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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)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2023. The consolidated financial statements for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”), in accordance with International Standards on Auditing. The results have been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Year Ended December 31,				Year-over-year change
	2023		2022		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB millions, except for percentages)</i>				
Revenues	113,470	100.0	94,183	100.0	20.5%
Gross profit	57,391	50.6	42,131	44.7	36.2%
Operating profit/(loss)	6,431	5.7	(12,558)	(13.3)	N/A
Profit/(loss) for the year	6,399	5.6	(13,689)	(14.5)	N/A

Non-IFRS Accounting Standards

Measures:

Adjusted net profit/(loss) ⁽¹⁾ (unaudited)	10,271	9.1	(5,751)	(6.1)	N/A
Adjusted EBITDA ⁽²⁾ (unaudited)	17,424	15.4	1,815	1.9	860.0%

Unaudited
Three Months Ended December 31,

	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	32,561	100.0	28,293	100.0	15.1%
Gross profit	17,292	53.1	12,876	45.5	34.3%
Operating profit/(loss)	3,622	11.1	(1,243)	(4.4)	N/A
Profit/(loss) for the period	3,612	11.1	(1,547)	(5.5)	N/A

Non-IFRS Accounting Standards

Measures:

Adjusted net profit/(loss) ⁽¹⁾	4,362	13.4	(45)	(0.2)	N/A
Adjusted EBITDA ⁽²⁾	6,132	18.8	1,936	6.8	216.7%

Notes:

- ⁽¹⁾ We define “adjusted net profit/(loss)” as profit/(loss) for the year or 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 year or period adjusted by income tax expenses, depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance income, net.

Financial Information by Segment

Year Ended December 31, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	111,186	2,284	—	113,470
Operating profit/(loss)	11,402	(2,789)	(2,182)	6,431

Year Ended December 31, 2022

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	93,558	625	—	94,183
Operating profit/(loss)	192	(6,638)	(6,112)	(12,558)

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	Revenues	18.8%	265.4%	—
Operating profit/(loss)	5,838.5%	(58.0%)	(64.3%)	N/A

Unaudited
Three Months Ended December 31, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	31,714	847	—	32,561
Operating profit/(loss)	4,250	(551)	(77)	3,622

Unaudited
Three Months Ended December 31, 2022

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	28,008	285	—	28,293
Operating profit/(loss)	1,267	(1,499)	(1,011)	(1,243)

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	13.2%	197.2%	—	15.1%
Operating profit/(loss)	235.4%	(63.2%)	(92.4%)	N/A

Note:

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

Operating Metrics

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

	Year Ended December 31,	
	2023	2022
Average DAUs <i>(in millions)</i>	379.9	355.7
Average MAUs <i>(in millions)</i>	678.2	612.7
Average online marketing services revenue per DAU <i>(in RMB)</i>	158.7	137.9
Total e-commerce GMV ⁽¹⁾ <i>(RMB in millions)</i>	1,184,370.8	901,156.6

	Three Months Ended December 31,	
	2023	2022
Average DAUs (<i>in millions</i>)	382.5	366.2
Average MAUs (<i>in millions</i>)	700.4	640.0
Average online marketing services revenue per DAU (<i>in RMB</i>)	47.6	41.2
Total e-commerce GMV ⁽¹⁾ (<i>RMB in millions</i>)	403,908.2	312,386.7

Note:

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

BUSINESS REVIEW AND OUTLOOK

Business Review

Despite the ongoing external macro challenges in 2023, we remained true to our long-term vision and commitment of creating value for our users and partners by building and maintaining a healthier and more inclusive content and commercial ecosystem. We supported good quality content and broadened recommendations for useful and entertaining content including short video and live streaming, cultivating a good quality content ecosystem. We also continuously deepened the construction of the entertainment live streaming ecosystem by supporting small and medium-level streamers and Chinese traditional cultural streamers to create a healthier and sustainable entertainment live streaming ecosystem. Moreover, we nurtured a more satisfactory e-commerce ecosystem for users by leveraging the scoring system for merchandise, store experience and KOLs' reputation in our e-commerce traffic distribution. We upgraded our traffic distribution mechanism by incorporating users' experience indicators into our recommendation algorithm. This better aligned our content quality and commercialization efficiency. Lastly, we further optimized our organization structure, strengthened the integration of content and commercial ecosystem, and enhanced overall organization efficiency.

As a result of these efforts, our user base repeatedly reached greater heights throughout the year. In the fourth quarter of 2023, average MAUs on the Kuaishou App exceeded 700 million, marking another new record. Additionally, a growing number of e-commerce merchants and marketing clients chose Kuaishou as their go-to platform for long-term operations. This was underscored by over 50% year-over-year increase in the number of monthly active merchants on Kuaishou as well as over 100% year-over-year increase in the number of marketing clients in 2023. Both our e-commerce and online marketing services outshined the overall average market performance in terms of growth rate, leading to a steady increase in their market share. In our overseas business, we focused on key markets, which considerably increased our revenues and decreased our losses. As for our innovative businesses, such as local services, **Kwai Hire** (快聘) and **Ideal Housing** (理想家), we zeroed in on building our strength and establishing a solid foundation for rapid future expansion. The advancements we achieved in our content and commercial ecosystem also drove robust financial improvement. Our total revenue reached RMB113.5 billion in 2023, representing a 20.5% year-over-year increase. Moreover, we turned losses into gains in both adjusted net profit and profit for the year in 2023. Our full-year adjusted net profit surpassed RMB10 billion mark to reach RMB10.3 billion, which demonstrated that the Company ushered in an era of sustainable profitability.

User and content ecosystem

In the fourth quarter of 2023, we optimized our user growth strategies, built scenarios for user demand insight and explored user interests with refined algorithms. As a result, average DAUs and MAUs on the Kuaishou App reached 382.5 million and 700.4 million, representing a 4.5% and 9.4% year-over-year increase, respectively. The average daily time spent per DAU on the Kuaishou App was 124.5 minutes in the same period.

In terms of user growth, we prioritized acquiring high-value users with high retention potentials to achieve quality growth. By optimizing efficiency in growth from various channels, we continuously reduced the acquisition cost per new user year-over-year. Based on our refined operation strategy, the subsidy cost per DAU of Kuaishou Express declined year-over-year in the fourth quarter of 2023.

Content consumption is the core value provided by Kuaishou App for users. We have successfully built a sustainable content supply ecosystem that identifies and magnifies advantageous content featuring distinctive Kuaishou characteristics. The short play industry, for example, is an area in which Kuaishou has always been a pioneer and leader. As of the end of 2023, we launched almost 1,000 short plays produced by ***Kuaishou Astral Short Plays (快手星芒短劇)***, including more than 300 blockbusters each of which received more than 100 million views. In addition, we have also introduced tens of thousands of short plays for subscription produced by third parties. We created a superior native user experience by building our self-developed sales funnel conversion path, and drove the rapid growth of both supply and demand sides through efficient traffic distribution. In the fourth quarter of 2023, heavy users of short plays, who watched over 10 episodes a day, reached 94 million, representing a year-over-year increase of over 50%. With a stream of frequent blockbuster releases, our high quality short plays also stimulated users' willingness to pay for content. In the fourth quarter of 2023, daily average paying users of short plays on Kuaishou grew by over three times year-over-year. In the ***Three Rural (三農)*** content vertical including agriculture, rural areas and rural inhabitants, we created a heartwarming online community for the rural population based on our fair and inclusive traffic distribution mechanism. In the fourth quarter of 2023, the number of short videos posted by active creators with over 10,000 followers in the ***Three Rural*** vertical increased by over 30%, while the daily average views of ***Three Rural*** themed videos climbed by more than 20%, both on a year-over-year basis. Growth in this vertical demonstrates that more rural creators were gaining exposure on Kuaishou. We also provided diverse monetization channels to support this burgeoning group of creators. As a result, the number of creators with 10,000 followers in the ***Three Rural*** vertical who earned income from our commercial ecosystem including e-commerce increased by over 30% year-over-year in the fourth quarter of 2023, playing an important role in promoting rural revitalization.

For our search business, we improved the construction of the “search after watching” scenario and increased the weight of social relationships and useful content in the ranking of searching results. In this way, we enhanced search user penetration and search experience. In the fourth quarter of 2023, Kuaishou search's average monthly users increased by more than 16%, and the number of average daily searches continuously increased, both on a year-over-year basis. In terms of commercialization, revenue from search marketing services grew by nearly 100% year-over-year in the fourth quarter of 2023.

Online marketing services

In the fourth quarter of 2023, revenue from online marketing services grew by 20.6% year-over-year to RMB18.2 billion. This robust growth was primarily attributable to our refined industry-specific operations, our upgraded smart marketing placement products, and the continuous optimization of our algorithms. In the fourth quarter of 2023, the number of active marketing clients increased by more than 160% year-over-year.

In the fourth quarter of 2023, native marketing services remained the major driver of our online marketing revenue growth. We unveiled new features for our omni-platform marketing solution, including in-placement analysis, post-placement review and real-time material analysis. These enhancements further helped merchants leverage our high-quality traffic and maximize their GMV across our platform. In the fourth quarter of 2023, merchants' consumption on omni-platform marketing solutions soared by more than 200% quarter-over-quarter. In addition, our smart hosting products were broadly applied to various scenarios, including live streaming hosting, merchandise hosting and search hosting. These products lowered the placement threshold for small and medium-sized merchants, contributing to improvements in marketing consumption and performance. In the fourth quarter of 2023, merchants' consumption through live-streaming hosting leaped by over 150% quarter-over-quarter.

In the fourth quarter of 2023, the year-over-year revenue growth rate of our external performance marketing services continued to increase, compared with the third quarter of 2023. This was particularly evident in industries such as media information, education and training, and gaming. For example, for paid short plays in the media information industry, we consistently optimized our self-developed sales funnel conversion path, where we created a higher-quality short play ecosystem and enhanced user experience. Meanwhile, we improved our real-time forecasting model through algorithms, which fortified users' willingness to pay as well as stimulated marketing clients' inclination to place advertisements on our platform. In the fourth quarter of 2023, the marketing consumption of the paid short play vertical increased by more than three-fold year-over-year. To enhance our product capabilities, we rolled out the **Universal Auto Ads for Leads (UAL, 線索全自動營銷產品)** while leveraging AIGC to improve production efficiency and quality of marketing materials. This provided our clients with smart marketing capabilities for targeted demographics. To promote native marketing materials, we reinforced the integration of native marketing content and organic content in terms of underlying data and traffic synergy, achieving a true "marketing as content" approach. In the fourth quarter of 2023, the consumption of external native marketing materials increased by more than 50% quarter-over-quarter. The share of external marketing consumption from native marketing materials consistently increased.

Our brand marketing revenue grew by over 80% quarter-over-quarter in the fourth quarter of 2023, boosted by key promotion events, including the Double 11 Sales Promotion and our own marketing programs. We launched marketing solutions that integrated brand awareness, sales conversion, and marketing operations for marketing clients in the automotive industry. These solutions reached potential users and amplified conversion efficiency through optimal scenarios, operations and models. Driven by our distinctive brand portfolios and unique traffic, we established in-depth marketing collaborations with many leading automotive brands, including FAW-Volkswagen Audi and Nio. Moreover, we stimulated the growth in budget placement from brands by leveraging quality content. **Kuaishou Astral Short Plays (快手星芒短劇)** became a preferred marketing tool for many brands. In the fourth quarter of 2023, revenue from marketing sponsorship of **Kuaishou Astral Short Plays (快手星芒短劇)** surged by more than six-fold quarter-over-quarter, with a diverse range of customers from industries such as fast moving consumer goods, e-commerce as well as cosmetics and skincare.

E-commerce

In the fourth quarter of 2023, our e-commerce GMV maintained a rapid growth rate of 29.3% year-over-year, reaching RMB403.9 billion. We continued to gain market share, achieving favorable progress in terms of users, goods and venues.

On the user side, in the fourth quarter of 2023, the average number of MPUs reached a new high, exceeding 130 million, with the MAU penetration rate increasing to 18.6%. This was mainly due to our continuous enrichment of shopping scenarios such as shelf-based e-commerce, and the constant upgrade of our products and features. Meanwhile, we refined our smart subsidies and strengthened the

governance of our e-commerce ecosystem. Bolstered by the Double 11 and Double 12 Sales Promotions, we maintained a year-over-year increase in both monthly purchasing frequency and ARPPU.

On the supply side, more than one million merchants participated in the Double 11 Sales Promotion. The high participation level accelerated growth in the number of monthly active merchants by over 50% year-over-year. To better help merchants grow on Kuaishou platform, we unveiled policies to assist cold-start stage, such as our **Merchants' Training Camp** (商家訓練營) and our **Uplift Initiative** (扶搖計劃). We also built service centers and product selection centers in the industry zones of 14 core cities. Leveraging service provider resources, we offered localized operations and training tailored to small and medium-sized merchants.

Regarding brands, we maintained robust growth in the fourth quarter of 2023. During the sales promotion period, GMV from brands increased by 155% year-over-year, with nearly 2,500 brands doubling their GMV. In the fourth quarter of 2023, GMV from well-known brands' self-operated live-streaming maintained a more than two-fold year-over-year increase, primarily driven by brand-intensive industries including consumer electronics, home appliances, men's apparel and sports. Additionally, we strengthened the retrieval of brands with outperforming distribution products through the **Stream Initiative** (川流計劃) and encouraged them to focus on self-operated live streaming. With respect to KOLs, we continued to focus on the health of our KOL ecosystem. We encouraged new KOLs to live streaming through our **Spark Initiative** (花火計劃). KOLs also leveraged short videos for product recommendations, adding shopping links, and optimizing shop window displays to synergize with their live streaming. On the distribution side, we stimulated KOLs' selling enthusiasm through precise matching services and promotional events.

In terms of e-commerce scenarios, we continued to fortify the infrastructure of our e-commerce ecosystem, laying a solid foundation for exploring and further meeting user demand. Meanwhile, we also made significant strides in the shelf-based and short video e-commerce realm.

In the fourth quarter of 2023, the growth of shelf-based e-commerce GMV outpaced that of our overall platform, accounting for more than 20% of total GMV. This was mainly driven by parallel growth in both supply and demand. Specifically, for the shopping mall, we provided full access to the shopping mall tab on our homepage during the promotional season to expand traffic. With a deep understanding of users' shopping preferences, we enriched the merchandise supply on our platform, complementing content e-commerce by expanding standard merchandise categories and brand merchandise. At the same time, we strengthened users' mindset for most value-for-money shopping through marketing initiatives, which also helped us unlock more shopping needs. In addition, we explored the diversity of users' shopping needs through algorithms and dynamically adjusted exploration traffic to incrementally reinforce users' shopping mindset at our shopping mall. In the search realm, users' search-induced e-commerce mentality was continuously strengthened. We enhanced the accuracy of users' intention identification and merchandise display, leading to a sustained increase in conversion efficiency. As a result, GMV expanded by more than 60% year-over-year.

Short video e-commerce GMV grew rapidly in the fourth quarter of 2023 and more than doubled year-over-year. This was mainly attributable to an enriched short video supply and improved content quality. During the pre-sale period of the Double 11 Sales Promotion, merchants expanded their exposure through short video, setting new pre-sale GMV records. Throughout the promotion period, merchants created blockbusters by leveraging both short video and live streaming. After the promotion, short videos were used as steady and high-quality e-commerce content that was widely disseminated to convert more viewers into buyers.

With respect to the infrastructure of our e-commerce ecosystem, we strengthened our pricing capabilities in the fourth quarter of 2023. Incorporating pricing signals into short video and shelf-based e-commerce scenarios, we improved the display of highly cost-effective merchandise. This further boosted our platform's efficiency and optimized user experience. Meanwhile, we stepped up our efforts to refine labeling for new merchandise and blockbusters, and upgraded the three-score system, which heightened traffic allocation efficiency.

Live streaming

In the fourth quarter of 2023, revenue from our live streaming business remained stable year-over-year, increasing by 3.4% quarter-over-quarter to RMB10.0 billion. This was attributable to our unwavering commitment to fostering our ecosystem's long-term health and our focus on high-quality content as the core driving force behind our live-streaming business. On the supply side, we have deepened and broadened our local operations in major regions nationwide, driving increasing number of regional talent agencies and streamers while increasing talent agencies' gross revenue. As of the end of the fourth quarter of 2023, the number of regional talent agencies collaborating with us exceeded 1,300. Meanwhile, we continued to develop new content, interactive scenarios and product features on our platform to meet users' diverse consumption needs. Notably, we are consistently promoting emerging product categories such as multi-host live streaming and "Grand Stage", while iterating our policies, refining product features and expanding user scenarios. These concerted efforts have been instrumental in driving our steady revenue growth. In the fourth quarter of 2023, the number of streamers on Kuaishou managed by talent agencies increased by nearly 40%, and the average daily live-streaming time of streamers increased by more than 30%, both on a year-over-year basis.

We continued to explore and cultivate good quality live-streaming content and streamers, carving out Kuaishou's distinctive characteristics under robust category operations. We strongly supported key categories of traditional culture, such as opera and folk music. In 2023, the number of traditional cultural streamers, including those involved in intangible cultural heritage inheritance, exceeded 190,000. Additionally, at the 2023 Annual Grand Ceremony, we expanded multi-dimensional tracks, established growth pathways for streamers, and extended coverage to more mid-tier streamers. The proportion of streamers with professional talents and abilities has consistently increased, demonstrating greater long-term ecosystem value.

As a prime example of our "live streaming+" services empowering traditional industries, *Kwai Hire* (快聘) experienced an increase of over 200% year-over-year in average daily resume submissions during the fourth quarter of 2023, while the daily average number of users submitting resumes grew by over 100% year-over-year. In the fourth quarter of 2023, *Ideal Housing* (理想家) achieved a cumulative gross transaction value of more than RMB16 billion.

Overseas

In the fourth quarter of 2023, we continued advancing our strategy focused on key overseas markets. DAUs and user time spent in core overseas markets such as Brazil and Indonesia grew steadily year-over-year. While developing our user ecosystem, we promoted the production of localized original content, adding diversified offerings across short plays, mini-games and sports, among others. We also sponsored popular shows in Latin America, continuing to enhance our media brand influence. On top of that, we intensified our monetization efforts. In the fourth quarter of 2023, total revenue of our overseas

business reached RMB847 million, increasing by nearly 200% year-over-year. Meanwhile, we continued to improve operating efficiency, which led to a significant reduction in user growth costs by more than 30% year-over-year. We narrowed our overseas operating loss by 63.2% year-over-year in the fourth quarter of 2023 and further reduced our operating loss quarter-over-quarter. Our full-year operating loss from the overseas business narrowed from RMB6.6 billion in 2022 to RMB2.8 billion in 2023.

On the overseas online marketing services front, we focused on deep industry cultivation at the content level and fostered the development of key industries and localized capabilities. We continued to advance the development and enhance our product ecosystem with a focus on bid products, live streaming traffic and original content, stimulating rapid growth of revenue and consumption for clients across multiple industries, such as e-commerce and gaming. In the fourth quarter of 2023, online marketing revenue of our overseas business increased by over 300% year-over-year. Additionally, we continued to expand the scale of high-quality KOLs and create a carefully curated pool of KOLs, providing clients with a conducive environment and the creative capabilities to produce high-quality content, as well as enhancing marketing efficiency.

Corporate social responsibilities

The digital economy has become a key driver of high-quality growth in China's economy. By leveraging innovative technology for short video and live streaming, Kuaishou is empowering offline recruitment and revolutionizing traditional jobs with video content and fostering the rise of new digital professions, integrating the digital economy with the physical economy.

As of the end of 2023, we facilitated over 40.2 million job opportunities. In addition, our ***Kwai Hire (快聘)*** conducted 5.5 million live streaming sessions in 2023, which significantly enhanced recruitment efficiency and helped more users find jobs. According to the "Report on the Role of the Short Video and Live Streaming Ecosystem in Fostering New Professions and Promoting High-quality Full Employment" published by the Ministry of Human Resources and Social Security in November 2023, the short video and live streaming ecosystem exemplified by platforms such as Kuaishou has created and cultivated 174 new job categories. These include career positions such as "Internet Recruitment Specialist" and "Real Estate Live Streaming Agents".

Looking ahead, we are committed to harnessing our evolving content and commercial ecosystem to promote the digital evolution and upgrade of traditional jobs. By embracing new business formats, we will introduce new professions, facilitating and solidifying high-quality employment. Through these efforts, we aim to meaningfully contribute to the development of the digital economy.

Business Outlook

As we move forward, our commitment to progress across our multiple growth engines remains steadfast. We will be dedicated to enhancing our infrastructure, algorithms, content and commercial scenarios.

Despite ongoing macro challenges, we are doubling down on internal efforts to optimize cost structure and improve our operating efficiency, gearing up for improved economic conditions that enable us to swiftly unlock potential and achieve faster development. Upholding our founding aspiration to enable everyone to be seen, we will continue to provide our users good content and valuable services. At the same time, we will strive to create greater economic value for our partners, thereby unleashing the energy and vitality of our unique, trust-based content and commercial ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2023 Compared to Year ended December 31, 2022

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the years ended December 31, 2023 and 2022, respectively:

	Year Ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	113,470	100.0	94,183	100.0
Cost of revenues	(56,079)	(49.4)	(52,052)	(55.3)
Gross profit	57,391	50.6	42,131	44.7
Selling and marketing expenses	(36,496)	(32.2)	(37,121)	(39.4)
Administrative expenses	(3,514)	(3.1)	(3,921)	(4.2)
Research and development expenses	(12,338)	(10.9)	(13,784)	(14.6)
Other income	978	0.9	1,547	1.6
Other gains/(losses), net	410	0.4	(1,410)	(1.4)
Operating profit/(loss)	6,431	5.7	(12,558)	(13.3)
Finance income, net	539	0.5	166	0.1
Share of losses of investments accounted for using the equity method	(81)	(0.1)	(139)	(0.1)
Profit/(loss) before income tax	6,889	6.1	(12,531)	(13.3)
Income tax expenses	(490)	(0.5)	(1,158)	(1.2)
Profit/(loss) for the year	<u>6,399</u>	<u>5.6</u>	<u>(13,689)</u>	<u>(14.5)</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit/(loss) (unaudited)	10,271	9.1	(5,751)	(6.1)
Adjusted EBITDA (unaudited)	17,424	15.4	1,815	1.9

Revenues

Our revenues increased by 20.5% to RMB113.5 billion in 2023, from RMB94.2 billion in 2022. The increase was primarily attributable to the growth of our online marketing services, e-commerce business and live streaming business.

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

	Year Ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	60,304	53.1	49,042	52.1
Live streaming	39,054	34.4	35,388	37.6
Other services	14,112	12.5	9,753	10.3
Total	<u>113,470</u>	<u>100.0</u>	<u>94,183</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 23.0% to RMB60.3 billion in 2023 from RMB49.0 billion in 2022, primarily attributable to the growth in the number of marketing clients and increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined industry-specific operating strategies and continuous efforts in enhancing product capabilities.

Live streaming

Revenue from our live streaming business increased by 10.4% to RMB39.1 billion in 2023 from RMB35.4 billion in 2022, benefiting from consistent enrichment of content supply and continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 44.7% to RMB14.1 billion in 2023 from RMB9.8 billion in 2022, primarily attributable to the growth of our e-commerce business, represented by the growth in our e-commerce GMV. Along with our continuous improvement of operating strategy in e-commerce, the increases in the number of active e-commerce paying users and active merchants contributed to the growth in 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 in 2023 and 2022, respectively:

	Year Ended December 31,			
	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	34,957	30.8	30,924	32.8
Bandwidth expenses and server custody costs ⁽¹⁾	5,987	5.3	6,624	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	6,389	5.6	5,603	5.9
Employee benefit expenses	2,823	2.5	2,798	3.0
Payment processing costs	2,569	2.3	1,946	2.1
Other cost of revenues	3,354	2.9	4,157	4.5
Total	<u>56,079</u>	<u>49.4</u>	<u>52,052</u>	<u>55.3</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 7.7% to RMB56.1 billion in 2023 from RMB52.1 billion in 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, in 2023 and 2022, respectively:

	Year Ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	57,391	50.6	42,131	44.7

As a result of the foregoing, our gross profit increased by 36.2% to RMB57.4 billion in 2023 from RMB42.1 billion in 2022. Our gross profit margin increased to 50.6% in 2023 from 44.7% in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.7% to RMB36.5 billion in 2023 from RMB37.1 billion in 2022, and decreased to 32.2% in 2023 from 39.4% in 2022 as a percentage of our total revenues. The decrease was primarily attributable to more disciplined and efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses decreased by 10.4% to RMB3.5 billion in 2023 from RMB3.9 billion in 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 10.5% to RMB12.3 billion in 2023 from RMB13.8 billion in 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income decreased from RMB1.5 billion in 2022 to RMB978 million in 2023, primarily due to a decrease in the value-added tax preferences, as a result of change in tax regulations.

Other Gains/(Losses), Net

We had other gains, net of RMB410 million in 2023, compared to other losses, net of RMB1.4 billion in 2022. The change was primarily due to the impairment provision for investments recorded in 2022.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB6.4 billion and an operating margin of 5.7% in 2023, compared to an operating loss of RMB12.6 billion and a negative operating margin of 13.3% in 2022.

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

	Year Ended December 31,		
	2023	2022	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	11,402	192	5,838.5%
Overseas	(2,789)	(6,638)	(58.0%)
Unallocated items	(2,182)	(6,112)	(64.3%)
Total	<u>6,431</u>	<u>(12,558)</u>	N/A

Our operating profit from the domestic segment increased to RMB11.4 billion in 2023 from RMB192 million in 2022. The increase was primarily attributable to a 18.8% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment narrowed to RMB2.8 billion in 2023 from RMB6.6 billion in 2022, primarily attributable to rapid growth in overseas revenues and more efficient spending on marketing.

Finance Income, Net

Our finance income, net increased to RMB539 million in 2023, from RMB166 million in 2022, primarily attributable 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 RMB81 million in 2023, compared to RMB139 million in 2022.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB6.9 billion in 2023, compared to a loss before income tax of RMB12.5 billion in 2022.

Income Tax Expenses

We incurred income tax expenses of RMB490 million and RMB1.2 billion in 2023 and 2022, respectively. The decrease was primarily due to deferred income tax benefits recognized in 2023, compared to deferred income tax expenses recognized in 2022.

Profit/(Loss) for the Year

As a result of the foregoing, we had a profit of RMB6.4 billion in 2023, compared to a loss of RMB13.7 billion in 2022.

Fourth Quarter of 2023 Compared to Fourth Quarter of 2022

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

	Unaudited			
	Three Months Ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	32,561	100.0	28,293	100.0
Cost of revenues	(15,269)	(46.9)	(15,417)	(54.5)
Gross profit	17,292	53.1	12,876	45.5
Selling and marketing expenses	(10,198)	(31.3)	(9,740)	(34.4)
Administrative expenses	(752)	(2.3)	(1,034)	(3.7)
Research and development expenses	(3,296)	(10.1)	(3,446)	(12.2)
Other income	379	1.2	450	1.6
Other gains/(losses), net	197	0.5	(349)	(1.2)
Operating profit/(loss)	3,622	11.1	(1,243)	(4.4)
Finance income, net	135	0.5	107	0.4
Share of losses of investments accounted for using the equity method	(23)	(0.1)	(27)	(0.1)
Profit/(loss) before income tax	3,734	11.5	(1,163)	(4.1)
Income tax expenses	(122)	(0.4)	(384)	(1.4)
Profit/(loss) for the period	<u>3,612</u>	<u>11.1</u>	<u>(1,547)</u>	<u>(5.5)</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit/(loss)	4,362	13.4	(45)	(0.2)
Adjusted EBITDA	6,132	18.8	1,936	6.8

Revenues

Our revenues increased by 15.1% to RMB32.6 billion for the fourth quarter of 2023, from RMB28.3 billion for the same period of 2022. The increase was primarily attributable to the growth of our online marketing services 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 fourth quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	18,203	55.9	15,094	53.4
Live streaming	10,048	30.9	10,034	35.5
Other services	4,310	13.2	3,165	11.1
Total	<u>32,561</u>	<u>100.0</u>	<u>28,293</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 20.6% to RMB18.2 billion for the fourth quarter of 2023, from RMB15.1 billion for the same period of 2022, primarily attributable to the growth in the number of marketing clients and increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined operating strategies based on industry attributes, consistent improvements in products capabilities and continuous optimization of algorithms.

Live streaming

Revenue from our live streaming business remained stable at RMB10.0 billion for the fourth quarter of 2023 and 2022, respectively.

Other services

Revenue from our other services increased by 36.2% to RMB4.3 billion for the fourth quarter of 2023, from RMB3.2 billion for the same period of 2022, primarily due to the growth of our e-commerce business, represented by the growth in our e-commerce GMV. The growth in e-commerce GMV was driven by increases in the number of active e-commerce paying users and active merchants, benefiting from our continuous refined operation strategy.

Cost of Revenues

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

	Unaudited			
	Three Months Ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	9,706	29.8	9,987	35.3
Bandwidth expenses and server custody costs ⁽¹⁾	1,496	4.6	1,844	6.5
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,600	4.9	1,486	5.3
Employee benefit expenses	764	2.3	539	1.9
Payment processing costs	800	2.5	580	2.1
Other cost of revenues	903	2.8	981	3.4
Total	15,269	46.9	15,417	54.5

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 slightly decreased by 1.0% to RMB15.3 billion for the fourth quarter of 2023, from RMB15.4 billion for the same period of 2022.

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 fourth quarter of 2023 and 2022, respectively:

	Unaudited			
	Three Months Ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Gross profit	17,292	53.1	12,876	45.5

As a result of the foregoing, our gross profit increased by 34.3% to RMB17.3 billion for the fourth quarter of 2023, from RMB12.9 billion for the same period of 2022. Our gross profit margin improved to 53.1% for the fourth quarter of 2023, from 45.5% for the same period of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 4.7% to RMB10.2 billion for the fourth quarter of 2023, from RMB9.7 billion for the same period of 2022, primarily attributable to an increase in promotion and marketing expenses as a result of the increased spending for promotion of our products and marketing campaigns. As a percentage of revenues, selling and marketing expenses decreased to 31.3% for the fourth quarter of 2023 from 34.4% for the same period of 2022, primarily due to our efforts to improve operating efficiency.

Administrative Expenses

Our administrative expenses decreased by 27.3% to RMB752 million for the fourth quarter of 2023, from RMB1.0 billion for the same period of 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 4.4% to RMB3.3 billion for the fourth quarter of 2023, from RMB3.4 billion for the same period of 2022, primarily attributable to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income decreased to RMB379 million for the fourth quarter of 2023, from RMB450 million for the same period of 2022, primarily due to a decrease in the value-added tax preferences, as a result of change in tax regulations.

Other Gains/(Losses), Net

We had other gains, net of RMB197 million for the fourth quarter of 2023, compared to other losses, net of RMB349 million for the same period of 2022. The change was primarily due to the fair value change of financial assets at fair value through profit or loss.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB3.6 billion and an operating margin of 11.1% for the fourth quarter of 2023, compared to an operating loss of RMB1.2 billion and a negative operating margin of 4.4% for the same period of 2022.

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

	Unaudited		
	Three Months Ended December 31,		
	2023	2022	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	4,250	1,267	235.4%
Overseas	(551)	(1,499)	(63.2%)
Unallocated items	(77)	(1,011)	(92.4%)
Total	<u>3,622</u>	<u>(1,243)</u>	N/A

Our operating profit from the domestic segment increased to RMB4.3 billion for the fourth quarter of 2023, from RMB1.3 billion for the same period of 2022, mainly due to a 13.2% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB551 million for the fourth quarter of 2023, from RMB1.5 billion for the same period of 2022. The decrease was primarily attributable to rapid growth in overseas revenues and more efficient spending on marketing.

Finance Income, Net

Our finance income, net was RMB135 million for the fourth quarter of 2023, compared to RMB107 million for the same period of 2022.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB23 million and RMB27 million for the fourth 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 RMB3.7 billion for the fourth quarter of 2023, compared to a loss before income tax of RMB1.2 billion for the same period of 2022.

Income Tax Expenses

We incurred income tax expenses of RMB122 million and RMB384 million for the fourth quarter of 2023 and 2022, respectively. The decrease was primarily due to the recognition of deferred tax assets based on the evaluation of future taxable income incurred by certain subsidiaries.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion for the fourth quarter of 2023, compared to a loss of RMB1.5 billion for the same period of 2022.

Fourth Quarter of 2023 Compared to Third Quarter of 2023

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

	Unaudited			
	Three Months Ended			
	December 31, 2023		September 30, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	32,561	100.0	27,948	100.0
Cost of revenues	(15,269)	(46.9)	(13,495)	(48.3)
Gross profit	17,292	53.1	14,453	51.7
Selling and marketing expenses	(10,198)	(31.3)	(8,939)	(32.0)
Administrative expenses	(752)	(2.3)	(898)	(3.2)
Research and development expenses	(3,296)	(10.1)	(2,967)	(10.6)
Other income	379	1.2	434	1.6
Other gains, net	197	0.5	128	0.4
Operating profit	3,622	11.1	2,211	7.9
Finance income, net	135	0.5	135	0.5
Share of losses of investments accounted for using the equity method	(23)	(0.1)	(26)	(0.1)
Profit before income tax	3,734	11.5	2,320	8.3
Income tax expenses	(122)	(0.4)	(138)	(0.5)
Profit for the period	3,612	11.1	2,182	7.8
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	4,362	13.4	3,173	11.4
Adjusted EBITDA	6,132	18.8	4,980	17.8

Revenues

Our revenues increased by 16.5% to RMB32.6 billion for the fourth quarter of 2023, from RMB27.9 billion for the third quarter of 2023, primarily attributable to the growth of our online marketing services, e-commerce business and live streaming business.

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

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	18,203	55.9	14,690	52.6
Live streaming	10,048	30.9	9,719	34.8
Other services	4,310	13.2	3,539	12.6
Total	<u>32,561</u>	<u>100.0</u>	<u>27,948</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 23.9% to RMB18.2 billion for the fourth quarter of 2023, from RMB14.7 billion for the third quarter of 2023, primarily attributable to increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined operation, continuous improvements in products capabilities and increased consumption of native marketing materials.

Live streaming

Revenue from our live streaming business increased by 3.4% to RMB10.0 billion for the fourth quarter of 2023 from RMB9.7 billion for the third quarter of 2023, as a result of our efforts to build a healthy live streaming ecosystem and high-quality content supply.

Other services

Revenue from our other services increased by 21.8% to RMB4.3 billion for the fourth quarter of 2023, from RMB3.5 billion for the third quarter of 2023, primarily attributable to the growth of our e-commerce business, represented by the growth in e-commerce GMV. The growth in e-commerce GMV was driven by the e-commerce promotional campaigns in the fourth quarter of 2023.

Cost of Revenues

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

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	9,706	29.8	8,320	29.8
Bandwidth expenses and server custody costs ⁽¹⁾	1,496	4.6	1,343	4.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,600	4.9	1,614	5.8
Employee benefit expenses	764	2.3	690	2.5
Payment processing costs	800	2.5	623	2.2
Other cost of revenues	903	2.8	905	3.2
Total	<u>15,269</u>	<u>46.9</u>	<u>13,495</u>	<u>48.3</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 13.1% to RMB15.3 billion for the fourth quarter of 2023, from RMB13.5 billion for the third quarter of 2023, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth, payment processing costs, and 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 fourth and third quarter of 2023, respectively:

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	17,292	53.1	14,453	51.7

As a result of the foregoing, our gross profit increased by 19.6% to RMB17.3 billion for the fourth quarter of 2023, from RMB14.5 billion for the third quarter of 2023. Our gross profit margin increased to 53.1% for the fourth quarter of 2023, from 51.7% for the third quarter of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 14.1% to RMB10.2 billion for the fourth quarter of 2023 from RMB8.9 billion for the third quarter of 2023, primarily attributable to an increase in promotion and marketing expenses as a result of the increased spending for promotion of our products and marketing campaigns. As a percentage of revenues, selling and marketing expenses decreased to 31.3% for the fourth quarter of 2023 from 32.0% for the third quarter of 2023, primarily because of optimized operating efficiency.

Administrative Expenses

Our administrative expenses decreased from RMB898 million for the third quarter of 2023 to RMB752 million for the fourth quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 11.1% to RMB3.3 billion for the fourth quarter of 2023, from RMB3.0 billion for the third quarter of 2023, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income was RMB379 million for the fourth quarter of 2023, compared to RMB434 million for the third quarter of 2023.

Other Gains, Net

We had other gains, net of RMB197 million and RMB128 million for the fourth and third quarter of 2023, respectively.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB3.6 billion for the fourth quarter of 2023, compared to an operating profit of RMB2.2 billion for the third quarter of 2023, and our operating margin was 11.1% for the fourth quarter of 2023, compared to 7.9% for the third quarter of 2023.

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

	Unaudited		
	Three Months Ended		
	December 31,	September 30,	Quarter-over-
	2023	2023	quarter change
	<i>(RMB millions, except for percentages)</i>		
Domestic	4,250	3,155	34.7%
Overseas	(551)	(635)	(13.2%)
Unallocated items	(77)	(309)	(75.1%)
Total	<u>3,622</u>	<u>2,211</u>	63.8%

We had an operating profit from the domestic segment of RMB4.3 billion and RMB3.2 billion for the fourth and third quarter of 2023. The increase was primarily attributable to a 16.2% quarter-over-quarter growth in domestic revenues.

We had an operating loss from the overseas segment of RMB551 million and RMB635 million for the fourth and third quarter of 2023. The decrease was primarily attributable to growth in overseas revenues.

Finance Income, Net

Our finance income, net was stable at RMB135 million for the fourth and third quarter of 2023, respectively.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB23 million and RMB26 million for the fourth and third quarter of 2023, respectively.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB3.7 billion and RMB2.3 billion for the fourth and third quarter of 2023, respectively.

Income Tax Expenses

We incurred income tax expenses of RMB122 million for the fourth quarter of 2023, compared to RMB138 million for the third quarter of 2023.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion and RMB2.2 billion for the fourth and third quarter of 2023, respectively.

Reconciliation of Non-IFRS Accounting Standards Measures to the Nearest IFRS Accounting Standards Measures

We believe that the presentation of non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards. In addition, these non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards financial measures for the years ended December 31, 2023 and 2022, respectively, to the nearest measures prepared in accordance with IFRS Accounting Standards:

	Year Ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Profit/(loss) for the year	6,399	(13,689)
Add:		
Share-based compensation expenses	3,570	6,249
Net fair value changes on investments ⁽¹⁾	302	1,689
Adjusted net profit/(loss) (unaudited)	<u>10,271</u>	<u>(5,751)</u>
Adjusted net profit/(loss) (unaudited)	10,271	(5,751)
Add:		
Income tax expenses	490	1,158
Depreciation of property and equipment	3,989	3,212
Depreciation of right-of-use assets	3,065	3,222
Amortization of intangible assets	148	140
Finance income, net	(539)	(166)
Adjusted EBITDA (unaudited)	<u>17,424</u>	<u>1,815</u>

The following table sets forth the reconciliations of our non-IFRS Accounting Standards financial measures for the fourth quarter of 2023, the third quarter of 2023 and the fourth quarter of 2022, respectively, to the nearest measures prepared in accordance with IFRS Accounting Standards:

	Unaudited		
	Three Months Ended		
	December 31,	September 30,	December 31,
	2023	2023	2022
	<i>(RMB millions)</i>		
Profit/(loss) for the period	3,612	2,182	(1,547)
Add:			
Share-based compensation expenses	653	871	1,112
Net fair value changes on investments ⁽¹⁾	97	120	390
Adjusted net profit/(loss)	<u>4,362</u>	<u>3,173</u>	<u>(45)</u>
Adjusted net profit/(loss)	4,362	3,173	(45)
Add:			
Income tax expenses	122	138	384
Depreciation of property and equipment	1,018	1,029	891
Depreciation of right-of-use assets	732	737	776
Amortization of intangible assets	33	38	37
Finance income, net	(135)	(135)	(107)
Adjusted EBITDA	<u>6,132</u>	<u>4,980</u>	<u>1,936</u>

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 RMB12.9 billion as of December 31, 2023, compared to RMB13.3 billion as of December 31, 2022.

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 RMB61.6 billion as of December 31, 2023, compared to RMB44.7 billion as of December 31, 2022.

The following table sets forth a summary of our cash flows for the years ended December 31, 2023 and 2022, respectively:

	Year Ended December 31,	
	2023	2022*
	<i>(RMB millions)</i>	
Net cash generated from operating activities	20,781	795
Net cash used in investing activities	(19,865)	(18,028)
Net cash used in financing activities	(1,364)	(2,599)
Net decrease in cash and cash equivalents	(448)	(19,832)
Cash and cash equivalents at the beginning of the year	13,274	32,612
Effects of exchange rate changes on cash and cash equivalents	79	494
Cash and cash equivalents at the end of the year	<u>12,905</u>	<u>13,274</u>

* The consolidated statement of cash flows for the year ended December 31, 2022 has been adjusted for the voluntary change in accounting policy as described in note 2.4 to the Financial Information.

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 year ended December 31, 2023, our net cash generated from operating activities was RMB20.8 billion, which was primarily attributable to our profit before income tax of RMB6.9 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB3.6 billion, depreciation of property and equipment of RMB4.0 billion and depreciation of right-of-use assets of RMB3.1 billion. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB3.5 billion. We also paid income tax of RMB1.2 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2023, our net cash used in investing activities was RMB19.9 billion, which was primarily attributable to the net investments in financial assets at fair value through profit or loss of RMB13.2 billion, purchase of property, equipment and intangible assets of RMB4.9 billion and net investments of time deposits with initial terms of over three months of RMB2.4 billion.

Net Cash Used in Financing Activities

For the year ended December 31, 2023, our net cash used in financing activities was RMB1.4 billion, which was primarily attributable to payments for principal elements of lease and related interests of RMB3.5 billion, payments for repurchase of shares of RMB1.3 billion and net proceeds under notes arrangements of RMB3.2 billion.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
	<i>Note</i>	2023	2022
		<i>(RMB millions)</i>	
Revenues	4	113,470	94,183
Cost of revenues	6	(56,079)	(52,052)
Gross profit		57,391	42,131
Selling and marketing expenses	6	(36,496)	(37,121)
Administrative expenses	6	(3,514)	(3,921)
Research and development expenses	6	(12,338)	(13,784)
Other income		978	1,547
Other gains/(losses), net	5	410	(1,410)
Operating profit/(loss)		6,431	(12,558)
Finance income, net		539	166
Share of losses of investments accounted for using the equity method		(81)	(139)
Profit/(loss) before income tax		6,889	(12,531)
Income tax expenses	7	(490)	(1,158)
Profit/(loss) for the year		6,399	(13,689)
Attributable to:			
— Equity holders of the Company		6,396	(13,690)
— Non-controlling interests		3	1
		6,399	(13,689)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)	8		
Basic earnings/(loss) per share		1.48	(3.22)
Diluted earnings/(loss) per share		1.44	(3.22)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Year ended December 31,		
	<i>Note</i>	2023	2022
		<i>(RMB millions)</i>	
Profit/(loss) for the year		6,399	(13,689)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method		14	—
Currency translation differences		1,286	6,359
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(938)	(4,291)
Other comprehensive income for the year, net of taxes		362	2,068
Total comprehensive income/(loss) for the year		6,761	(11,621)
Attributable to:			
— Equity holders of the Company		6,758	(11,622)
— Non-controlling interests		3	1
		6,761	(11,621)

CONSOLIDATED BALANCE SHEET

		As of December 31,	
	<i>Note</i>	<u>2023</u>	<u>2022</u>
		<i>(RMB millions)</i>	
ASSETS			
Non-current assets			
Property and equipment	<i>9</i>	12,356	13,215
Right-of-use assets	<i>10</i>	10,399	10,806
Intangible assets		1,073	1,123
Investments accounted for using the equity method		214	268
Financial assets at fair value through profit or loss	<i>11</i>	5,245	3,626
Other financial assets at amortized cost	<i>11</i>	283	670
Deferred tax assets		6,108	5,095
Long-term time deposits	<i>13</i>	9,765	7,870
Other non-current assets		492	776
		<u>45,935</u>	<u>43,449</u>
Current assets			
Trade receivables	<i>12</i>	6,457	6,288
Prepayments, other receivables and other current assets		4,919	4,106
Financial assets at fair value through profit or loss	<i>11</i>	25,128	13,087
Other financial assets at amortized cost	<i>11</i>	950	726
Short-term time deposits	<i>13</i>	9,874	8,318
Restricted cash	<i>13</i>	128	59
Cash and cash equivalents	<i>13</i>	12,905	13,274
		<u>60,361</u>	<u>45,858</u>
Total assets		<u>106,296</u>	<u>89,307</u>

CONSOLIDATED BALANCE SHEET

		As of December 31,	
	<i>Note</i>	2023	2022
		<i>(RMB millions)</i>	
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		—	—
Share premium		273,459	274,473
Treasury shares		(88)	—
Other reserves		33,183	29,239
Accumulated losses		(257,491)	(263,882)
		49,063	39,830
Non-controlling interests		11	8
Total equity		49,074	39,838
LIABILITIES			
Non-current liabilities			
Lease liabilities	<i>10</i>	8,405	8,721
Deferred tax liabilities		18	23
Other non-current liabilities		21	16
		8,444	8,760
Current liabilities			
Accounts payables	<i>15</i>	23,601	22,868
Other payables and accruals		16,592	10,190
Advances from customers	<i>16</i>	4,036	3,240
Income tax liabilities		1,222	936
Lease liabilities	<i>10</i>	3,327	3,475
		48,778	40,709
Total liabilities		57,222	49,469
Total equity and liabilities		106,296	89,307

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2023	2022*
	<i>(RMB millions)</i>	
Net cash generated from operating activities	20,781	795
Net cash used in investing activities	(19,865)	(18,028)
Net cash used in financing activities	(1,364)	(2,599)
Net decrease in cash and cash equivalents	(448)	(19,832)
Cash and cash equivalents at the beginning of the year	13,274	32,612
Effects of exchange rate changes on cash and cash equivalents	79	494
Cash and cash equivalents at the end of the year	<u>12,905</u>	<u>13,274</u>

* The consolidated statement of cash flows for the year ended December 31, 2022 has been adjusted for the voluntary change in accounting policy as described in Note 2.4.

NOTES TO THE FINANCIAL INFORMATION

1 General information

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s Class B Shares have been listed on the Main Board of the Hong Kong Stock Exchange.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), provides online marketing services, live streaming services and other services to its customers.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 Basis of preparation and presentation

2.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

2.2 *New standards and amendments adopted by the Group*

The following new standards and amendments are mandatory for the first time for the Group’s financial year beginning on January 1, 2023 and are applicable for the Group:

- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12
- International Tax Reform — Pillar Two Model Rules — Amendments to IAS 12
- Insurance Contracts — IFRS 17

The adoption of these new standards and amendments does not have significant impact on the results and the financial position of the Group.

The Group has applied Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. From the effective date on January 1, 2023, the Group recognized deferred tax assets and deferred tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date of a lease from the prospective of lessee.

In addition, Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules” have been issued on May 23, 2023 and are effective for the financial year beginning on or after January 1, 2023. The Group has adopted the amendments and applied the temporary exception to recognizing and disclosing information about deferred tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The Group would continually evaluate the impact of the amendments on the consolidated financial statements.

2.3 *Amendments not yet adopted*

Certain amendments as set out below have been issued but are not yet effective for the financial year beginning on January 1, 2023 and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group’s consolidated financial position and performance.

Amendments	Effective for financial years beginning on or after
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2024
Lease Liability in a Sale and Leaseback — Amendments to IFRS 16	January 1, 2024
Non-current Liabilities with Covenants — Amendments to IAS 1	January 1, 2024
Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7	January 1, 2024
Lack of Exchangeability — Amendments to IAS 21	January 1, 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

2.4 *Voluntary change of presentation of cash flows related to notes payable transaction*

The Group has entered into arrangements with its suppliers and certain banks since 2022, under which the payable to suppliers is settled through notes, whose payment is guaranteed by the banks. When the suppliers further discount the notes from the contracted banks, they get cash from the banks on behalf of the Group on an agreed date, with discount interests borne and paid by the Group. The Group undertakes the obligation to make payment to the contracted banks, thus derecognizes the payable that owes its suppliers and recognizes a payable that owes the contracted banks, which is presented as notes payable under “other payables and accruals” upon the settlement with the suppliers. The Group repays the banks the principal on the maturity date of the notes.

In prior years, the Group presented the cashflow reflecting the actual cash movement in its bank accounts in accordance with the cash flows definition in IAS 7. De-recognition of the payable that the Group owed its suppliers and recognition of a note payable that it owed the banks was disclosed as a non-cash transaction as there were no cash movements in the Group's bank accounts. Cash payment to the banks when the notes matured was presented as financing cash outflow in the consolidated statement of cash flows.

Although cash flows are generally seen as movements in the entity's bank account, however, given IAS 7 does not provide any explicit guidance on whether a cash flow occurred for the buyer in circumstances that another party makes a payment on the entity's behalf, entities might consider a cash flow occur even though the cash does not flow through the entity's bank account if the entity directs another party to transfer the cash on its behalf.

Considering the increased scale of such arrangements in 2023, in order to provide more relevant information related to such arrangements, the Group has voluntarily changed the presentation of cash flows to include the cash flows that in substance occur for the Group in the transactions where the Group directs the contracted banks to pay the suppliers on the Group's behalf. After the change, when the banks pay the payable the Group owes its suppliers on its behalf, the Group presents a financing cash inflow and an operating, investing or financing cash outflow related to the affected payable the Group owes its suppliers. Presentation of cash paid to the banks when the notes mature remains the same as financing cash outflow. The change in presentation of cash flows has no impact on the total net cash movement of the Group, nor on the financial position and profit or loss of the Group.

The voluntary change has been applied retrospectively and comparative figures have been adjusted accordingly.

	Year ended December 31, 2023		
	Before	(Decrease)/ increase	As reported
	change in presentation		
	<i>(RMB millions)</i>		
Net cash generated from operating activities	25,965	(5,184)	20,781
Net cash used in investing activities	(18,092)	(1,773)	(19,865)
Net cash used in financing activities	(8,321)	6,957	(1,364)
Net decrease in cash and cash equivalents	(448)	—	(448)
	Year ended December 31, 2022		
	As previously reported	(Decrease)/ increase	As adjusted
	<i>(RMB millions)</i>		
Net cash generated from operating activities	2,198	(1,403)	795
Net cash used in investing activities	(17,548)	(480)	(18,028)
Net cash used in financing activities	(4,482)	1,883	(2,599)
Net decrease in cash and cash equivalents	(19,832)	—	(19,832)

3 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 years ended December 31, 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 gains/(losses), net are not allocated to individual operating segments.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or to evaluate the performance of the operating segments.

	Year ended December 31, 2023			Total
	Domestic	Overseas	Unallocated items	
	<i>(RMB millions)</i>			
Revenues	111,186	2,284	—	113,470
Cost of revenues and operating expenses	(99,784)	(5,073)	—	(104,857)
Unallocated items	—	—	(2,182)	(2,182)
Operating profit/(loss)	<u>11,402</u>	<u>(2,789)</u>	<u>(2,182)</u>	<u>6,431</u>
	Year ended December 31, 2022			Total
	Domestic	Overseas	Unallocated items	
	<i>(RMB millions)</i>			
Revenues	93,558	625	—	94,183
Cost of revenues and operating expenses	(93,366)	(7,263)	—	(100,629)
Unallocated items	—	—	(6,112)	(6,112)
Operating profit/(loss)	<u>192</u>	<u>(6,638)</u>	<u>(6,112)</u>	<u>(12,558)</u>

4 Revenues

The breakdown of revenues for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Online marketing services	60,304	49,042
Live streaming	39,054	35,388
Other services	14,112	9,753
	113,470	94,183

5 Other gains/(losses), net

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	(302)	(586)
— Wealth management products and others	686	285
Net gains/(losses) on disposal of property and equipment, intangible assets and right-of-use assets	87	(8)
Net foreign exchange gains	8	33
Dilution loss	—	(97)
Impairment provision for investments	—	(1,006)
Others	(69)	(31)
	410	(1,410)

6 Expenses by nature

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Revenue sharing costs and related taxes	34,957	30,924
Promotion and marketing expenses	33,802	34,347
Employee benefit expenses	18,334	20,260
Bandwidth expenses and server custody costs	5,987	6,624
Depreciation of property and equipment	3,989	3,212
Depreciation of right-of-use assets <i>(Note a)</i>	3,065	3,222
Amortization of intangible assets	148	140
Payment processing costs	2,569	1,946
Outsourcing and other labor costs	1,147	1,377
Auditor's remuneration		
— Audit services	30	30
— Non-audit services	12	13
Other professional fees	221	256
Tax surcharges	710	983
Credit loss allowances on financial assets	93	35
Others <i>(Note b)</i>	3,363	3,509
	108,427	106,878

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, traveling and communication fees and office facilities fees.

7 Income tax

The income tax expenses of the Group for the years ended December 31, 2023 and 2022 are analyzed as follows:

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Current income tax	(1,508)	(853)
Deferred income tax	1,018	(305)
Income tax expenses	(490)	(1,158)

8 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 year.

	Year ended December 31,	
	2023	2022
Earnings/(loss) attributable to equity holders of the Company (<i>RMB millions</i>)	6,396	(13,690)
Weighted average number of ordinary shares in issue (<i>million shares</i>)	4,314	4,254
Basic earnings/(loss) per share (<i>expressed in RMB per share</i>)	<u>1.48</u>	<u>(3.22)</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 years ended December 31, 2023 and 2022, the Company had two categories of potential ordinary shares: share options and restricted share units (“RSUs”). As the Company incurred loss for the year ended December 31, 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 amount of diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share.

	Year ended December 31,	
	2023	2022
Earnings/(loss) attributable to equity holders of the Company (<i>RMB millions</i>)	6,396	(13,690)
Weighted average number of ordinary shares in issue (<i>million shares</i>)	4,314	4,254
Adjustments for share options and RSUs (<i>million shares</i>)	127	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (<i>million shares</i>)	4,441	4,254
Diluted earnings/(loss) per share (<i>expressed in RMB per share</i>)	<u>1.44</u>	<u>(3.22)</u>

9 Property and equipment

The detailed information of property and equipment during the years ended December 31, 2023 and 2022 is as below:

	Buildings	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>(RMB millions)</i>					
At January 1, 2023						
Cost	2,741	21,487	76	574	824	25,702
Accumulated depreciation	(138)	(11,956)	(39)	(354)	—	(12,487)
Net book amount	2,603	9,531	37	220	824	13,215
Year ended December 31, 2023						
Opening net book amount	2,603	9,531	37	220	824	13,215
Currency translation differences	—	8	—	1	—	9
Additions	—	2,927	34	41	178	3,180
Transfers	298	—	—	602	(900)	—
Disposals	—	(14)	(2)	(43)	—	(59)
Depreciation charge	(144)	(3,643)	(22)	(180)	—	(3,989)
Closing net book amount	2,757	8,809	47	641	102	12,356
At December 31, 2023						
Cost	3,039	24,153	101	965	102	28,360
Accumulated depreciation	(282)	(15,344)	(54)	(324)	—	(16,004)
Net book amount	2,757	8,809	47	641	102	12,356

	Buildings	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>(RMB millions)</i>					
At January 1, 2022						
Cost	2,542	16,852	65	489	467	20,415
Accumulated depreciation	—	(9,108)	(21)	(235)	—	(9,364)
Net book amount	2,542	7,744	44	254	467	11,051
Year ended December 31, 2022						
Opening net book amount	2,542	7,744	44	254	467	11,051
Currency translation differences	—	47	—	5	—	52
Additions	76	4,635	13	42	617	5,383
Transfers	123	—	—	126	(249)	—
Disposals	—	(4)	(1)	(43)	(11)	(59)
Depreciation charge	(138)	(2,891)	(19)	(164)	—	(3,212)
Closing net book amount	2,603	9,531	37	220	824	13,215
At December 31, 2022						
Cost	2,741	21,487	76	574	824	25,702
Accumulated depreciation	(138)	(11,956)	(39)	(354)	—	(12,487)
Net book amount	2,603	9,531	37	220	824	13,215

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Cost of revenues	3,644	2,870
Selling and marketing expenses	50	41
Administrative expenses	52	100
Research and development expenses	243	201
	3,989	3,212

10 Lease

(a) Items recognized in the consolidated balance sheet

	As of December 31,	
	2023	2022
	(RMB millions)	
Right-of-use assets		
Internet data centers	8,261	8,104
Office buildings	2,111	2,674
Land use rights	27	28
	<u>10,399</u>	<u>10,806</u>
	As of December 31,	
	2023	2022
	(RMB millions)	
Lease liabilities		
Current	3,327	3,475
Non-current	8,405	8,721
	<u>11,732</u>	<u>12,196</u>

Additions and modifications to the right-of-use assets for the year ended December 31, 2023 was approximately RMB4.2 billion (2022: RMB2.3 billion).

(b) Items recognized in the consolidated income statement and consolidated statement of cash flows

	Year ended December 31,	
	2023	2022
	(RMB millions)	
Depreciation charge of right-of-use assets		
— Internet data centers	2,546	2,496
— Office buildings	518	725
— Land use rights	1	1
Interest expense (included in finance income, net)	495	549
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses)	127	170
	<u>3,687</u>	<u>3,941</u>

The total cash outflows for leases (not including those for short-term leases which has been included as cash outflows from operating activities) in 2023 was approximately RMB3.5 billion (2022: RMB3.4 billion).

11 Investments

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,609	2,876
— Investment in a listed entity	52	78
— Wealth management products and others	2,584	672
	5,245	3,626
Other financial assets at amortized cost	283	670
	5,528	4,296
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	8	16
— Wealth management products and others	25,120	13,071
	25,128	13,087
Other financial assets at amortized cost	950	726
	26,078	13,813
Total	31,606	18,109

Movements in financial assets at fair value through profit or loss are as below:

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
At the beginning of the year	16,713	12,143
Additions	61,263	44,111
Disposals	(48,101)	(39,956)
Change in fair value through profit or loss	384	(301)
Currency translation differences	114	716
At the end of the year	30,373	16,713

12 Trade receivables

The detailed information of trade receivables as of December 31, 2023 and 2022 is as below:

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Trade receivables from contracts with customers	6,595	6,333
Less: credit loss allowances	(138)	(45)
	<u>6,457</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 December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Up to 3 months	5,816	5,790
Over 3 months	779	543
	<u>6,595</u>	<u>6,333</u>

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

	Year ended December 31,	
	2023	2022
	<i>(RMB millions)</i>	
At the beginning of the year	(45)	(26)
Additional provision	(93)	(19)
At the end of the year	<u>(138)</u>	<u>(45)</u>

13 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Cash at bank and held in other financial institutions	9,446	10,830
Time deposits with initial terms within three months	3,459	2,444
	12,905	13,274

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
RMB	7,609	8,889
USD	4,432	3,746
HKD	744	560
Others	120	79
	12,905	13,274

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
RMB	126	56
USD	2	3
	128	59

(c) *Time deposits*

Time deposits are denominated in the following currencies:

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
RMB	14,706	7,870
USD	4,580	7,754
HKD	342	564
Others	11	—
	<u>19,639</u>	<u>16,188</u>

14 Dividends

No dividends have been paid or declared by the Company during the years ended December 31, 2023 and 2022.

15 Accounts payables

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

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Up to 3 months	16,447	17,312
3 to 6 months	2,479	1,458
6 months to 1 year	3,165	3,358
Over 1 year	1,510	740
	<u>23,601</u>	<u>22,868</u>

16 Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,	
	2023	2022
	<i>(RMB millions)</i>	
Advances from online marketing services customers	2,267	1,623
Advances from live streaming customers	1,698	1,590
Others	71	27
	<u>4,036</u>	<u>3,240</u>

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023.

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 disclosed in the results announcement for the three and six months ended June 30, 2023 of the Company dated August 22, 2023 (the “**Interim Results Announcement**”), after taking into account the business strategy of the Group and limited quality acquisition and investment targets with appropriate values, the Board resolved to reallocate the unutilized net proceeds as of June 30, 2023 to enhance and grow the ecosystem, strengthen research and development and technological capabilities, supplement working capital and serve other general corporate purposes, which can improve the utilization efficiency of the capital, and boost the healthy and sustainable development of the Group (the “**Reallocation**”).

There was no change in the intended use of net proceeds after the Reallocation as previously disclosed in the Interim Results Announcement. Please refer to the Interim Results Announcement for details.

As of December 31, 2023, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds as set out in the Prospectus (HK\$ million)	Amounts of net proceeds utilized immediately before the Reallocation (HK\$ million)	Amounts of unutilized net proceeds immediately before the Reallocation (HK\$ million)	Amount of net proceeds unutilized immediately after the Reallocation (HK\$ million)	Amount of net proceeds utilized after the Reallocation up to December 31, 2023 (HK\$ million)	Balance of net proceeds after the Reallocation as of December 31, 2023 (HK\$ million)	Expected timeline for balance of net proceeds as of December 31, 2023
Enhance and grow the ecosystem	16,437.5	15,859.3	578.2	4,737.3	683.2	4,054.1	Before December 31, 2025
Strengthen research and development and technological capabilities	14,089.3	13,367.2	722.1	4,237.3	587.5	3,649.8	Before December 31, 2025
Selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	500.0	—	500.0	Before December 31, 2025
Working capital and general corporate purposes	4,696.5	4,600.0	96.5	3,158.3	1,279.9	1,878.4	Before December 31, 2025
Total	46,964.4	34,331.5	12,632.9	12,632.9	2,550.6	10,082.3	

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.

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.

Save for the deviation from code provision C.2.1 as set out in Part 2 of the Corporate Governance Code, which is explained in the following paragraph, the Company has complied with all applicable code provisions as set out in Part 2 of the Corporate Governance Code during the year ended December 31, 2023.

The code provision C.2.1 as set out in Part 2 of the Corporate Governance Code stipulates that the responsibilities between the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Cheng Yixiao has served as both the chairman of the Board and the chief executive officer of the Company since October 29, 2023, to ensure consistent leadership to advance long-term strategy, and allow for further deepening the monetization capabilities and optimizing operating efficiency of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

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 enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended December 31, 2023.

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

During the year ended December 31, 2023 and up to the Latest Practicable Date, the Company repurchased a total of 51,045,000 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$2,551,724,496.71. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration
		Highest	Lowest	
		(HK\$)	(HK\$)	(HK\$)
May 2023	1,983,000	54.85	50.90	103,775,741.90
June 2023	2,262,500	54.95	53.20	122,299,086.25
July 2023	1,800,000	53.95	51.05	95,523,580.00
August 2023	800,000	65.95	62.60	51,953,520.00
September 2023	2,673,500	65.25	59.50	166,785,304.06
October 2023	6,362,200	64.90	55.60	366,215,727.32
November 2023	3,030,900	58.85	55.40	173,074,148.73
December 2023	6,371,600	57.80	48.95	339,907,848.47
January 2024	12,986,000	51.85	38.85	573,165,403.11
February 2024	9,793,200	46.25	38.45	426,284,299.06
March 2024 (up to the Latest Practicable Date)	2,982,100	46.20	43.10	132,739,837.81
Total	51,045,000			2,551,724,496.71

As of the date of this announcement, a total of 44,444,700 Class B Shares repurchased from May 2023 to February 2024 have been cancelled on June 9, July 31, September 28, October 20 and December 21, 2023, January 31 and February 29, 2024 respectively, and the number of Class B Shares in issue was reduced by 44,444,700 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 a total of 7,782,621 Class A Shares into Class B Shares on a one-to-one ratio on June 9, July 31, September 28, October 20 and December 21, 2023, January 31 and February 29, 2024, 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. As of the Latest Practicable Date, a total of 6,600,300 Class B Shares repurchased had not been cancelled.

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 Reporting Period and up to the Latest Practicable Date.

Audit Committee

The Audit Committee (comprising three independent non-executive Directors, namely Mr. Huang Sidney Xuande, Mr. Ma Yin and Prof. Xiao Xing), after the discussion with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 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 audited consolidated financial statements for the year ended December 31, 2023 have been prepared in accordance with IFRS Accounting Standards.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's results for the year ended December 31, 2023 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Significant Events after December 31, 2023

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after December 31, 2023 and up to the date of this announcement.

Annual General Meeting

The 2024 AGM of the Company will be held on Thursday, June 13, 2024. A notice convening the 2024 AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, June 7, 2024 to Thursday, June 13, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, June 6, 2024.

Publication of the Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com), and the annual 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 dispatched 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 during the past year. 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. Cheng Yixiao
Chairman

Hong Kong, March 20, 2024

As of the date of this announcement, the Board comprises Mr. Cheng Yixiao and Mr. Su Hua as executive Directors; Mr. Li Zhaohui, Mr. Zhang Fei, Mr. Lin Frank and Mr. Wang Huiwen as non-executive Directors; Mr. Huang Sidney Xuande, Mr. Ma Yin and Prof. Xiao Xing 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 our 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:

“AIGC”	artificial intelligence generated content
“AGM”	annual general meeting of the Company
“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
“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” or “Hong Kong 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
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS Accounting Standards”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“KOLs”	key opinion leaders
“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)
“Latest Practicable Date”	March 12, 2024, being the latest practicable date prior to the publication of this annual results announcement for the purpose of ascertaining certain information contained herein
“Listing Date”	February 5, 2021, on which the Class B Shares were listed and dealings in the Class B Shares were first permitted to take place on the Main Board of the Stock Exchange
“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)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

“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 adopted on and with effect from June 16, 2023, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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(s)”	user account(s) that purchase(s) 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, the Macau Special Administrative Region and Taiwan
“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
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“US\$” or “USD”	the lawful currency of the United States of America
“%”	per cent