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Kuaishou Technology 快手科技

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

(HKD Counter Stock Code: 01024 / RMB Counter Stock Code: 81024)

RESULTS ANNOUNCEMENT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three and six months ended June 30, 2023. These interim results have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. The interim results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Unaudited				Year-over-year change
	Three Months Ended June 30,				
	2023		2022		
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
<i>(RMB millions, except for percentages)</i>					
Revenues	27,744	100.0	21,695	100.0	27.9%
Gross profit	13,934	50.2	9,770	45.0	42.6%
Operating profit/(loss)	1,296	4.7	(3,059)	(14.1)	N/A
Profit/(loss) for the period	1,481	5.3	(3,176)	(14.6)	N/A
Non-IFRS Measures:					
Adjusted net profit/(loss) ⁽¹⁾	2,694	9.7	(1,312)	(6.0)	N/A
Adjusted EBITDA ⁽²⁾	4,316	15.6	408	1.9	957.8%

**Unaudited
Six Months Ended June 30,**

	2023		2022		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB millions, except for percentages)</i>				
Revenues	52,961	100.0	42,762	100.0	23.9%
Gross profit	25,646	48.4	18,552	43.4	38.2%
Operating profit/(loss)	598	1.1	(8,702)	(20.4)	N/A
Profit/(loss) for the period	605	1.1	(9,430)	(22.1)	N/A
Non-IFRS Measures:					
Adjusted net profit/(loss) ⁽¹⁾	2,736	5.2	(5,034)	(11.8)	N/A
Adjusted EBITDA ⁽²⁾	6,312	11.9	(1,144)	(2.7)	N/A

Notes:

- (1) We define “adjusted net profit/(loss)” as profit/(loss) for the period adjusted by share-based compensation expenses and net fair value changes on investments.
- (2) We define “adjusted EBITDA” as adjusted net profit/(loss) for the period adjusted by income tax (benefits)/expenses, depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance (income)/expense, net.

Financial Information by Segment

**Unaudited
Three Months Ended June 30, 2023**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	27,297	447	—	27,744
Operating profit/(loss)	3,034	(780)	(958)	1,296

**Unaudited
Three Months Ended June 30, 2022**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	21,592	103	—	21,695
Operating profit/(loss)	93	(1,606)	(1,546)	(3,059)

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	26.4%	334.0%	—	27.9%
Operating profit/(loss)	3,162.4%	(51.4%)	(38.0%)	N/A

**Unaudited
Six Months Ended June 30, 2023**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	52,176	785	—	52,961
Operating profit/(loss)	3,997	(1,603)	(1,796)	598

Unaudited
Six Months Ended June 30, 2022

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	42,611	151	—	42,762
Operating loss	(1,450)	(3,452)	(3,800)	(8,702)

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	22.4%	419.9%	—	23.9%
Operating profit/(loss)	N/A	(53.6%)	(52.7%)	N/A

Note:

⁽¹⁾ Unallocated items include share-based compensation expenses, other income and other (losses)/gains, net.

Operating Metrics

Unless otherwise specified, the following table sets forth certain of our key operating data on Kuaishou App for the periods indicated:

	Three Months Ended June 30,	
	2023	2022
Average DAUs (<i>in millions</i>)	376.0	347.3
Average MAUs (<i>in millions</i>)	673.3	586.7
Average online marketing services revenue per DAU (<i>in RMB</i>)	38.2	31.7
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	265,456.4	191,174.1

	Six Months Ended June 30,	
	2023	2022
Average DAUs (<i>in millions</i>)	375.1	346.4
Average MAUs (<i>in millions</i>)	663.9	592.3
Average online marketing services revenue per DAU (<i>in RMB</i>)	73.1	64.5
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	490,222.9	366,249.7

Note:

⁽¹⁾ Placed on or directed to our partners through our platform.

BUSINESS REVIEW AND OUTLOOK

Business Review

In the second quarter of 2023, we maintained our growth trajectory and hit another major profitability milestone, achieving the first-ever group-level net profit in a quarter since our listing on the Stock Exchange in 2021. This accomplishment strongly validated the effectiveness of our strategy of simultaneously expanding our user base and content ecosystem, deepening our monetization capabilities, and optimizing operating efficiency.

Our vibrant user community has continued to scale with elevated engagement in the post pandemic times, laying a solid foundation for the healthy and sustainable operations of content creators, advertisers and merchants on our platform. These groups in turn provide more valuable content and services to our users, thus establishing a virtuous development cycle and fostering a more integrated ecosystem of content and commercialization.

As our improving infrastructure, products and services as well as our omni-domain strategy drove higher ROI for our advertisers and e-commerce merchant partners, our market share gains in online advertising and e-commerce accelerated further. Our short video plus livestreaming offerings also continuously demonstrated abilities of extending content, social interactions and monetization scenarios on our platform and empowering more traditional offline industries through our “livestreaming +” model.

While driving ecosystem and revenue growth, we also continued to pursue operating efficiency and leverage on greater economies of scale, leading to a group-level net profit of approximately RMB1.5 billion in the second quarter of 2023.

User and content ecosystem

In the second quarter of 2023, average DAUs and MAUs on the Kuaishou App reached 376.0 million and 673.3 million, representing a year-over-year increase of 8.3% and 14.8%, respectively, taking the scale of our user community to a new record high. Average daily time spent per DAU on the Kuaishou App was 117.2 minutes in the second quarter of 2023. Our total user time spent continued to grow year-over-year, which was mainly driven by rapid DAU growth.

To propel these improvements, we refined our user growth strategies during the second quarter of 2023. Apart from lowering our user acquisition and retention cost on both a quarter-over-quarter and year-over-year basis through technological and operational means, we also leveraged our high-quality original content for user growth and upgraded our one-stop smart targeting system while improving our content production efficiency and quality through AI capabilities such as multimedia understanding. This, in turn, helped to increase our user acquisition efficiency. We are also actively exploring new channels for user growth. In the second quarter of 2023, we proved the feasibility of growing our user base through promotion related content placement, where we acquired new users by placing advertisements related to e-commerce and local services.

We have always been committed to building an inclusive, highly interactive and engaged community for users. By the end of June 2023, pairs of mutual followers on the Kuaishou App reached a cumulative 31.1 billion, representing a nearly 50% growth year-over-year. In addition, in the second quarter of 2023, average daily interactions (including likes, comments, and reposts) on the Kuaishou App reached 8 billion.

With respect to content operations, we continued to enrich our content supply across various verticals. For sports content, we consistently operate events in ways that appeal to the public and create native sports programs that the public enjoys. One successful case was *Kuaishou Village Basketball Association (快手村BA)* in June this year, which attracted 300 million total live streaming viewers, 2.38 million peak concurrent viewers, and 80,000 spectators at the offline venue. In terms of entertainment content, in the second quarter of 2023, we launched a number of blockbuster summer entertainment IPs, such as *Summer Star Wish Party (夏日星願派對)*, *Entertainment in Heaven (娛樂6翻天)*, and *Summer Short Play Series (夏日氣象劇)*. These IPs covered various content formats such as celebrity campaigns, variety shows and short plays.

For our search business progress, we continued to improve user satisfaction and retention through optimized search experience and personalized search strategy. Meanwhile, we increased the penetration rate of search users through smart recommendation with word generation based on large language models. In the second quarter of 2023, Kuaishou search's average monthly users exceeded 440 million, and the number of average daily searches on our platform increased by 30% year-over-year. Meanwhile, benefiting from our growing search traffic, product upgrades and improved matching efficiency brought by advertising algorithm iterations, we continued to make progress in the commercialization of our search function, evidenced by a doubling of search advertising revenue year-over-year in the second quarter of 2023. In addition, we are internally testing our smart question-and-answer product for Kuaishou search to improve the intelligence of searches as we leverage the technological capabilities of large language models.

Online marketing services

As the advertising market gradually recovered in the first half of 2023, we further increased the monetization efficiency of our online marketing services by enhancing our product capabilities and infrastructure and unlocking the value of high-quality traffic. In the second quarter of 2023, our revenue from online marketing services reached RMB14.3 billion, growing by 30.4% year-over-year, and accounting for 51.7% of our total revenue. The number of active advertisers on our platform almost doubled in the second quarter of 2023, compared with the same period of last year.

Advertising services provided to our native e-commerce merchants maintained robust growth momentum, continuing to outpace GMV growth in the second quarter of 2023. This was partly driven by increased demand for ads placement during e-commerce promotional season, as well as our merchants' stronger willingness to place ads on our platform as a result of higher ROI driven by our strengthened native e-commerce advertising product capabilities. To build our e-commerce related advertising ecosystem, we developed a tiered approach to our traffic distribution mechanism and supportive policies, as well as product capabilities and data infrastructure optimizations, targeting merchants in different stages of operations and with diverse needs. While aligning the development of advertising and e-commerce services, these initiatives also fostered healthy growth and prosperity across our native e-commerce advertising ecosystem.

Our external advertising services showed clear signs of recovery and recorded year-over-year growth in the second quarter of 2023, with quarter-over-quarter growth from industries such as e-commerce platform, information services, healthcare, as well as education and training. With a steadfast commitment to improving our advertising performance, we continued to fortify our product capabilities. First, we improved the quality of our advertising content through native advertising, which has considerably higher click-through rates and user conversion rates than hard-sell advertising, leading to higher ROI for advertisers as well as enhanced user experience. As a result, in the second quarter of 2023, our native advertising penetration rate rose consistently quarter-over-quarter. Second, we launched an optimized bidding model for effective customer acquisition in the second quarter of 2023 to enable advertisers to achieve higher user conversion. We focused on optimizing conversion through deep links and retention metrics further down the funnel for some industries, and as a result, ad spending from these industries gradually increased.

We also continued to unlock the value of our ecosystem for brand advertisers. Our revenue from brand advertising increased by over 30% year-over-year in the second quarter of 2023 as we steadily expanded our brand advertising resources, optimized our brand product capabilities, further iterated our product development roadmap, and increased demand from brand advertisers during promotional events. In June 2023, we launched the *Kuaishou Index* (快手指數) platform for our brand advertisers, offering them effective strategic guidance ranging from pre-placement analysis to assessment upon-and post-placement based on multi-dimensional data. This platform aims to help brand advertisers continuously improve their brand value on Kuaishou. In addition, we continued to reinforce brand advertisers' infrastructure, facilitating precise user asset accumulation and the construction of a complete brand marketing matrix to provide advertisers with scenario-specific industry solutions. With this, we aim to empower brands to operate on Kuaishou more efficiently on a longer horizon.

E-commerce

We made solid progress in our e-commerce business during the second quarter of 2023, as demonstrated by a nearly 39% year-over-year increase in GMV.

In terms of infrastructure, we comprehensively popularized and applied the use of scoring systems for merchandise, merchants' services and KOLs' reputations. The implementation of the critical indicators for identifying high-quality merchandise, services and content can help to funnel the traffic on our platform to premium merchants, thereby enhancing supply quality. On this basis, we synchronized user's store-wide content consumption behavior via algorithm, refined and enriched structured merchandise information, optimized algorithm models to improve real-time interest matching accuracy and enhanced the conversion efficiency of e-commerce content through a more logical and intelligent traffic sorting mechanism.

On the supply side, an increasing number of merchants and brands regard Kuaishou as one of their main home bases. During the second quarter of 2023, we focused our efforts on ten major industry zones, including apparel, 3C and other categories. We amplified our platform's influence through activities such as *Inviting Merchants in One Hundred Cities* (招商百城行) and merchandise selection meetings while building benchmark cases to attract new merchants. As a result, we achieved high double-digit year-over-year growth in the number of newly onboarded business merchants during the second quarter of 2023. Regarding merchant empowerment, we offered preferential traffic allocation and other supportive policies to our targeted high-potential merchants and improved merchant training systems, altogether driving a high double-digit year-over-year increase in GMV for small and medium-sized merchants in the second quarter of 2023.

Meanwhile, our brand e-commerce consistently delivered impressive results. GMV from brands, including *Kwai Brands*, continued to increase quarter-over-quarter, accounting for over 30% of total e-commerce GMV in the second quarter of 2023. Our promotions to attract brands have been progressing smoothly. Leveraging our platform's influence and our deep insights into users' needs, we implemented targeted promotions to onboard more brands, leading to a 90% year-over-year increase in the number of newly added brands in the second quarter of 2023. On the operations front, we achieved a major breakthrough in our *Stream Initiative* (川流計劃). Through this initiative, we leveraged the Kuaishou KOL ecosystem's unique advantages to help brands identify targeted user cohorts at multiple operating stages such as initial operations and the phase of launching new products, etc., thereby enhancing conversion efficiency while enabling more merchants to benefit from our traffic. In addition to the Stream Initiative, we launched a traffic support plan for brands at the cold-start stage to enhance their self-operated live streaming capability and content quality through daily marketing and promotion events, helping them explore their distinctive development paths. During the June 18th shopping festival, a number of major brands achieved closed-loop conversion, from making recommendations and funneling traffic through short video, to transactions via live streaming. Furthermore, they created more innovative marketing related content and collaborated with KOLs for distribution to create blockbuster merchandise and accumulate user assets, laying a solid foundation for their sustainable operations.

On the demand side, the number of monthly active paying users surpassed 110 million in the second quarter of 2023, remaining the main driver of GMV growth as their penetration rate to MAU continued to rise into the high teens. This solid performance was primarily attributable to a more refined approach of tiered user operation on our platform, as well as smart subsidies and product feature iterations to further expand high quality paying users' consumption breadth and increase their stickiness. As we optimized our supply to provide users with better products and services while enhancing their experience, both average order price and monthly purchasing frequency achieved year-over-year growth in the second quarter of 2023.

In the second quarter of 2023, we continued to make efforts in the shelf-based realm, and achieved good progress by promoting the new shopping mall entry button on the Kwai Shop landing page, diversifying the supply of merchandise cards, and exploring the cards' integration with content. Additionally, we further optimized our product search function, leading to 90% year-over-year growth in search GMV in the second quarter of 2023.

Live streaming

In the second quarter of 2023, live streaming revenue grew by 16.4% year-over-year to approximately RMB10 billion, as we achieved double-digit year-over-year growth in monthly ARPPU. The increases were attributable to our consistent efforts in exploring user preferences and needs, enriching our live streaming offerings and optimizing the live streaming ecosystem.

On the supply side, we further enhanced the professionalism of live streamers by fostering close collaborations with talent agencies. We implemented differentiated policies to cater to talent agencies' diverse operating models, offering more incentives to new and small-sized talent agencies and empowering them to enhance their operations. In the second quarter of 2023, the number of talent agencies we partnered with grew by over 40% year-over-year, while the number of active streamers managed by agencies increased by over 70% year-over-year, reaching a record high in terms of percentage of our total active streamers. Going forward, we will continue our policy support for high-quality content, providing high quality talent agencies with greater flexibility and assistance in nurturing streamers, to empower both talent agencies and streamers to achieve operational growth.

As we placed a significant emphasis on fostering a healthy and sustainable live streaming ecosystem, we remained dedicated to investing in popular content verticals and nurturing streamers. For example, in the traditional Chinese culture vertical, we identified promising streamers by factors such as content quality, growth potential of follower base and revenue generating capabilities, and adjusted traffic support to this content vertical accordingly.

Our “live streaming+” services empowering traditional industries also continued to progress. A benchmark case was *Kwai Hire* (快聘), which experienced a 290% year-over-year increase in average daily resume submissions during the second quarter of 2023, while the daily average number of users submitting resumes also more than doubled year-over-year. Moreover, by the end of June 2023, *Ideal Housing* (理想家) expanded its reach to over 90 cities nationwide, achieving cumulative gross transaction value of more than RMB10 billion in the second quarter of 2023.

Overseas

In the second quarter of 2023, we further deepened our presence and efforts in key overseas markets, solidifying our content ecosystem for creators, refining monetization strategies and continuously optimizing operating efficiency. DAUs and user time spent in our core overseas markets continued to grow year-over-year. Total revenue of our overseas business reached RMB447 million in the second quarter of 2023, recording year-over-year growth of over 300%. Meanwhile, we remained committed to cost reduction and efficiency improvement, leading to a 51.4% year-over-year decrease in overall operating losses overseas in the second quarter of 2023, which also further narrowed quarter-over-quarter.

On the advertising front, we focused on key advertiser industries, improving product features and optimizing ad performance, while enhancing brand product infrastructure and expanding brand advertising resources. Moreover, by exploring new monetization models, we aimed to boost our traffic monetization efficiency and drive significant revenue growth. As for live streaming services, we maintained our efforts in expanding collaboration with talent agencies, enriching content supply, and offering enhanced interactive experiences, aided by the introduction of new monetization features and activities. Our revenue generation efficiency also improved along with the optimization of live streaming traffic distribution, as the paying ratio in core regions consistently experienced continued growth.

Corporate Social Responsibility

With our dedication to the principle of inclusiveness, Kuaishou is a natural medium for the spread of intangible cultural heritage and other traditions. Kuaishou endeavors to help more people appreciate the charm of China's rich traditional heritage through short video + live streaming. As of the end of June 2023, the content on Kuaishou APP covered more than 1,500 intangible cultural heritage programs. Around the "Cultural and Natural Heritage Day" in June this year, we launched a series of intangible cultural heritage promotion and exhibition activities including *Intangible Cultural Heritage of My Hometown (我家鄉的非遺)*. The activities provide more exposure for creators of intangible cultural heritage through online exhibitions, offline performances and product exhibitions while also promoting better integration of intangible cultural heritage into contemporary life.

Business Outlook

Looking ahead, we will remain committed to building a vibrant community with a fair and inclusive traffic distribution mechanism as its foundation. We will also further develop our online marketing, e-commerce and live streaming businesses by strengthening infrastructure and technologies to better engage our users and business partners while capturing incremental growth opportunities with new initiatives such as local services. With these advancements, alongside the tremendous traffic and deeply embedded trust across our ecosystem, we are confident we will continue to expand our business with brand awareness across our complementary business segments.

Meanwhile, with a keen focus on operational excellence, we look forward to furthering our goals of sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2023 Compared to Second Quarter of 2022

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the second quarter of 2023 and 2022, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	27,744	100.0	21,695	100.0
Cost of revenues	(13,810)	(49.8)	(11,925)	(55.0)
Gross profit	13,934	50.2	9,770	45.0
Selling and marketing expenses	(8,636)	(31.1)	(8,763)	(40.4)
Administrative expenses	(945)	(3.4)	(956)	(4.4)
Research and development expenses	(3,155)	(11.4)	(3,282)	(15.1)
Other income	113	0.4	147	0.7
Other (losses)/gains, net	(15)	0.0	25	0.1
Operating profit/(loss)	1,296	4.7	(3,059)	(14.1)
Finance income, net	158	0.6	1	0.0
Share of losses of investments accounted for using the equity method	(18)	(0.1)	(44)	(0.2)
Profit/(loss) before income tax	1,436	5.2	(3,102)	(14.3)
Income tax benefits/(expenses)	45	0.1	(74)	(0.3)
Profit/(loss) for the period	<u>1,481</u>	<u>5.3</u>	<u>(3,176)</u>	<u>(14.6)</u>
Non-IFRS Measures:				
Adjusted net profit/(loss)	2,694	9.7	(1,312)	(6.0)
Adjusted EBITDA	4,316	15.6	408	1.9

Revenues

Our revenues increased by 27.9% to RMB27.7 billion for the second quarter of 2023 from RMB21.7 billion for the same period of 2022. The increase was primarily attributable to the growth of our online marketing services, live streaming and e-commerce business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues for the second quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended June 30,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
Online marketing services	14,347	51.7	11,006	50.7
Live streaming	9,968	35.9	8,565	39.5
Other services	3,429	12.4	2,124	9.8
Total	27,744	100.0	21,695	100.0

Online marketing services

Revenue from our online marketing services increased by 30.4% to RMB14.3 billion for the second quarter of 2023 from RMB11.0 billion for the same period of 2022, primarily attributable to the growth in the number of advertisers and increased spending from advertisers, especially from our e-commerce merchants, driven by the recovery of advertising market and our efforts to further strengthen our product capabilities and infrastructure.

Live streaming

Revenue from our live streaming business increased by 16.4% to RMB10.0 billion for the second quarter of 2023 from RMB8.6 billion for the same period of 2022, as a result of a year-over-year growth in monthly ARPPU, which was supported by our continuous efforts in enriching content supply, optimizing our live streaming ecosystem and exploring user preferences and needs.

Other services

Revenue from our other services increased by 61.4% to RMB3.4 billion for the second quarter of 2023 from RMB2.1 billion for the same period of 2022, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV and continuous improvement in our business strategy in e-commerce. The increases in the number of active merchants and monthly active e-commerce paying users led to the growth of e-commerce GMV.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter of 2023 and 2022, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,680	31.3	6,724	31.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,453	5.2	1,521	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,602	5.8	1,397	6.4
Employee benefit expenses	660	2.4	711	3.3
Payment processing costs	651	2.3	431	2.0
Other cost of revenues	764	2.8	1,141	5.3
Total	<u>13,810</u>	<u>49.8</u>	<u>11,925</u>	<u>55.0</u>

Note:

⁽¹⁾ Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under IFRS 16 — Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

Our cost of revenues increased by 15.8% to RMB13.8 billion for the second quarter of 2023, from RMB11.9 billion for the same period of 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter of 2023 and 2022, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	13,934	50.2	9,770	45.0

As a result of the foregoing, our gross profit increased by 42.6% to RMB13.9 billion for the second quarter of 2023, from RMB9.8 billion for the same period of 2022. Our gross profit margin increased to 50.2% for the second quarter of 2023, from 45.0% for the same period of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.4% to RMB8.6 billion for the second quarter of 2023, from RMB8.8 billion for the same period of 2022, and decreased to 31.1% for the second quarter of 2023 from 40.4% for the same period of 2022 as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses slightly decreased by 1.2% to RMB945 million for the second quarter of 2023, from RMB956 million for the same period of 2022.

Research and Development Expenses

Our research and development expenses decreased by 3.9% to RMB3.2 billion for the second quarter of 2023, from RMB3.3 billion for the same period of 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income was RMB113 million and RMB147 million for the second quarter of 2023 and 2022, respectively.

Other (Losses)/Gains, Net

We had other losses, net of RMB15 million for the second quarter of 2023, compared to other gains, net of RMB25 million for the second quarter of 2022.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB1.3 billion and an operating margin of 4.7% for the second quarter of 2023, compared to an operating loss of RMB3.1 billion and a negative operating margin of 14.1% for the same period of 2022.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the second quarter of 2023 and 2022, respectively:

	Unaudited		
	Three Months Ended June 30,		
	2023	2022	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,034	93	3,162.4%
Overseas	(780)	(1,606)	(51.4%)
Unallocated items	(958)	(1,546)	(38.0%)
Total	<u>1,296</u>	<u>(3,059)</u>	N/A

Our operating profit from the domestic segment increased to RMB3.0 billion for the second quarter of 2023, from RMB93 million for the same period of 2022, mainly attributable to a 26.4% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB780 million for the second quarter of 2023, from RMB1.6 billion for the same period of 2022, primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending.

Finance Income, Net

Our finance income, net increased to RMB158 million for the second quarter of 2023, from RMB1 million for the same period of 2022, primarily due to an increase in interest income from bank deposits.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB18 million and RMB44 million for the second quarter of 2023 and 2022, respectively.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB1.4 billion for the second quarter of 2023, compared to a loss before income tax of RMB3.1 billion for the same period of 2022.

Income Tax Benefits/(Expenses)

We had income tax benefits of RMB45 million for the second quarter of 2023, compared to income tax expenses of RMB74 million for the same period of 2022.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.5 billion for the second quarter of 2023, compared to a loss of RMB3.2 billion for the same period of 2022.

Second Quarter of 2023 Compared to First Quarter of 2023

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2023, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2023		March 31, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	27,744	100.0	25,217	100.0
Cost of revenues	(13,810)	(49.8)	(13,505)	(53.6)
Gross profit	13,934	50.2	11,712	46.4
Selling and marketing expenses	(8,636)	(31.1)	(8,723)	(34.6)
Administrative expenses	(945)	(3.4)	(919)	(3.6)
Research and development expenses	(3,155)	(11.4)	(2,920)	(11.6)
Other income	113	0.4	52	0.2
Other (losses)/gains, net	(15)	0.0	100	0.4
Operating profit/(loss)	1,296	4.7	(698)	(2.8)
Finance income, net	158	0.6	111	0.5
Share of losses of investments accounted for using the equity method	(18)	(0.1)	(14)	(0.1)
Profit/(loss) before income tax	1,436	5.2	(601)	(2.4)
Income tax benefits/(expenses)	45	0.1	(275)	(1.1)
Profit/(loss) for the period	<u>1,481</u>	<u>5.3</u>	<u>(876)</u>	<u>(3.5)</u>
Non-IFRS Measures:				
Adjusted net profit	2,694	9.7	42	0.2
Adjusted EBITDA	4,316	15.6	1,996	7.9

Revenues

Our revenues increased by 10.0% to RMB27.7 billion for the second quarter of 2023, from RMB25.2 billion for the first quarter of 2023, primarily attributable to the growth of our online marketing services, live streaming and e-commerce business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2023, respectively:

	Unaudited Three Months Ended			
	June 30, 2023		March 31, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
Online marketing services	14,347	51.7	13,064	51.8
Live streaming	9,968	35.9	9,319	37.0
Other services	3,429	12.4	2,834	11.2
Total	27,744	100.0	25,217	100.0

Online marketing services

Revenue from our online marketing services increased by 9.8% to RMB14.3 billion for the second quarter of 2023, from RMB13.1 billion for the first quarter of 2023, primarily due to stronger demand from e-commerce advertisers and the recovery of advertising market.

Live streaming

Revenue from our live streaming business increased by 7.0% to RMB10.0 billion for the second quarter of 2023, from RMB9.3 billion for the first quarter of 2023, primarily attributable to enriched content supply, healthy and sustainable live streaming ecosystem and exploration of user needs.

Other services

Revenue from our other services increased by 21.0% to RMB3.4 billion for the second quarter of 2023, from RMB2.8 billion for the first quarter of 2023, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by increases in the number of active merchants and monthly active e-commerce paying users.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2023, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2023		March 31, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,680	31.3	8,251	32.7
Bandwidth expenses and server custody costs ⁽¹⁾	1,453	5.2	1,695	6.7
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,602	5.8	1,573	6.2
Employee benefit expenses	660	2.4	709	2.8
Payment processing costs	651	2.3	495	2.0
Other cost of revenues	764	2.8	782	3.2
Total	<u>13,810</u>	<u>49.8</u>	<u>13,505</u>	<u>53.6</u>

Note:

- ⁽¹⁾ Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under IFRS 16 — Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

Our cost of revenues increased by 2.3% to RMB13.8 billion for the second quarter of 2023, from RMB13.5 billion for the first quarter of 2023, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth and payment processing costs, partially offset by the decrease in bandwidth expenses and server custody costs.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter and the first quarter of 2023, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2023		March 31, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross Profit	13,934	50.2	11,712	46.4

As a result of the foregoing, our gross profit increased by 19.0% to RMB13.9 billion for the second quarter of 2023, from RMB11.7 billion for the first quarter of 2023. Our gross profit margin increased to 50.2% for the second quarter of 2023, from 46.4% for the first quarter of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.0% to RMB8.6 billion for the second quarter of 2023, from RMB8.7 billion for the first quarter of 2023. The decrease was primarily attributable to more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses were RMB945 million for the second quarter of 2023, compared to RMB919 million for the first quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 8.0% to RMB3.2 billion for the second quarter of 2023, from RMB2.9 billion for the first quarter of 2023, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income increased to RMB113 million for the second quarter of 2023, from RMB52 million for the first quarter of 2023, primarily due to increases in value-added tax preferences for the second quarter of 2023 as compared to the first quarter of 2023.

Other (Losses)/Gains, Net

We had other losses, net of RMB15 million for the second quarter of 2023, compared to other gains, net of RMB100 million for the first quarter of 2023. The change was primarily due to net fair value losses on financial assets at fair value through profit or loss of investments in listed and unlisted entities recognized in the second quarter of 2023, as compared to net fair value gains in the first quarter of 2023.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB1.3 billion and an operating margin of 4.7% for the second quarter of 2023, compared to an operating loss of RMB698 million and a negative operating margin of 2.8% for the first quarter of 2023.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the second quarter and the first quarter of 2023, respectively:

	Unaudited Three Months Ended		
	June 30, 2023	March 31, 2023	Quarter-over- quarter change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,034	963	215.1%
Overseas	(780)	(823)	(5.2%)
Unallocated items	(958)	(838)	14.3%
Total	<u>1,296</u>	<u>(698)</u>	N/A

Our operating profit from the domestic segment increased to RMB3.0 billion for the second quarter of 2023, from RMB963 million for the first quarter of 2023, mainly due to a 9.7% quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB780 million for the second quarter of 2023, from RMB823 million for the first quarter of 2023. The decrease was primarily attributable to growth in overseas revenues.

Finance Income, Net

Our finance income, net increased to RMB158 million for the second quarter of 2023, from RMB111 million for the first quarter of 2023, primarily due to an increase in interest income from bank deposits and decrease in interest expense from lease liabilities.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB18 million for the second quarter of 2023, compared to RMB14 million for the first quarter of 2023.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB1.4 billion for the second quarter of 2023, compared to a loss before income tax of RMB601 million for the first quarter of 2023.

Income Tax Benefits/(Expenses)

We had income tax benefits of RMB45 million for the second quarter of 2023, compared to income tax expenses of RMB275 million for the first quarter of 2023. The fluctuation was primarily due to the prior year tax return true-up adjustments recorded in the second quarter of 2023.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.5 billion for the second quarter of 2023, compared to a loss of RMB876 million for the first quarter of 2023.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

We believe that the presentation of non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of these non-IFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

The following table sets forth the reconciliations of our non-IFRS financial measures for the second quarter of 2023, the first quarter of 2023 and the second quarter of 2022, as well as the first half of 2023 and 2022, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	June 30,	March 31,	June 30,
	2023	2023	2022
	<i>(RMB millions)</i>		
Profit/(loss) for the period	1,481	(876)	(3,176)
Add:			
Share-based compensation expenses	1,056	990	1,718
Net fair value changes on investments ⁽¹⁾	157	(72)	146
Adjusted net profit/(loss)	<u>2,694</u>	<u>42</u>	<u>(1,312)</u>
Adjusted net profit/(loss)	2,694	42	(1,312)
Add:			
Income tax (benefits)/expenses	(45)	275	74
Depreciation of property and equipment	978	964	778
Depreciation of right-of-use assets	808	788	838
Amortization of intangible assets	39	38	31
Finance income, net	(158)	(111)	(1)
Adjusted EBITDA	<u>4,316</u>	<u>1,996</u>	<u>408</u>

Unaudited
Six Months Ended June 30,

	2023	2022
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(RMB millions)

Profit/(loss) for the period	605	(9,430)
Add:		
Share-based compensation expenses	2,046	3,429
Net fair value changes on investments ⁽¹⁾	85	967
	2,736	(5,034)
Adjusted net profit/(loss)	2,736	(5,034)
Adjusted net profit/(loss)	2,736	(5,034)
Add:		
Income tax expenses	230	637
Depreciation of property and equipment	1,942	1,511
Depreciation of right-of-use assets	1,596	1,666
Amortization of intangible assets	77	66
Finance (income)/expense, net	(269)	10
	6,312	(1,144)
Adjusted EBITDA	6,312	(1,144)

Note:

- ⁽¹⁾ Net fair value changes on investments represents net fair value (gains)/losses on financial assets at fair value through profit or loss of our investments in listed and unlisted entities, net (gains)/losses on deemed disposals of investments and impairment provision for investments, which is unrelated to our core business and operating performance and subject to market fluctuations, and exclusion of which provides investors with more relevant and useful information to evaluate our performance.

Liquidity and Financial Resources

Other than the funds raised through our Global Offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB13.2 billion as of June 30, 2023, compared to RMB12.5 billion as of March 31, 2023.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposits, financial assets and restricted cash. Financial assets mainly included wealth management products and others. The aggregate amount of our available funds was RMB50.5 billion as of June 30, 2023, compared to RMB44.8 billion as of March 31, 2023.

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

	Unaudited Three Months Ended June 30, 2023	Unaudited Six Months Ended June 30, 2023
	<i>(RMB millions)</i>	
Net cash generated from operating activities	6,405	8,200
Net cash used in investing activities	(4,336)	(6,029)
Net cash used in financing activities	(1,531)	(2,349)
Net increase/(decrease) in cash and cash equivalents	538	(178)
Cash and cash equivalents at the beginning of the period	12,473	13,274
Effects of exchange rate changes on cash and cash equivalents	207	122
Cash and cash equivalents at the end of the period	<u>13,218</u>	<u>13,218</u>

Net Cash Generated from Operating Activities

Net cash generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily consists of our profit/(loss) before income tax, adjusted by non-cash items and changes in working capital.

For the second quarter of 2023, our net cash generated from operating activities was RMB6.4 billion, which was primarily attributable to our profit before income tax of RMB1.4 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB1.1 billion, depreciation of property and equipment of RMB978 million, depreciation of right-of-use assets of RMB808 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB2.7 billion. We also paid income tax of RMB740 million.

Net Cash Used in Investing Activities

For the second quarter of 2023, our net cash used in investing activities was RMB4.3 billion, which was primarily attributable to the net investments in financial assets at fair value through profit or loss of RMB3.5 billion, purchase of property, equipment and intangible assets of RMB337 million and net investments in time deposits with initial terms of over three months of RMB306 million.

Net Cash Used in Financing Activities

For the second quarter of 2023, our net cash used in financing activities was RMB1.5 billion, which was primarily attributable to payments for principal elements of lease and related interests of RMB827 million and settlement to notes payable and related interests of RMB587 million, which were used to settle trade payables.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited		Unaudited	
		Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		RMB'Million	RMB'Million	RMB'Million	RMB'Million
Revenues	3	27,744	21,695	52,961	42,762
Cost of revenues	4	(13,810)	(11,925)	(27,315)	(24,210)
Gross profit		13,934	9,770	25,646	18,552
Selling and marketing expenses	4	(8,636)	(8,763)	(17,359)	(18,251)
Administrative expenses	4	(945)	(956)	(1,864)	(1,827)
Research and development expenses	4	(3,155)	(3,282)	(6,075)	(6,805)
Other income		113	147	165	410
Other (losses)/gains, net		(15)	25	85	(781)
Operating profit/(loss)		1,296	(3,059)	598	(8,702)
Finance income/(expense), net		158	1	269	(10)
Share of losses of investments accounted for using the equity method		(18)	(44)	(32)	(81)
Profit/(loss) before income tax		1,436	(3,102)	835	(8,793)
Income tax benefits/(expenses)	5	45	(74)	(230)	(637)
Profit/(loss) for the period		1,481	(3,176)	605	(9,430)
Attributable to:					
— Equity holders of the Company		1,480	(3,176)	607	(9,430)
— Non-controlling interests		1	—	(2)	—
		1,481	(3,176)	605	(9,430)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)	6				
Basic earnings/(loss) per share		0.34	(0.75)	0.14	(2.23)
Diluted earnings/(loss) per share		0.34	(0.75)	0.14	(2.23)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

<i>Note</i>	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
Profit/(loss) for the period	1,481	(3,176)	605	(9,430)
Other comprehensive income/ (loss)				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive income/(loss) of investments accounted for using the equity method	—	—	7	(10)
Currency translation differences	3,758	3,948	2,770	3,646
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(2,731)	(2,617)	(2,020)	(2,425)
Other comprehensive income for the period, net of taxes	1,027	1,331	757	1,211
Total comprehensive income/ (loss) for the period	2,508	(1,845)	1,362	(8,219)
Attributable to:				
— Equity holders of the Company	2,507	(1,845)	1,364	(8,219)
— Non-controlling interests	1	—	(2)	—
	2,508	(1,845)	1,362	(8,219)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As of June 30, 2023	Audited As of December 31, 2022
	<i>Note</i>	<u>RMB' Million</u>	<u>RMB' Million</u>
ASSETS			
Non-current assets			
Property and equipment		12,071	13,215
Right-of-use assets		10,350	10,806
Intangible assets		1,121	1,123
Investments accounted for using the equity method		260	268
Financial assets at fair value through profit or loss	7	4,611	3,626
Other financial assets at amortized cost	7	942	670
Deferred tax assets		5,642	5,095
Long-term time deposits		6,701	7,870
Other non-current assets		413	776
		<u>42,111</u>	<u>43,449</u>
Current assets			
Trade receivables	8	5,232	6,288
Prepayments, other receivables and other current assets		3,751	4,106
Financial assets at fair value through profit or loss	7	14,275	13,087
Other financial assets at amortized cost	7	701	726
Short-term time deposits		12,896	8,318
Restricted cash		40	59
Cash and cash equivalents		13,218	13,274
		<u>50,113</u>	<u>45,858</u>
Total assets		<u>92,224</u>	<u>89,307</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As of June 30, 2023	Audited As of December 31, 2022
		<i>RMB' Million</i>	<i>RMB' Million</i>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		—	—
Share premium		274,429	274,473
Treasury shares		(113)	—
Other reserves		32,048	29,239
Accumulated losses		(263,275)	(263,882)
		<u>43,089</u>	<u>39,830</u>
Non-controlling interests		<u>6</u>	<u>8</u>
Total equity		<u>43,095</u>	<u>39,838</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		8,196	8,721
Deferred tax liabilities		21	23
Other non-current liabilities		5	16
		<u>8,222</u>	<u>8,760</u>
Current liabilities			
Accounts payables	10	19,686	22,868
Other payables and accruals		13,178	10,190
Advances from customers		3,614	3,240
Income tax liabilities		867	936
Lease liabilities		3,562	3,475
		<u>40,907</u>	<u>40,709</u>
Total liabilities		<u>49,129</u>	<u>49,469</u>
Total equity and liabilities		<u>92,224</u>	<u>89,307</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2023	2022
	<i>RMB' Million</i>	<i>RMB' Million</i>
Net cash generated from/(used in) operating activities	8,200	(5,477)
Net cash used in investing activities	(6,029)	(11,443)
Net cash used in financing activities	(2,349)	(1,549)
Net decrease in cash and cash equivalents	(178)	(18,469)
Cash and cash equivalents at the beginning of the period	13,274	32,612
Effects of exchange rate changes on cash and cash equivalents	122	248
Cash and cash equivalents at the end of the period	<u>13,218</u>	<u>14,391</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the three months and six months ended June 30, 2023 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board. The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards by the Group as set out in the 2022 annual report of the Company dated March 29, 2023 (the “**2022 Financial Statements**”).

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022, as described in the 2022 Financial Statements, except for the adoption of certain new standards and amendments which has had no significant impact on the results and the financial position of the Group.

In preparing the Interim Financial Information, the critical accounting estimates and judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2022 Financial Statements.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 Segment information

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Domestic
- Overseas

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM’s performance review. There were no material inter-segment sales during the three months and six months ended June 30, 2023 and 2022.

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM. Share-based compensation expenses, other income and other (losses)/gains, net are not allocated to individual operating segments.

The segment results for the three months and six months ended June 30, 2023 and 2022 are as follows:

	Three months ended June 30, 2023			
	Domestic	Overseas	Unallocated items	Total
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	27,297	447	—	27,744
Cost of revenues and operating expenses	(24,263)	(1,227)	—	(25,490)
Unallocated items	—	—	(958)	(958)
Operating profit/(loss)	3,034	(780)	(958)	1,296
	Three months ended June 30, 2022			
	Domestic	Overseas	Unallocated items	Total
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	21,592	103	—	21,695
Cost of revenues and operating expenses	(21,499)	(1,709)	—	(23,208)
Unallocated items	—	—	(1,546)	(1,546)
Operating profit/(loss)	93	(1,606)	(1,546)	(3,059)

Six months ended June 30, 2023

	<u>Domestic</u>	<u>Overseas</u>	<u>Unallocated</u> <u>items</u>	<u>Total</u>
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	52,176	785	—	52,961
Cost of revenues and operating expenses	(48,179)	(2,388)	—	(50,567)
Unallocated items	—	—	(1,796)	(1,796)
Operating profit/(loss)	<u>3,997</u>	<u>(1,603)</u>	<u>(1,796)</u>	<u>598</u>

Six months ended June 30, 2022

	<u>Domestic</u>	<u>Overseas</u>	<u>Unallocated</u> <u>items</u>	<u>Total</u>
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	42,611	151	—	42,762
Cost of revenues and operating expenses	(44,061)	(3,603)	—	(47,664)
Unallocated items	—	—	(3,800)	(3,800)
Operating loss	<u>(1,450)</u>	<u>(3,452)</u>	<u>(3,800)</u>	<u>(8,702)</u>

3 Revenues

The breakdown of revenues during the three months and six months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	<i>RMB'Million</i>	<i>RMB'Million</i>	<i>RMB'Million</i>	<i>RMB'Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online marketing services	14,347	11,006	27,411	22,358
Live streaming	9,968	8,565	19,287	16,407
Other services	3,429	2,124	6,263	3,997
	<u>27,744</u>	<u>21,695</u>	<u>52,961</u>	<u>42,762</u>

4 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	<i>RMB'Million</i>	<i>RMB'Million</i>	<i>RMB'Million</i>	<i>RMB'Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	8,680	6,724	16,931	13,773
Promotion and advertising expenses	7,999	8,111	16,053	16,901
Employee benefit expenses	4,612	4,933	9,135	10,069
Bandwidth expenses and server custody costs	1,453	1,521	3,148	3,126
Depreciation of property and equipment	978	778	1,942	1,511
Depreciation of right-of-use assets (<i>Note a</i>)	808	838	1,596	1,666
Payment processing costs	651	431	1,146	839
Outsourcing and other labor costs	255	336	536	701
Tax surcharges	169	256	299	495
Professional fees	79	55	123	113
Credit loss allowances on financial assets	43	5	57	(3)
Amortization of intangible assets	39	31	77	66
Others (<i>Note b</i>)	780	907	1,570	1,836
	<u>26,546</u>	<u>24,926</u>	<u>52,613</u>	<u>51,093</u>

Note a: The depreciation of right-of-use assets included the expenses related to leases of internet data centers, office buildings and land with a term of over one year.

Note b: Others mainly comprise content-related costs, office facilities fees, traveling and communication fees.

5 Income tax

The income tax benefits/(expenses) of the Group during the three months and six months ended June 30, 2023 and 2022 are analyzed as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	(375)	248	(779)	(106)
Deferred income tax	<u>420</u>	<u>(322)</u>	<u>549</u>	<u>(531)</u>
Income tax benefits/(expenses)	<u>45</u>	<u>(74)</u>	<u>(230)</u>	<u>(637)</u>

6 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period.

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings/(loss) attributable to equity holders of the Company (<i>RMB' Million</i>)	1,480	(3,176)	607	(9,430)
Weighted average number of ordinary shares in issue (<i>million shares</i>)	<u>4,311</u>	<u>4,246</u>	<u>4,306</u>	<u>4,235</u>
Basic earnings/(loss) per share (<i>expressed in RMB per share</i>)	<u>0.34</u>	<u>(0.75)</u>	<u>0.14</u>	<u>(2.23)</u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the three months and six months ended June 30, 2023 and 2022, the Company had two categories of potential ordinary shares: share options and restricted share units (“RSUs”). As the Company incurred losses for the three months and six months ended June 30, 2022, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the three months and six months ended June 30, 2022 were the same as basic loss per share for the respective periods.

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Earnings/(loss) attributable to equity holders of the Company (RMB' Million)	1,480	(3,176)	607	(9,430)
Weighted average number of ordinary shares in issue (million shares)	4,311	4,246	4,306	4,235
Adjustments for share options and RSUs (million shares)	90	—	106	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (million shares)	4,401	4,246	4,412	4,235
Diluted earnings/(loss) per share (expressed in RMB per share)	<u>0.34</u>	<u>(0.75)</u>	<u>0.14</u>	<u>(2.23)</u>

7 Investments

	As of June 30, 2023	As of December 31, 2022
	<i>RMB' Million</i> (Unaudited)	<i>RMB' Million</i> (Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
– Investments in unlisted entities	2,835	2,876
– Investment in a listed entity	81	78
– Wealth management products and others	1,695	672
	<u>4,611</u>	<u>3,626</u>
Other financial assets at amortized cost	942	670
	<u>5,553</u>	<u>4,296</u>
Current assets		
Financial assets at fair value through profit or loss		
– Investment in a listed entity	18	16
– Wealth management products and others	14,257	13,071
	<u>14,275</u>	<u>13,087</u>
Other financial assets at amortized cost	701	726
	<u>14,976</u>	<u>13,813</u>
Total	<u><u>20,529</u></u>	<u><u>18,109</u></u>

8 Trade receivables

	As of June 30, 2023	As of December 31, 2022
	<i>RMB'Million</i> (Unaudited)	<i>RMB'Million</i> (Audited)
Trade receivables from contracts with customers	5,334	6,333
Less: credit loss allowances	(102)	(45)
	<u>5,232</u>	<u>6,288</u>

The Group generally grants a credit period of 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As of June 30, 2023	As of December 31, 2022
	<i>RMB'Million</i> (Unaudited)	<i>RMB'Million</i> (Audited)
Up to 3 months	4,689	5,790
Over 3 months	645	543
	<u>5,334</u>	<u>6,333</u>

Movements on the Group's allowances for credit loss of trade receivables are as follows:

	Six months ended June 30,	
	2023	2022
	<i>RMB'Million</i> (Unaudited)	<i>RMB'Million</i> (Unaudited)
At the beginning of the period	(45)	(26)
(Additional)/reversal of provision	(57)	2
	<u>(102)</u>	<u>(24)</u>

9 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2023 and 2022.

10 Accounts payables

Accounts payables and their aging analysis based on invoice date are as follows:

	As of June 30, 2023	As of December 31, 2022
	<i>RMB' Million</i> (Unaudited)	<i>RMB' Million</i> (Audited)
Up to 3 months	13,843	17,312
3 to 6 months	2,111	1,458
6 months to 1 year	2,306	3,358
Over 1 year	1,426	740
	<u>19,686</u>	<u>22,868</u>

OTHER INFORMATION

Change in Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering, after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, were approximately HK\$46,964.4 million.

As of June 30, 2023, the total unutilized net proceeds from the Global Offering amounted to approximately HK\$12,632.9 million (the “**Unutilized Net Proceeds**”). After due and careful consideration of the current business environment and development needs of the Group, the Board has resolved to change the use of the Unutilized Net Proceeds in the following manner:

	Allocation of the net proceeds as set out in the Prospectus <i>(HK\$ million)</i>	Amount of net proceeds utilized as of June 30, 2023 <i>(HK\$ million)</i>	Amount of Unutilized Net Proceeds as of June 30, 2023 <i>(HK\$ million)</i>	Revised allocation of the Unutilized Net Proceeds <i>(HK\$ million)</i>	Expected timeline of full utilization of the Unutilized Net Proceeds
Enhance and grow the ecosystem	16,437.5	15,859.3	578.2	4,737.3	Before December 31, 2025
Strengthen research and development and technological capabilities	14,089.3	13,367.2	722.1	4,237.3	Before December 31, 2025
Selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	500.0	Before December 31, 2025
Working capital and general corporate purposes	4,696.5	4,600.0	96.5	3,158.3	Before December 31, 2025
Total	46,964.4	34,331.5	12,632.9	12,632.9	

Reasons and Benefits for the Change in Use of Proceeds

Taking into account the business strategy of the Group and limited quality acquisition and investment targets with appropriate values, the allocation of part of the Unutilized Net Proceeds to enhance and grow the ecosystem, strengthen research and development and technological capabilities, supplement working capital and serve other general corporate purposes can improve the utilization efficiency of the capital, and boost the healthy and sustainable development of the Group.

The Group will continue to focus on the strategic needs of long-term development and (i) expand user base and content ecosystem, and enhance the comprehensive service capabilities of the Group, (ii) adopt a prudent way to select and evaluate quality targets which are complementary to the business and are in line with the philosophy and growth strategies of the Group, and (iii) further optimize operational and monetization efficiency. Due to the uncertainty of the recovery pace of the post-pandemic era, the Group expects that additional time is required for assessing the market conditions before fully utilizing the Unutilized Net Proceeds.

In view of the above, the Board considers that the change in use of the Unutilized Net Proceeds is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Since the Company is an offshore holding company, it will need to make capital contributions and loans to its PRC subsidiaries or through loans to the Consolidated Affiliated Entities such that the net proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under the PRC laws and regulations. There are no costs associated with registering loans or capital contributions with the relevant PRC authorities, other than nominal processing charges. The Company cannot assure that it can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use the net proceeds as described above, in each case on a timely basis, or at all. This is because the PRC regulation of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent the Company from using the net proceeds to make loans or additional capital contributions to its PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended June 30, 2023 and up to the date of this announcement, the Company repurchased a total of 6,045,500 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$321,598,408.15. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration
		Highest	Lowest	
		<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
May 2023	<u>1,983,000</u>	54.85	50.90	<u>103,775,741.90</u>
June 2023	<u>2,262,500</u>	54.95	53.20	<u>122,299,086.25</u>
July 2023	<u>1,800,000</u>	53.95	51.05	<u>95,523,580.00</u>
Total	<u><u>6,045,500</u></u>			<u><u>321,598,408.15</u></u>

As at the date of this announcement, a total of 6,045,500 Class B Shares repurchased from May to July 2023 have been cancelled on June 9, 2023 and July 31, 2023, respectively, and the number of Class B Shares in issue was reduced by 6,045,500 shares as a result of the cancellation. Upon cancellation of such Class B Shares, Reach Best Developments Limited, a holder of Class A Shares, simultaneously converted 350,339 Class A Shares and 717,209 Class A Shares into Class B Shares on a one-to-one ratio on June 9, 2023 and July 31, 2023, respectively, pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying weighted voting rights of the Company would not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

Save as disclosed above, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company’s listed securities during the six months ended June 30, 2023 and up to the date of this announcement.

Transfer of Equity Interests of Consolidated Affiliated Entities

In order to allow for more efficient corporate management of the Group, and in conjunction with future development plans, the Company will implement the Transfers (as defined below) in the following manner:

- (a) the equity interests held by each of the registered shareholder(s) of Beijing Mufei, Beijing Hanyu, Huai'an Shuangxin, Beijing Murong, Beijing Qingque and Beijing Zhongbo Keyuan (together, the "**Certain Consolidated Affiliated Entities**") will be transferred to Huayi Huilong or Hangzhou Youqu (or their respective subsidiaries) (as the case may be), taking into account the similarity and/or synergies of the businesses as well as the locality of these entities (the "**Transfer 1**"). Upon completion of the Transfer 1, each of the Certain Consolidated Affiliated Entities will become a wholly-owned subsidiary of Huayi Huilong or Hangzhou Youqu (as the case may be); and
- (b) Mr. Yin Xin ("**Mr. Yin**"), one of the existing registered shareholders of Beijing One Smile, will be transferred an additional 5.18% of the registered share capital currently held by Ms. Hu Changjuan together with all rights and obligations of the transferor under the Contractual Arrangements (the "**Transfer 2**", together with Transfer 1, the "**Transfers**"). Mr. Yin will enter into a restated and amended equity pledge agreement with WFOE and Beijing One Smile to pledge to WFOE his entire equity interests in Beijing One Smile. Upon completion of the Transfer 2, Beijing One Smile will be held as to (i) 32.32% by Mr. Su Hua, (ii) 29.24% by Mr. Yang Yuanxi, (iii) 25.86% by Mr. Cheng Yixiao, and (iv) 12.58% by Mr. Yin.

No new Contractual Arrangements have been or will be entered into involving the Certain Consolidated Affiliated Entities, Beijing One Smile, Huayi Huilong or Hangzhou Youqu. The Transfers will not result in any change to the Company's ownership and control in the relevant companies, and the economic interests of all those companies will continue to be consolidated into the Group.

The Transfers will reduce the number of the Contractual Arrangements as well as the individual registered shareholders involved, and lead to operating efficiency in terms of decision making process and the more centralized management of the Group.

At the time of the Listing, the Company had applied to the Stock Exchange for, and the Stock Exchange had granted to the Company, a waiver (the "**IPO Waiver**") in respect of continuing connected transactions in the form of the Contractual Arrangements, subject to certain conditions as set out therein.

The Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that upon the completion of the Transfers, the transactions contemplated under the Contractual Arrangements would continue to fall within the scope of the waiver from the requirements of Chapter 14A of the Listing Rules as set out in the IPO Waiver and are exempt from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject to the same conditions of the IPO Waiver. The Stock Exchange also confirmed that the Transfers are not considered as a change to the Contractual Arrangements as set forth in the IPO Waiver and therefore are not subject to the approval of the independent non-executive Directors or independent Shareholders.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. The Company complied with all applicable code provisions as set out in Part 2 of the Corporate Governance Code during the six months ended June 30, 2023.

Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all Directors have confirmed that they complied with the required standards as set out in the Model Code during the six months ended June 30, 2023.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023.

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited Interim Financial Information for the three and six months ended June 30, 2023. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited Interim Financial Information for the three and six months ended June 30, 2023 has been prepared in accordance with IFRS.

Significant Events after June 30, 2023

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after June 30, 2023 and up to the date of this announcement.

Publication of the Interim Results and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com), and the interim report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com) and will be despatched to the Shareholders in accordance with the Listing Rules in due course.

APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude to our conscientious and professional staff and management team for their hard work. I would also like to extend our thanks and appreciation to our Shareholders and stakeholders who continue to provide us with great support and confidence.

By order of the Board
Kuaishou Technology
Mr. Su Hua
Chairman

Hong Kong, August 22, 2023

As at the date of this announcement, the Board comprises Mr. SU Hua and Mr. CHENG Yixiao as executive Directors; Mr. LI Zhaohui, Mr. ZHANG Fei, Dr. SHEN Dou, Mr. LIN Frank and Mr. WANG Huiwen as non-executive Directors; Mr. HUANG Sidney Xuande and Mr. MA Yin as independent non-executive Directors.

Certain statements included in this announcement, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “might”, “can”, “could”, “will”, “would”, “anticipate”, “believe”, “continue”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “seek”, or “timetable”. These forward-looking statements, which are subject to risks, uncertainties, and assumptions, may include our business outlook, estimates of financial performance, forecast business plans, growth strategies and projections of anticipated trends in our industry. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, many of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Except as required by law, we are not obligated, and we undertake no obligation, to release publicly any revisions to these forward-looking statements that might reflect events or circumstance occurring after the date of this announcement or those that might reflect the occurrence of unanticipated events.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AI”	artificial intelligence
“ARPPU”	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
“Articles” or “Articles of Association”	the articles of association of the Company adopted on and with effect from June 16, 2023, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Beijing Hanyu”	Beijing Hanyu Internet Technology Co., Ltd. (北京瀚宇互聯科技有限公司), a limited liability company incorporated under the laws of the PRC on December 12, 2017 and a Consolidated Affiliated Entity
“Beijing Mufei”	Beijing Mufei Technology Co., Ltd. (北京慕飛科技有限公司), a limited liability company incorporated under the laws of the PRC on November 7, 2019 and a Consolidated Affiliated Entity
“Beijing Murong”	Beijing Murong Technology Co., Ltd. (北京沐榕科技有限責任公司), a limited liability company incorporated under the laws of the PRC on May 8, 2019 and a Consolidated Affiliated Entity
“Beijing One Smile”	Beijing One Smile Technology and Development Co., Ltd. (北京一笑科技發展有限公司), a limited liability company incorporated under the laws of the PRC on November 29, 2011 and a Consolidated Affiliated Entity
“Beijing Qingque”	Beijing Qingque Technology Co., Ltd. (北京輕雀科技有限公司), a limited liability company incorporated under the laws of the PRC on August 5, 2020 and a Consolidated Affiliated Entity
“Beijing Zhongbo Keyuan”	Beijing Zhongbo Keyuan Technology Co., Ltd. (北京中博科遠科技有限公司), a limited liability company incorporated under the laws of the PRC on June 20, 2017 and a Consolidated Affiliated Entity
“Board” or “Board of Directors”	the board of directors of the Company
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share

“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into between WFOE, PRC Holdcos and the registered shareholders (as applicable)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of the Class B Shares
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group”, “our Group” or “the Group”	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
“Hangzhou Youqu”	Hangzhou Youqu Network Co., Ltd. (杭州遊趣網絡有限公司), a limited liability company incorporated under the laws of the PRC on July 7, 2008 and a Consolidated Affiliated Entity
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Huai’an Shuangxin”	Huai’an Shuangxin Culture Communication Co., Ltd. (淮安雙馨文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on August 7, 2020 and a Consolidated Affiliated Entity
“Huayi Huilong”	Beijing Huayi Huilong Network Technology Co., Ltd. (北京華藝匯龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2006 and a Consolidated Affiliated Entity
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences
“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“MAUs”	refers to monthly active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the calendar month
“Memorandum”	the memorandum of association of the Company (as amended from time to time), adopted on and with effect from June 16, 2023
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which refers to the number of user accounts that purchase a particular service at least once in a given month
“paying user”	a user account that purchases a particular service at least once during a given period
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“PRC Holdcos”	for the purpose of this announcement, means (i) Beijing Mufei, (ii) Beijing Hanyu, (iii) Huai’an Shuangxin, (iv) Beijing Murong, (v) Beijing Qingque, (vi) Beijing Zhongbo Keyuan, (vii) Beijing One Smile, (viii) Huayi Huilong, and (ix) Hangzhou Youqu
“Prospectus”	the prospectus of the Company dated January 26, 2021
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“ROI”	return on investment
“Share(s)”	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“US\$”	the lawful currency of the United States of America
“WFOE”	Beijing Dajia Internet Information Technology Co., Ltd. (北京達佳互聯信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 2, 2014 and an indirect wholly-owned subsidiary of the Company
“%”	per cent