tax<br>expense             |                       |           | 194,547  | 109,980    |              | 304,527      |

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|                    |    |          |    |         |    |          |
|--------------------|----|----------|----|---------|----|----------|
| Income tax expense |    | (22,903) |    | (4,316) |    | (27,219) |
| Net income         | \$ | 171,644  | \$ | 105,664 | \$ | 277,308  |

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Table of Contents**For the Year Ended December 31, 2017:**

|   | Portal<br>advertising | Others     | Portal<br>advertising & Others<br>(In thousands, except percentages) | Weibo        | Elimination* | Total        |
|---|-----------------------|------------|--|--------------|--------------|--------------|
| Net revenues                                      | \$ 320,473            | \$ 122,535 | \$ 443,008   | \$ 1,150,054 | \$ (9,178)   | \$ 1,583,884 |
| - Advertising                                     | 320,473               |            | 320,473  | 996,745      | (5,352)      | 1,311,866    |
| - Non-advertising                                 |                       | 122,535    | 122,535  | 153,309      | (3,826)      | 272,018      |
| Costs of revenues                                 | 121,278               | 65,733     | 187,011  | 231,255      | (4,129)      | 414,137      |
| Gross margin                                      | 62%                   | 46%        | 58%  | 80%          |              | 74%          |
| Operating expenses:                               |                       |            |  |              |              |              |
| Sales and marketing                               |                       |            | \$ 138,368   | \$ 275,537   | \$ (5,049)   | \$ 408,856   |
| Product development                               |                       |            | 73,999   | 193,393      |              | 267,392      |
| General and administrative                        |                       |            | 62,608   | 42,315       |              | 104,923      |
| Total operating expenses                          |                       |            | \$ 274,975   | \$ 511,245   | \$ (5,049)   | \$ 781,171   |
| Income (loss) from operations                     |                       |            | (18,978)   | 407,554      |              | 388,576      |
| Interest and other income, net                    |                       |            | 29,436   | 13,260       |              | 42,696       |
| Income (loss) from equity method investments, net |                       |            | (17,100)   | 1,030        |              | (16,070)     |
| Realized gain on long-term investments            |                       |            | 131,993  | 14           |              | 132,007      |
| Investment related impairment                     |                       |            | (118,223)  | (4,747)      |              | (122,970)    |
| Income before income tax expense                  |                       |            | 7,128  | 417,111      |              | 424,239      |
| Income tax expense                                |                       |            | (7,930)  | (66,746)     |              | (74,676)     |
| Net income (loss)                                 |                       |            | \$ (802)   | \$ 350,365   |              | \$ 349,563   |

**For the Year Ended December 31, 2018:**

|  | Portal<br>advertising | Others     | Portal<br>advertising & Others<br>(In thousands, except percentages) | Weibo        | Elimination* | Total        |
|--|-----------------------|------------|--|--------------|--------------|--------------|
| Net revenues                                 | \$ 290,215            | \$ 111,412 | \$ 401,627   | \$ 1,718,518 | \$ (11,818)  | \$ 2,108,327 |
| - Advertising                                | 290,215               |            | 290,215  | 1,499,180    | (110)        | 1,789,285    |
| - Non-advertising                            |                       | 111,412    | 111,412  | 219,338      | (11,708)     | 319,042      |
| Costs of revenues                            | 117,600               | 68,500     | 186,100  | 277,648      | (11,708)     | 452,040      |
| Gross margin                                 | 59%                   | 39%        | 54%  | 84%          |              | 79%          |
| Operating expenses:                          |                       |            |  |              |              |              |
| Sales and marketing                          |                       |            | \$ 172,648   | \$ 527,424   | \$ (110)     | \$ 699,962   |
| Product development                          |                       |            | 96,069   | 249,873      |              | 345,942      |
| General and administrative                   |                       |            | 76,429   | 43,755       |              | 120,184      |
| Goodwill and acquired intangibles impairment |                       |            | 12,691   | 10,554       |              | 23,245       |
| Total operating expenses                     |                       |            | \$ 357,837   | \$ 831,606   | \$ (110)     | \$ 1,189,333 |
| Income (loss) from operations                |                       |            | (142,310)  | 609,264      |              | 466,954      |
|  |                       |            | 25,547   | 43,808       |              | 69,355       |



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|   |              |            |            |
|---|--------------|------------|------------|
| Interest and other income, net                          |              |            |            |
| Income (loss) from equity method investments, net       | 1,063        | 57         | 1,120      |
| Realized gain (loss) on long-term investments           | 3,016        | (287)      | 2,729      |
| Fair value changes through earnings on investments, net | 56,459       | 40,074     | 96,533     |
| Investment related impairment                           | (57,207)     | (24,074)   | (81,281)   |
| Income (loss) before income tax expense                 | (113,432)    | 668,842    | 555,410    |
| Income tax expense                                      | (32,862)     | (96,222)   | (129,084)  |
| Net income (loss)                                       | \$ (146,294) | \$ 572,620 | \$ 426,326 |

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\* Weibo has provided advertising service to portal advertising business since 2016 and started to provide channel service to other business since 2017. The related revenue, cost of revenue and expenses were eliminated at the consolidation level.

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The following is a summary of the Company's geographic operations:

|  | PRC          | International<br>(In thousands) | Total        |
|--|--------------|---------------------------------|--------------|
| <b>Year ended and as of December 31, 2016:</b> |              |                                 |              |
| Net revenues                                   | \$ 1,016,210 | \$ 14,726                       | \$ 1,030,936 |
| Long-lived assets                              | \$ 243,288   | \$ 234                          | \$ 243,522   |
| <b>Year ended and as of December 31, 2017:</b> |              |                                 |              |
| Net revenues                                   | \$ 1,571,035 | \$ 12,849                       | \$ 1,583,884 |
| Long-lived assets                              | \$ 285,208   | \$ 279                          | \$ 285,487   |
| <b>Year ended and as of December 31, 2018:</b> |              |                                 |              |
| Net revenues                                   | \$ 2,096,179 | \$ 12,148                       | \$ 2,108,327 |
| Long-lived assets                              | \$ 487,844   | \$ 337                          | \$ 488,181   |

Revenues are attributed to the countries in which the invoices are issued.

**17. Financial Instruments***Fair Value*

The following table sets forth the major financial instruments, measured at fair value, by level within the fair value hierarchy as of December 31, 2017 and 2018:

|   | Fair Value Measurements<br>(In thousands) |  |   |   |
|---|---|--|---|---|
|   | Total                                     | Quoted Prices in<br>Active Market<br>for Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
| <b>As of December 31, 2017</b>                                |   |  |   |   |
| <b>Assets</b>   |   |  |   |   |
| Money market funds*   | \$ 198,659                                | \$ 198,659   | \$  | \$  |
| Bank time deposits**  | 1,406,957                                 |  | 1,406,957   |   |
| Available for sale securities***                              | 107,372                                   | 107,372  |   |   |
| Total   | \$ 1,712,988                              | \$ 306,031   | \$ 1,406,957  | \$  |
| <b>Liabilities</b>  |   |  |   |   |
| Guarantee liabilities   | \$ 10,143                                 | \$   | \$  | \$ 10,143                                       |
| <b>As of December 31, 2018</b>                                |   |  |   |   |
| <b>Assets</b>   |   |  |   |   |
| Money market funds*   | \$ 86,823                                 | \$ 86,823  | \$  | \$  |
| Bank time deposits**  | 874,901                                   |  | 874,901   |   |
| Equity securities with readily<br>determinable fair value *** | 93,262                                    | 93,262   |   |   |

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|                       |    |           |    |         |    |         |           |
|-----------------------|----|-----------|----|---------|----|---------|-----------|
| Total                 | \$ | 1,054,986 | \$ | 180,085 | \$ | 874,901 | \$        |
| <b>Liabilities</b>    |    |           |    |         |    |         |           |
| Guarantee liabilities | \$ | 10,952    | \$ |         | \$ |         | \$ 10,952 |

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\* Included in cash and cash equivalents on the Company's consolidated balance sheets.

\*\* Included in cash and cash equivalents and short-term investments on the Company's consolidated balance sheets.

\*\*\* Included in long-term investments on the Company's consolidated balance sheets.

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***Recurring***

The Company measures money market funds, bank time deposits and marketable securities with readily determinable fair value on a recurring basis.

The fair values of the Company's money market funds and equity securities with readily determinable fair value are determined based on the quoted market price (Level 1). The fair value of the Company's bank time deposits are determined based on the quoted market price for similar products (Level 2).

The Company reviews its equity securities investments regularly to determine if an investment is other-than-temporarily impaired due to changes in quoted market price or other impairment indicators prior to 2018. In 2016 and 2017, the Company recognized an impairment charge of \$4.8 million and \$1.3 million on equity securities investments. With the adoption of new investment guidance under ASC 820, the available-for-sale securities were reclassified as investment with readily determinable fair values beginning January 1, 2018 with their fair value change recognized in earnings immediately. The fair values of the Company's equity investments in the equity securities are measured using quoted market prices.

***Non-recurring***

For those investments without readily determinable fair value, the Company measures them at fair value when observable price changes are identified or impairment charge were recognized. The fair values of the Company's privately held investments as disclosed are determined based on the discounted cash flow model using the discount curve of market interest rates or based on the similar transaction price in the market directly. The Company classifies the valuation techniques on those investments that use similar identifiable transaction prices as Level 2 of fair value measurements.

The Company also measures equity investments without readily determinable fair values at fair value on a non-recurring basis when an impairment charge were to be recognized. As of December 31, 2017 and 2018, certain investments were measured using significant unobservable inputs (Level 3) and written down from their respective carrying values to fair values, considering the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee companies and strategic collaboration with and the prospects of the investee companies, with impairment charges incurred and recorded in earnings for the years then ended. The Company recognized an impairment charge of \$31.5 million and \$120.8 million for those investments under cost method and equity method in 2016 and 2017, respectively. The Company recognized an impairment charge of \$61.0 million for those investments without readily determinable fair values and equity method investments in 2018. The fair value of the privately held investments is valued based on the discounted cash flow model with unobservable inputs including the discount curve of market interest rates, which ranges from 12% to 33%.

The Company's non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired.

The Company reviews the long-lived assets and certain identifiable intangible assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. For the years ended December 31, 2016, 2017 and 2018, the Company provided \$3.5 million, nil and \$12.7 million of impairment on the acquired intangible assets based on management's assessment. The Company has a policy to perform impairment assessment of its goodwill on an annual basis as of the balance sheet date, or when facts and circumstances warrant a review. Based on the assessment of declined revenue and near-term outlook, considering a number of factors, which include, but are not limited to, expected future cash flows, growth rates, discount rates, and comparable multiples from publicly traded companies in the industry, the Company performed goodwill impairment assessment at the reporting unit level. With the assistance of an independent valuation firm, the Company recognized a goodwill impairment of \$36.7 million, nil and \$10.6 million for the years ended December 31, 2016, 2017 and 2018, respectively and the remaining carrying values were zero after the impairment for the respective reporting units. The fair value of reporting units were determined using Level 3 inputs.

The Company measures its guarantee liabilities at inception at fair value and estimates the fair value of the guarantee liabilities by estimating with the consideration of discounting expected future payouts, accumulative expected loss rates and incorporating a markup margin. The expected net accumulative expected loss rates applied in the valuation models which ranged from 2.0% to 3.7% at inception. These inputs in isolation can cause significant increases or decreases in fair value. Guarantee liabilities are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors in the overall fair value measurement.

The following table sets forth the Company's guarantee liabilities movement activities for the period from the acquisition date to December 31, 2017 and the year ended December 31, 2018.

|  | <b>For the period from the<br/>acquisition date to December<br/>31, 2017</b> | <b>For the year ended<br/>December 31, 2018</b> |
|--|--|---|
|  | (In thousands)   |   |
| Balance at the beginning of year/period                          | \$   | \$ 10,143                                       |
| Addition in the opening balance at the acquisition date (Note 5) | 2,227  |   |
| Provision at the inception of new loans                          | 16,013   | 39,291  |
| Payment for the guarantee  | (13,166)   | (37,082)  |
| Subsequent adjustments to the provisions <sup>1</sup>            | 4,812  | (792)   |
| Foreign exchange impacts   | 257  | (608)   |
| Balance at the end of the year                                   | \$ 10,143  | \$ 10,952                                       |

<sup>1</sup> The subsequent adjustment to the provisions in 2017 was to reflect an increased default rate at the end of 2017, as a result of certain borrower's reaction to a government regulation release in December 2017 over the cash loan business.



Table of Contents**Concentration of Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. In addition, with the majority of its operations in China, the Company is subject to RMB currency risk and offshore remittance risk, both of which have been difficult to hedge and the Company has not done so. The Company limits its exposure to credit loss by depositing its cash and cash equivalents with financial institutions in the U.S., the PRC, Hong Kong, Singapore and Taiwan, which are among the largest and most respected with high ratings from internationally-recognized rating agencies, that management believes are of high credit quality. The Company periodically reviews these institutions' reputations, track records and reported reserves.

As of December 31, 2017 and 2018, the Company had \$3.0 billion and \$2.2 billion in cash and bank deposits, such as time deposits (with terms generally up to twelve months), with large domestic banks in China, respectively. Historically, deposits in Chinese banks were secure due to the state policy on protecting depositors' interests. However, China promulgated a new Bankruptcy Law that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go bankrupt. In addition, since China's accession to WTO, foreign banks have been gradually permitted to operate in China and have become significant competitors to Chinese banks in many aspects, especially since the opening of RMB business to foreign banks in late 2006. Therefore, the risk of bankruptcy on Chinese banks in which the Company holds cash and bank deposits has increased. In the event that a Chinese bank that holds the Company's deposits goes bankrupt, the Company is unlikely to claim its deposits back in full, since it is unlikely to be classified as a secured creditor to the bank under the PRC laws.

Accounts receivable consist primarily of advertising agencies, direct advertising customers and mobile operators. As of December 31, 2017 and 2018, substantially all accounts receivable have been derived from the Company's China operations.

No customer accounted for more than 10% of the Company's total net revenues in 2016, 2017 and 2018. Only three customers accounted for more than 10% of the Company's net accounts receivable as of December 31, 2017 and 2018 as follows:

|                 | As of December 31,<br>2017 | As of December 31,<br>2018 |
|-----------------|----------------------------|----------------------------|
| <b>Customer</b> |                            |                            |
| Customer A      | 15%                        | 10%                        |
| Customer B      | 15%                        | 13%                        |
| Customer C      | *                          | 15%                        |

The majority of the Company's net operating income was derived from China. The operations in China are carried out by the subsidiaries and VIEs. The Company depends on dividend payments from its subsidiaries in China after these subsidiaries receive payments from VIEs in China under various services and other arrangements. In addition, under Chinese law, its subsidiaries are only allowed to pay dividends to the Company out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. Moreover,

these Chinese subsidiaries are required to set aside at least 10% of their respective accumulated profits, if any, up to 50% of their registered capital to fund certain mandated reserve funds that are not payable or distributable as cash dividends. The appropriation to mandated reserve funds are assessed annually.

In 2016, 2017 and 2018, the majority of the Company's revenues derived and expenses incurred were in RMB. As of December 31, 2017 and 2018, the Company's cash, cash equivalents and short-term investments balance denominated in RMB was \$1.2 billion and \$1.1 billion, accounting for 34.5% and 47.2% of the Company's total cash, cash equivalents and short-term investments balance, respectively. As of December 31, 2017 and 2018, the Company's accounts receivable balance denominated in RMB was \$284.5 million and \$527.9 million, which accounted for almost all of its net accounts receivable balance, respectively. As of December 31, 2017 and 2018, the Company's current liabilities balance denominated in RMB was \$1,074.6 million and \$1,091.9 million, which accounted for 84% and 95% of its total current liabilities balance, respectively. Accordingly, the Company may experience economic losses and negative impacts on earnings and equity as a result of exchange rate fluctuations of RMB. Moreover, the Chinese government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The Company may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency.

The Company performed a test on the restricted net assets of consolidated subsidiaries and VIEs (the **Restricted Net Assets**) in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), **General Notes to Financial Statements** and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Company as of December 31, 2018 (Note 14).



Table of Contents**18. Convertible Debt and Treasury Stock**

|   | As of December 31,<br>2017 | As of December 31,<br>2018 |
|---|----------------------------|----------------------------|
| <b>Convertible Debt</b>                                     |                            |                            |
| <i>Current Liabilities</i>                                  |                            |                            |
| 2018 1% Convertible Senior Notes (the 2018 Notes )          | \$ 153,092                 | \$                         |
| <i>Long-term liabilities</i>                                |                            |                            |
| 2022 1.25% Weibo Convertible Senior Notes (the 2022 Notes ) | 900,000                    | 900,000                    |
| Less: Issuance costs  | (20,017)                   | (15,877)                   |
| Total   | \$ 879,983                 | \$ 884,123                 |

**Description of 2018 Convertible Senior Notes**

In November 2013, the Company issued \$800 million in aggregate principal amount of 1.00% coupon interest convertible senior notes due on December 1, 2018 (the 2018 Notes ) at par. The Notes were convertible into ordinary shares of the Company proceeding December 1, 2018 in \$1,000 principal amount or an integral multiple of \$1,000 in excess thereof, at the option of the holder, at an initial conversion price of approximately \$123.70 per ordinary share, subject to adjustment. The conversion rate may be adjusted under certain circumstances, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change, the Company will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its notes in connection with such make-whole fundamental change. The Company believes that the likelihood of occurrence of events considered a fundamental change is remote.

The net proceeds to the Company from the issuance of the 2018 Notes were \$783.2 million, net of issuance cost of \$16.8 million. Concurrently, the Company repurchased its shares of \$100.0 million from the open market. The Company pays cash interest at an annual rate of 1.00% on the 2018 Notes, payable semiannually in arrears in cash on June 1 and December 1 of each year, beginning June 1, 2014. The issuance costs of the 2018 Notes are being amortized to interest expense to the earliest redemption date of the 2018 Notes ( December 1, 2016 ).

Concurrently with the issuance of the Notes, the Company offered a put option (the Put Option ) to the holders of the Notes, which enable the holders to have the right to require the Company to repurchase for cash all or part of the Notes at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the repurchase date ( December 1, 2016 ). If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, the 2018 Notes holders may require the Company to purchase for cash all or any portion of the Notes at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

On December 1, 2016, the Company repurchased \$646.9 million principal amount of convertible debt upon the exercise of the put option by the holders of 2018 Notes. Upon the election of notes holder, the Company converted \$7,000 principal amount of convertible debt into ordinary shares in 2018 and the remaining notes were repaid in December 2018.

In accordance with ASC 815-10-15, the Put Option related to the 2018 Notes is considered clearly and closely related to its debt host and does not meet the requirement for bifurcation as the 2018 Notes holders can only recover its initial investment upon exercise of its option, there are no interest rate scenarios under which the embedded derivative would at least double the investor's initial rate of return. Therefore, the 2018 Notes and the embedded put option should be accounted for as a single instrument in accordance with the accounting rule.

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*Description of 2022 Weibo Convertible Senior Notes*

In October 2017, Weibo, a subsidiary of the Company, issued \$900 million in aggregate principal amount of 1.25% coupon interest convertible senior notes due on November 15, 2022 (the 2022 Notes ) at par. The Notes may be converted into ADSs of Weibo proceeding November 15, 2022 in \$1,000 principal amount or an integral multiple of \$1,000 in excess thereof, at the option of the holder, at an initial conversion price of approximately \$133.27 per ADS, subject to adjustment. The conversion rate may be adjusted under certain circumstances, such as distribution of dividends and stock splits. In addition, upon a make-whole fundamental change, Weibo will, under certain circumstances, increase the applicable conversion rate for a holder that elects to convert its notes in connection with such make-whole fundamental change. As of November 15, 2022, unless earlier converted, Weibo is required to redeem the notes.

The net proceeds to the Company from the issuance of the 2022 Notes were \$879.3 million, net of issuance cost of \$20.7 million. The Company pays cash interest at an annual rate of 1.25% on the 2022 Notes, payable semiannually in arrears in cash on May 15 and November 15 of each year, beginning May 15, 2018. The issuance costs of the 2022 Notes are being amortized to interest expense over the contractual period to the maturity date of the 2022 Notes ( November 15, 2022 ).

*Accounting assessment*

The Company assessed the accounting for 2018 Notes and 2022 Notes (collectively as Notes ) in accordance with ASC 470 and concluded that:

- The bifurcation of the conversion feature from the debt host, the Notes, is not required as the conversion option is considered indexed to the entity's own stock and classified in stockholders' equity, and therefore meets the scope exception prescribed in ASC 815-10-15;
- There is no beneficial conversion feature noted at the issuance date as the conversion price of the Notes is greater than the stock price of the offering company at the date of issuance.

Therefore, the Company has accounted for the respective Notes as a single instruments in accordance with ASC 470, and classified them as a long-term debt. The issuance cost were recorded as reduction to convertible notes balance, and are amortized as interest expenses over the period from the issuance date to the earliest conversion date. The Company recognized total interest expenses related to the Notes of \$10.8 million, \$4.2 million and \$16.8 million for the year ended December 31, 2016, 2017 and 2018.

*Treasury Stock*

In February 2016, the board of directors of the Company approved a new share repurchase plan whereby the Company is authorized to repurchase its own ordinary shares with an aggregate value of up to \$500 million for a period through the end of June 2017 (the 2016 Program ). In 2017, the 2016 Program was extended to be effective until June 30, 2018. Up to the expiration date, approximately 3.4 million shares were repurchased for approximately \$302.6 million in cash under the 2016 Program.

Following the expiration of the 2016 Program, the board of directors approved a new share repurchase plan whereby the Company was authorized to repurchase its own ordinary shares with an aggregate value of up to \$500 million for a period through the end of December 2019 (the 2018 Program ). As of December 31, 2018, approximately 0.3 million shares were repurchased for approximately \$20.4 million in cash under the 2018 Program.

All the ordinary shares repurchased above are no longer outstanding and pending for cancellation and are included as treasury stock.

Table of Contents**19. Commitments and Contingencies**

Operating lease commitments include the commitments under the lease agreements for the Company's office premises. The Company leases its office facilities under non-cancelable operating leases with various expiration dates through 2023. For the years ended December 31, 2016, 2017, and 2018, rental expense was \$24.5 million, \$13.7 million and \$17.9 million, respectively. Based on the current rental lease agreements, future minimum rental payments required as of December 31, 2018 were as follows:

|                             | Total     | Less than One Year | One to Three Years<br>(In thousands) | Three to Five Years | More than Five Years |
|-----------------------------|-----------|--------------------|--------------------------------------|---------------------|----------------------|
| Operating lease commitments | \$ 45,873 | \$ 16,692          | \$ 25,607                            | \$ 3,574            | \$                   |

Purchase commitments mainly include minimum commitments for Internet connection, content and services related to website operation, and marketing activities. Capital commitment was primarily related to commitments on the purchase of fixed assets and the payment on leasehold improvements

Purchase commitments as of December 31, 2018 were as follows:

|                      | Total      | Less than One Year | One to Three Years<br>(In thousands) | Three to Five Years | More than Five Years |
|----------------------|------------|--------------------|--------------------------------------|---------------------|----------------------|
| Purchase commitments | \$ 675,510 | \$ 651,333         | \$ 23,950                            | \$ 227              | \$                   |
| Capital commitments  | \$ 12,817  | \$ 12,715          | \$ 102                               | \$                  | \$                   |

Other commitment represents future maximum commitment relating to the principal amount and interests in connection with a) the issuance of \$900 million in aggregate principle amount of 1.25% coupon interest convertible senior notes by Weibo, which will due in 2022 b) the principal amount and interests of short-term bank loans c) commitment on equity investment. Other commitments as of December 31, 2018 were as follows:

|                         | Total        | Less than One Year | One to Three Years<br>(In thousands) | Three to Five Years | More than Five Years |
|-------------------------|--------------|--------------------|--------------------------------------|---------------------|----------------------|
| 2022 Notes              | 945,000      | 12,750             | 22,500                               | 909,750             |                      |
| Short-term bank loans   | 79,434       | 79,434             |                                      |                     |                      |
| Equity investments      | 167,633      | 167,633            |                                      |                     |                      |
| Total other commitments | \$ 1,192,067 | \$ 259,817         | \$ 22,500                            | \$ 909,750          | \$                   |

There are uncertainties regarding the legal basis of the Company's ability to operate an Internet business and telecommunication value-added services in China as of December 31, 2018. Although China has implemented a wide range of market-oriented economic reforms, the telecommunication, information and media industries remain highly regulated. Not only are such

restrictions currently in place, but in addition regulations are unclear as to in which specific segments of these industries companies with foreign investors, including the Company, may operate. Therefore, the Company might be required to limit the scope of its operations in China, and this could have a material adverse effect on its financial position, results of operations and cash flows.

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In June and August 2017, Weibo and certain of its current and former directors and officers were named as defendants in two putative securities class actions filed in the United States District Court for the District of New Jersey, respectively. The actions - purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in Weibo's ADSs between April 27 and June 22, 2017 or between April 28, 2016 and June 19, 2017, allege that Weibo's public filings contained material misstatements and omissions in violation of the U.S. federal securities laws. On September 28, 2017, the court entered an order appointing a lead plaintiff and consolidating the two cases. On November 27, 2017, the lead plaintiff filed a consolidated class action complaint. On January 26, 2018, Weibo and one individual defendant filed a motion to dismiss the amended complaint. On June 7, 2018, the court granted the motion to dismiss the class action complaint in its entirety with prejudice.

The Company and a few of its subsidiaries have been named as respondents in an arbitration initiated with the Netherlands Arbitrage Institute and China International Economic and Trade Arbitration Commission in which the claimant claimed damages amount based on the alleged use by the respondents of certain intellectual property of the claimants in breach of certain license agreements. The Company is currently unable to estimate the possible loss or a range of reasonably possible loss, if any.

As of December 31, 2018, there are no other claims, lawsuits, investigations and proceedings, including unasserted claims that are probable to be assessed, that have in the recent past had, or to the Company's knowledge, are reasonably possible to have, a material effect on the Company's financial position, results of operations or cash flows.

**20. Subsequent Events**

The Company has performed an evaluation of subsequent events through the date of this report, which is the date the financial statements were issued. Except for the events mentioned in Note 4 regarding potential impairments and upward adjustments for certain equity investments without readily determinable fair value, there is no other material events or transactions needing recognition or disclosure.