

 **KUAISHOU**

Kuaishou Technology

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

Stock code : 1024

ANNUAL REPORT 2022

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. SU Hua (宿華) (*Chairman of the Board*)
Mr. CHENG Yixiao (程一笑)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
Dr. SHEN Dou (沈抖)
Mr. LIN Frank (林欣禾) (*alias LIN Frank Hurst*)

Independent Non-executive Directors

Mr. WANG Huiwen (王慧文)
Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)

AUDIT COMMITTEE

Mr. HUANG Sidney Xuande (黃宣德) (*Chairman*)
Mr. WANG Huiwen (王慧文)
Mr. MA Yin (馬寅)

REMUNERATION COMMITTEE

Mr. HUANG Sidney Xuande (黃宣德) (*Chairman*)
Mr. SU Hua (宿華)
Mr. LI Zhaohui (李朝暉)
Mr. WANG Huiwen (王慧文)
Mr. MA Yin (馬寅)

NOMINATION COMMITTEE

Mr. WANG Huiwen (王慧文) (*Chairman*)
Mr. CHENG Yixiao (程一笑)
Mr. ZHANG Fei (張斐)
Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)

CORPORATE GOVERNANCE COMMITTEE

Mr. WANG Huiwen (王慧文) (*Chairman*)
Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)

JOINT COMPANY SECRETARIES

Mr. ZHAO Huaxia Matthew (趙華夏)
Ms. SO Ka Man (蘇嘉敏)

AUTHORIZED REPRESENTATIVES

Mr. SU Hua (宿華)
Ms. SO Ka Man (蘇嘉敏)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
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Hong Kong

REGISTERED OFFICE

PO Box 309, Uglan House
Grand Cayman, KY1-1104
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon, Hong Kong

Corporate Information

LEGAL ADVISORS

As to Hong Kong law:

Latham & Watkins LLP

18th Floor, One Exchange Square
8 Connaught Place, Central
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As to PRC law:

Haiwen & Partners

20/F, Fortune Financial Center
5 Dong San Huan Central Road, Chaoyang District
Beijing 100020
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As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPLIANCE ADVISOR

China Renaissance Securities (Hong Kong) Limited

Units 8107–08
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1 Austin Road West
Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANK

China Merchants Bank, Beijing Branch

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Xicheng District
Beijing
the PRC

STOCK CODE

1024

COMPANY'S WEBSITE

www.kuaishou.com

Financial Summary and Operation Highlights

FINANCIAL SUMMARY

	Year Ended December 31,				
	2022		2021		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB thousands, except for percentages)</i>				
Revenues	94,182,522	100.0	81,081,513	100.0	16.2%
Gross profit	42,131,163	44.7	34,029,705	42.0	23.8%
Operating loss	(12,557,952)	(13.3)	(27,701,265)	(34.2)	(54.7%)
Loss for the year	(13,689,360)	(14.5)	(78,077,101)	(96.3)	(82.5%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾ (unaudited)	(5,751,434)	(6.1)	(18,851,769)	(23.3)	(69.5%)
Adjusted EBITDA ⁽²⁾ (unaudited)	1,814,718	1.9	(12,953,371)	(16.0)	N/A

	Unaudited Three Months Ended December 31,				
	2022		2021		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB thousands, except for percentages)</i>				
Revenues	28,292,284	100.0	24,430,260	100.0	15.8%
Gross profit	12,876,568	45.5	10,148,563	41.5	26.9%
Operating loss	(1,243,293)	(4.4)	(5,790,154)	(23.7)	(78.5%)
Loss for the period	(1,547,014)	(5.5)	(6,202,743)	(25.4)	(75.1%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(45,322)	(0.2)	(3,568,768)	(14.6)	(98.7%)
Adjusted EBITDA ⁽²⁾	1,935,917	6.8	(1,290,186)	(5.3)	N/A

Notes:

⁽¹⁾ We define "adjusted net loss" as loss for the year or period adjusted by share-based compensation expenses, fair value changes of convertible redeemable preferred shares, and net fair value changes on investments.

⁽²⁾ We define "adjusted EBITDA" as adjusted net loss for the year or period adjusted by income tax expenses/(benefits), depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance (income)/expense, net.

Financial Summary and Operation Highlights

FINANCIAL INFORMATION BY SEGMENT

	Year Ended December 31, 2022			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(RMB thousands)</i>			
Revenues	93,557,462	625,060	—	94,182,522
Operating profit/(loss)	192,110	(6,637,993)	(6,112,069)	(12,557,952)
	Year Ended December 31, 2021			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB thousands)</i>			
Revenues	81,006,397	75,116	—	81,081,513
Operating loss	(8,677,389)	(11,995,118)	(7,028,758)	(27,701,265)
	Year-over-year change			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	15.5%	732.1%	—	16.2%
Operating profit/(loss)	N/A	(44.7%)	(13.0%)	(54.7%)

Financial Summary and Operation Highlights

	Unaudited Three Months Ended December 31, 2022			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB thousands)			
Revenues	28,007,591	284,693	—	28,292,284
Operating profit/(loss)	1,267,205	(1,499,133)	(1,011,365)	(1,243,293)
	Unaudited Three Months Ended December 31, 2021			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB thousands)			
Revenues	24,384,103	46,157	—	24,430,260
Operating loss	(847,358)	(2,427,007)	(2,515,789)	(5,790,154)
	Year-over-year change			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	14.9%	516.8%	—	15.8%
Operating profit/(loss)	N/A	(38.2%)	(59.8%)	(78.5%)

Note:

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

Financial Summary and Operation Highlights

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,		Three Months Ended December 31,	
	2022	2021	2022	2021
Average DAUs <i>(in millions)</i>	355.7	308.2	366.2	323.3
Average MAUs <i>(in millions)</i>	612.7	544.2	640.0	578.0
Average daily time spent per DAU <i>(in minutes)</i>	129.2	111.5	133.9	118.9
Average online marketing services revenue per DAU <i>(in RMB)</i>	137.9	138.4	41.2	40.9
Total e-commerce GMV ⁽¹⁾ <i>(RMB in millions)</i>	901,156.6	680,036.1	312,386.7	240,291.5

Note:

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

Financial Summary and Operation Highlights

FIVE-YEAR FINANCIAL SUMMARY

Condensed Consolidated Income Statements and Statements of Comprehensive Loss

	Year Ended December 31,				2022
	2018	2019	2020	2021	
	<i>(RMB in thousands)</i>				
Revenues	20,300,645	39,120,348	58,776,097	81,081,513	94,182,522
Gross profit	5,802,222	14,103,574	23,814,637	34,029,705	42,131,163
Loss before income tax	(12,401,064)	(19,265,467)	(117,200,790)	(79,102,256)	(12,531,061)
Loss for the year	(12,429,285)	(19,651,534)	(116,635,242)	(78,077,101)	(13,689,360)
Loss for the year attributable to equity holders of the Company	(12,429,285)	(19,651,534)	(116,635,242)	(78,073,643)	(13,690,732)
Total comprehensive loss for the year	(14,220,598)	(20,579,869)	(105,995,974)	(77,054,302)	(11,620,734)
Total comprehensive loss for the year attributable to equity holders of the Company	(14,220,598)	(20,579,869)	(105,995,974)	(77,050,839)	(11,622,202)

Condensed Consolidated Balance Sheets

	As of December 31,				2022
	2018	2019	2020	2021	
	<i>(RMB in thousands)</i>				
ASSETS					
Non-current assets	5,696,381	15,103,302	20,619,198	39,504,508	43,448,624
Current assets	10,783,118	17,311,080	31,528,245	53,010,867	45,858,664
Total assets	<u>16,479,499</u>	<u>32,414,382</u>	<u>52,147,443</u>	<u>92,515,375</u>	<u>89,307,288</u>
EQUITY					
Total Equity	<u>(35,704,482)</u>	<u>(55,729,036)</u>	<u>(160,049,839)</u>	<u>45,095,971</u>	<u>39,837,768</u>
LIABILITIES					
Non-current liabilities	48,141,573	72,769,647	189,012,458	10,163,884	8,759,850
Current liabilities	4,042,408	15,373,771	23,184,824	37,255,520	40,709,670
Total liabilities	<u>52,183,981</u>	<u>88,143,418</u>	<u>212,197,282</u>	<u>47,419,404</u>	<u>49,469,520</u>
Total equity and liabilities	<u>16,479,499</u>	<u>32,414,382</u>	<u>52,147,443</u>	<u>92,515,375</u>	<u>89,307,288</u>

Chairman's Statement

Dear Shareholders,

In 2022, we remained steadfast in our commitment to elevate our inclusive and diverse user and content ecosystem despite a challenging and dynamic macro environment. With extensive usage scenarios for videos and powerful technological capabilities to make every individual's voice be heard and every individual's life be seen, our platform has attracted a broad user base. We also continued to connect our advertisers and merchant partners with our dynamic community to optimize their experiences and financial returns on our platform while creating more monetization levers for our Company. In addition, we upgraded our organizational capabilities to set the foundation for an even more integrated commercial ecosystem that can further unleash the monetization potential in our private and public domains. Today, with trust at the core, our users, content and commercial ecosystems are becoming increasingly vibrant and mutually reinforcing, thereby maximizing the flywheel effect on our platform.

Meanwhile, we are highly committed to our social responsibilities. As a customer-obsessed platform, we have woven the commitment to public welfare, environmentally sound practices, data security and strict corporate governance into our corporate culture. We strongly believe it is our responsibility as a corporate citizen to uphold and promote these conventions through sound business practices that better serve society at large.

BUSINESS REVIEW AND OUTLOOK

Business Review

Our fourth quarter results represent the culmination of a year marked by strong execution amid changing macro dynamics. Our user and content ecosystem was more vibrant than ever as we continued to grow the depth and breadth of our content, enhance services on our platform, and deploy more efficient user acquisition strategies. In the fourth quarter of 2022, we set new records in the average DAUs and MAUs on Kuaishou App, as well as average daily time spent per DAU. To unlock the massive value in our traffic, which continues to grow despite the enormous base, we implemented long-term initiatives in areas such as brand promotion, infrastructure, and ecosystem governance while deepening our operations in online marketing services and e-commerce, leading to continued gains in both mindshare and market share among advertisers and merchants.

In particular, our e-commerce GMV increased by 30% year-over-year in the fourth quarter of 2022, despite the supply and fulfillment disruptions in the industry caused by COVID-19. This successfully took our full-year e-commerce GMV beyond RMB900.0 billion. More importantly, we achieved our growth objectives in parallel with operating efficiency gains and more rationalized spending. In the fourth quarter of 2022, our domestic business more than tripled its operating profit quarter-over-quarter, bringing its full-year operating profit into positive territory. Our Group's adjusted EBITDA also turned positive for full-year 2022.

Chairman's Statement

User and Content Ecosystem

In the fourth quarter of 2022, we continued to improve user acquisition efficiency by upgrading our user growth strategy, further enriched our creative ecosystem, and strengthened the supply of high-quality content. Through our algorithm-based learning system targeting different user groups, we also holistically optimized our operating metrics, such as user time spent and interactions, to improve user retention. In the fourth quarter of 2022, average DAUs and MAUs on Kuaishou App both hit record highs, reaching 366.2 million and 640.0 million, respectively, representing a year-over-year increase of 13.3% and 10.7%, respectively. In addition, average daily time spent per DAU on Kuaishou App increased by 12.6% year-over-year to 133.9 minutes in the fourth quarter of 2022. This steady growth in our user traffic demonstrates the strong appeal of our short video and live streaming community. It is also a testament to the fact that Kuaishou has become a one-stop platform for more users to find useful and interesting short video and live streaming content and to obtain services.

With respect to our user growth strategy, we continued to refine our personalized strategy and operations through algorithms, and consistently optimized user retention costs. In addition, we have been actively exploring user acquisition opportunities by leveraging more high-quality native short videos and live streaming content. In addition to our growing number of high-quality users, the vitality of Kuaishou's community has also been continuously increasing. By the end of 2022, pairs of mutual followers on Kuaishou App reached a cumulative 26.7 billion, increasing by 63.4% year-over-year. In addition, in the fourth quarter of 2022, average daily short video interactions (including likes, comments, and forwarding, etc.) increased by more than 50% year-over-year.

With a robust creative ecosystem as our foundation, we continued to enrich our content supply across various verticals. Specifically, we further strengthened our leadership in the short play segment. In 2022, our *Project Astral* (星芒計劃) has produced over 200 short plays in total, of which over 100 short plays have each received more than 100 million views accumulatively by the end of 2022. We are also actively striving to commercialize our short plays via advertising, e-commerce and paid content to build a sustainable, win-win ecosystem for creators and our platform. With respect to knowledge-based content, we created *Kuaishou New Knowledge* (快手新知), a pan-knowledge IP currently covering more than 10 fields such as education, humanities, art, and science. The number of news-related videos uploaded by the media institutions in the fourth quarter of 2022 more than doubled year-over-year. Meanwhile, users who were prompted by major events to consume news on our platform have gradually become our loyal users. Separately, popular variety shows have also had a positive impact on new user acquisition and fortified our brand image in users' mindsets. For example, the Jay Chou's Online Friends Club held in November 2022 recorded a peak concurrent views of over 11.3 million and received over 1.1 billion likes, making it a hot topic on the entire internet.

In addition to the efforts above, we consistently optimized our search function. In the fourth quarter of 2022, nearly 400.0 million users on Kuaishou App used Kuaishou search every month on average, and the average number of daily searches nearly doubled year-over-year. Our efforts to map users' search patterns and understand their search mindset not only provided more accurate content solutions for users, but also more room for the growth of our online marketing and e-commerce services.

Online marketing services

In 2022, we faced challenges from a slowdown of the online advertising market due to the macro economy headwinds. As consumption recovered after the domestic pandemic control policies were eased in December 2022, Kuaishou outperformed the industry in growth by virtue of our continuously growing traffic, rich product portfolio, and enhanced organizational efficiency. In the fourth quarter of 2022, revenue from online marketing services increased by 14.0% year-over-year, accounting for 53.4% of total revenue.

We provided advertisers with comprehensive industry solutions and elevated the performance and conversion efficiencies of advertising solutions through refined operations, algorithms, and products with in-depth integration of industry attributes. We launched more efficient advertisement performance assurance to our advertisers, coupled with the enhancement of underlying algorithm strategy, which led to more steady spending. With a focus on the holistic health of our advertising ecosystem, we promoted advertiser growth via various channels and through proactive, industry-specific support policies and other measures. The number of our advertisers maintained a rapid growth momentum year-over-year in the fourth quarter of 2022.

The main growth driver of our online advertising services in the fourth quarter of 2022 was the healthy development of advertising services for our native e-commerce merchants. As the macro economy and consumption gradually recovered, fueled by various e-commerce promotion events in the fourth quarter of 2022, revenue from our e-commerce merchants continued to grow at a healthy pace, particularly in sectors such as Fast Moving Consumer Goods (FMCG) and food and beverage. We also improved advertising conversion through a dual strategy, employing both short video and live streaming, which further improved short videos' proportion to our online marketing revenue. In addition, the advancements we made in our original content programs allowed us to tap further into our organic traffic pool. This helped native e-commerce advertisers enhance traffic efficiency across public and private domains and realize their long-term business targets.

With regard to brand advertising, we increased our brand advertising inventory and optimized our sell-through rates by leveraging key promotions and our own marketing programs in the fourth quarter of 2022. We also boosted these results by continuously iterating our brand advertising products. During our Double 11 Sales Promotion, we teamed up with Henan TV to organize the China Chic Ceremony evening gala, which we customized to our advertisers' needs. Through individualized content planning and co-creations with KOLs, we achieved high-quality content dissemination while realizing commercial value. Advertisers have further recognized the value of promoting brands on the Kuaishou platform, driving an over 20% year-over-year increase in our brand advertising revenue.

Chairman's Statement

E-commerce

In the interest of fostering long-term trust among consumers and merchants on our platform, we have taken various initiatives, including building merchandise infrastructure and enhancing our ecosystem governance. These efforts are intended to develop a worry-free “trust-based community” for merchants and consumers. In the fourth quarter of 2022, the disruptions in merchandise supply and fulfillment caused by the pandemic challenged the traditional e-commerce peak season. We responded swiftly to ensure logistics capacity and the availability of e-commerce streamers. These actions, coupled with our algorithm-based and targeted promotions, minimized the pandemic’s impact on user experience. As a result, our e-commerce GMV maintained fast growth in the fourth quarter of 2022, up 30% year-over-year, successfully taking our full-year e-commerce GMV beyond RMB900.0 billion.

On the supply side, we focused on long-term initiatives, including merchant operations, brands, and merchandise infrastructure. We continued to onboard new merchants with an emphasis on growing the number of high-quality active merchants. We upgraded our “service provider team” to our “merchant development department” by integrating the capabilities of our service providers and our products and traffic capabilities to provide a one-stop service for merchants, especially high-potential small and medium-sized merchants that need support, helping them make a smooth transition from cold starts to sales ramp-up. We updated our store scores system based on merchandise quality, logistics timeliness, and service competencies, to better identify high-quality merchants for traffic support and more refined tiered operations. Furthermore, we continued to strengthen the relationship modeling between long-term high-value users and merchants through algorithms, which significantly contributed to the increase of the overall GMV. At the same time, we further improved the accuracy of merchandise recommendation and matching, and the live streaming GPM of public domain traffic in the fourth quarter of 2022 continued to maintain a rapid year-on-year growth. As a result, the number of monthly active merchants grew by over 50% year-over-year in the fourth quarter of 2022, while the average monthly unit store sales of leading merchants increased by double digits year-over-year.

We achieved strong progress in brand e-commerce in the fourth quarter of 2022 on the back of grand sales promotions in the quarter. Leveraging high-quality public domain traffic and the trust-based private domain in our dual-engine model, we established an end-to-end path from “recommendation” to “transaction”, driving consistent growth in brand GMV, including *Kwai Brands* (快品牌). Overall brand GMV grew at an accelerated pace quarter-over-quarter and its share of our total e-commerce GMV expanded further to almost 30% in the fourth quarter of 2022. For *Kwai Brands*, we focused on the development and support of high-quality *Kwai Brands* and launched our *Super Kwai Brands* (超級快品牌) event to increase brand exposure, and reinforced brand awareness through integrated online and offline activities. As a result, *Kwai Brands* delivered GMV growth of over 80% year-over-year during the November 6 Grand Promotions. We also set up a disqualification system for lower performers to make sure *Kwai brands* are able to continue to provide high quality products and services. As a result, *Kwai Brands* achieved better results in its return and repeat purchase rates compared with the overall platform in 2022. For more established brand merchants, in the fourth quarter of 2022, we fully harnessed our high-quality KOL resources and helped refine their product and content operations to better cater to our ecosystem and users. This fostered more blockbuster products and facilitated deeper connections with brand followers, altogether resulting in a dual surge in the brands’ share of voice and share of sales. In the fourth quarter of 2022, the number of brands with sales above RMB100.0 million increased by over 50% year-over-year, demonstrating growing recognition of Kuaishou’s user value and unique e-commerce ecosystem. In 2022, the number of brand merchants maintained rapid growth, and more than 90% of these merchants were active brand merchants.

Chairman's Statement

To further strengthen our merchandising capabilities, we continued to increase the accuracy, diversity, and coverage of product labels, gaining deeper insights into merchandise pricings, brand attributes, and transaction trends. At the same time, we profiled “good merchandise” for Kuaishou users based on users’ needs before, during, and after sales. We continually optimized the system from the moment the merchandise landed on our platform, providing relevant, reliable, and high-quality information to elevate users’ shopping experience. We also incorporated merchandise characteristics into our algorithm-based recommendation system to enhance user-merchandise matching efficiency and users’ product awareness, further fortifying their shopping mindsets.

On the consumption side, we improved user conversion efficiency by refining our user operation strategies and consistently optimizing our subsidy promotion based on algorithm. In these efforts, we benefitted from our efficient identification of potential consumers. In the fourth quarter of 2022, monthly active paying users increased further year-over-year and quarter-over-quarter, representing a penetration rate of high double digits. Monthly purchase frequency also improved quarter-over-quarter, while average order value expanded year-over-year and quarter-over-quarter. Moreover, our user review system gradually matured. With an increased weight of user satisfaction metrics in our algorithms, we achieved a consistent decline in negative merchandise feedback and customer complaint rates (CCR), demonstrating notable improvements in the e-commerce shopping experience with us. In addition, upholding the standard of “reliable quality and worry-free after-sales services”, we have rolled out over 20 consumer rights and interests protection services on our platform. Meanwhile, our coverage of e-commerce orders with trusted-purchase and other protections grew by 460% compared with 2021.

Live streaming

In the fourth quarter of 2022, live streaming revenue increased by 13.7% year-over-year to RMB10.0 billion, reaching a historical high. Average MPUs for live streaming grew by 20.4% year-over-year to 58.4 million. Our efforts to consistently diversify our content offerings, optimize our live streaming ecosystem, and iterate our algorithms propelled these achievements. We continued to strengthen our cooperation with top talent agencies and streamers while attracting more high-quality streamers to join our platform. We also launched a recruitment policy to sign up top-notch streamers and promote the development of live streaming as a profession. To enrich high-quality live streaming content supply in various verticals on our platform, we introduced vertical programs in folk music, opera, and dance in our annual live streaming ceremony.

Importantly, we have attached increasing importance to the healthy and sustainable development of our live streaming ecosystem. For example, through the Top 100 Streamer Selection, we encouraged leading streamers from all walks of life to continue providing users with high-quality live streaming content. We also skewed our traffic support to accelerate growth and improve the retention for new streamers, while guiding the traditional KOLs to further enhance content quality. Through refined recommendations and algorithms, we improved the conversion of users’ rewarding behavior in the public domain based on the generalized modeling of users’ gifting interests, growing our public domain live streaming revenue by over 150% year-over-year in the fourth quarter of 2022.

In addition, we made continuous efforts to expand live streaming usage scenarios and build associated infrastructure to better satisfy users’ and business partners’ needs. In the fourth quarter of 2022, average daily resume submissions on *Kwai Hire* (快聘) more than doubled compared with the first quarter of 2022. Meanwhile, cumulative transactions volume on *Ideal Housing* (理想家) exceeded RMB10.0 billion just half a year after its launch.

Chairman's Statement

Overseas

In terms of our overseas business, we continued to focus on developing our markets in key countries, optimizing resource allocation and elevating operational efficiency. These efforts helped us further improve the bottom line of our overseas business. In addition to optimizing our customer acquisition costs across all channels, our overseas user base achieved healthy, steady growth. Through rich, constructive content offerings, we built user mindsets for consuming news on our platform, as well as short plays and other content verticals in which we excel. Moreover, we kept upgrading our products and algorithms to further strengthen user engagement, with average daily time spent per DAU growing to over 65 minutes in our overseas markets.

We also steadily improved our commercial ecosystem and enhanced our monetization capabilities, leading to rapid revenue expansions in the overseas markets. On the advertising front, we constantly created success cases and expanded our advertiser base. Through refined customer operations, we empowered advertisers to broaden their brand influence and achieve more growth upside. In terms of live streaming, we onboarded more streamers and talent agencies, which enriched our content offerings and deepened our live streaming penetration. Meanwhile, we continued to grow our live streaming revenue via refined operations and diverse operational activities. Additionally, we have been actively exploring e-commerce opportunities in the overseas markets.

Corporate Social Responsibilities

Leveraging our advanced short video and live streaming capacity, as well as our equitable traffic allocation mechanism, Kuaishou has built an inclusive, trust-based digital community for hundreds of millions of users, empowering participants from all walks of life to explore new usage scenarios, new opportunities, and new business models, advancing the integration of digital technology and the real economy, and facilitating the development of the digital economy and Digital China.

Since we commenced its operation in 2021, *Kwai Hire* has reinvented a trust-based recruitment process and a live streaming recruitment model, connecting job seekers and enterprise recruiters on our digital-native platform. Benefiting from matching efficiency and premier user experience unique to an online recruitment model, live streaming recruitment has become a major recruitment channel for enterprise recruiters and blue-collar job seekers in Kunshan, Jiangsu Province. *Kwai Hire* has formulated a new *Kunshan Model* (昆山模式) of live streaming recruitment, combining core features of "digitalized human resources service", "digitalized enterprise recruitment process", and "digital empowerment by platform".

Chairman's Statement

Business Outlook

Looking ahead, we will continue making strides in upgrading our infrastructure, algorithms, usage scenarios and the multiple growth engines of our business, in tandem with our endeavor to further optimize cost structure and improve our operating efficiency. We are confident that our efforts to create value for all our ecosystem participants, with our inclusive and balanced traffic distribution strategy, will draw more users and creative talents to our platform, as such taking our unique, trust-based user and content community to new heights.

With continual enhancements to our user experience and commercial ecosystems, we look forward to further unlocking major monetization opportunities fostered by the massive scale of our traffic in both our private and public domains, our strong user engagement, high e-commerce repeated purchase rates at our platform, and our superior advertising conversion performance. In 2023, through relentless efforts to meet the needs and even exceed the expectation of our users and achieve better returns for our business partners, we will strive to strengthen our market position in online marketing and e-commerce, while creating additional shareholder value through improved monetization and efficiency enhancement measures that drive sustainable profitability over the long-term.

Mr. SU Hua
Chairman

Management Discussion and Analysis

YEAR ENDED DECEMBER 31, 2022 COMPARED TO YEAR ENDED DECEMBER 31, 2021

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the years ended December 31, 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	94,182,522	100.0	81,081,513	100.0
Cost of revenues	(52,051,359)	(55.3)	(47,051,808)	(58.0)
Gross profit	42,131,163	44.7	34,029,705	42.0
Selling and marketing expenses	(37,120,984)	(39.4)	(44,175,898)	(54.5)
Administrative expenses	(3,921,001)	(4.2)	(3,400,316)	(4.2)
Research and development expenses	(13,784,176)	(14.6)	(14,956,247)	(18.4)
Other income	1,547,498	1.6	1,026,742	1.3
Other losses, net	(1,410,452)	(1.4)	(225,251)	(0.4)
Operating loss	(12,557,952)	(13.3)	(27,701,265)	(34.2)
Finance income/(expense), net	165,574	0.1	(38,536)	(0.0)
Fair value changes of convertible redeemable preferred shares	—	—	(51,275,797)	(63.3)
Share of losses of investments accounted for using the equity method	(138,683)	(0.1)	(86,658)	(0.1)
Loss before income tax	(12,531,061)	(13.3)	(79,102,256)	(97.6)
Income tax (expenses)/benefits	(1,158,299)	(1.2)	1,025,155	1.3
Loss for the year	(13,689,360)	(14.5)	(78,077,101)	(96.3)
Non-IFRS Measures:				
Adjusted net loss (unaudited)	(5,751,434)	(6.1)	(18,851,769)	(23.3)
Adjusted EBITDA (unaudited)	1,814,718	1.9	(12,953,371)	(16.0)

Management Discussion and Analysis

Revenues

Our revenues increased by 16.2% to RMB94.2 billion in 2022, from RMB81.1 billion in 2021. The increase was primarily attributable to the growth of our online marketing services, live streaming business and e-commerce business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues in 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	49,041,552	52.1	42,665,483	52.6
Live streaming	35,387,952	37.6	30,995,152	38.2
Other services	9,753,018	10.3	7,420,878	9.2
Total	94,182,522	100.0	81,081,513	100.0

Online marketing services

Revenue from our online marketing services increased by 14.9% to RMB49.0 billion in 2022 from RMB42.7 billion in 2021, primarily attributable to the growth in the number of advertisers and the increased spending from advertisers, especially from our e-commerce merchants, driven by the increased traffic on our platform, diversified product portfolio and refined operation based on industry attributes.

Live streaming

Revenue from our live streaming business increased by 14.2% to RMB35.4 billion in 2022 from RMB31.0 billion in 2021, as a result of 19.4% growth in average MPUs, which was supported by the consistent enrichment of content supply, evolving collaboration strategy with talent agencies and continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 31.4% to RMB9.8 billion in 2022 from RMB7.4 billion in 2021, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and the improved repeat purchase rate.

Management Discussion and Analysis

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues in 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	30,924,481	32.8	24,792,937	30.6
Bandwidth expenses and server custody costs ⁽¹⁾	6,623,693	7.0	7,638,475	9.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	5,603,292	5.9	6,246,286	7.7
Employee benefit expenses	2,798,516	3.0	3,451,634	4.3
Payment processing costs	1,946,439	2.1	1,602,030	2.0
Other cost of revenues	4,154,938	4.5	3,320,446	4.0
Total	52,051,359	55.3	47,051,808	58.0

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 the new standard of 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 10.6% to RMB52.1 billion in 2022 from RMB47.1 billion in 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth, partially offset by decreased bandwidth expenses and server custody costs.

Management Discussion and Analysis

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 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	<u>42,131,163</u>	<u>44.7</u>	<u>34,029,705</u>	<u>42.0</u>

As a result of the foregoing, our gross profit increased by 23.8% to RMB42.1 billion in 2022 from RMB34.0 billion in 2021. Our gross profit margin increased to 44.7% in 2022 from 42.0% in 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 16.0% to RMB37.1 billion in 2022 from RMB44.2 billion in 2021, and decreased to 39.4% in 2022 from 54.5% in 2021 as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 15.3% to RMB3.9 billion in 2022 from RMB3.4 billion in 2021, primarily due to an increase in employee benefit expenses, which were mainly related to share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 7.8% to RMB13.8 billion in 2022 from RMB15.0 billion in 2021, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Management Discussion and Analysis

Other Income

Our other income increased from RMB1.0 billion in 2021 to RMB1.5 billion in 2022, primarily due to an increase in the value-added tax preferences in 2022 as compared to 2021.

Other Losses, Net

We had other losses, net of RMB1.4 billion in 2022, compared to other losses, net of RMB225.3 million in 2021. The increase was primarily due to net fair value losses on financial assets at fair value through profit or loss of investments in listed and unlisted entities was recognized in 2022 as compared to net fair value gains in 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB12.6 billion and a negative operating margin of 13.3% in 2022, compared to an operating loss of RMB27.7 billion and a negative operating margin of 34.2% in 2021.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for 2022 and 2021, respectively:

	Year Ended December 31,		
	2022	2021	Year-over-year change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	192,110	(8,677,389)	N/A
Overseas	(6,637,993)	(11,995,118)	(44.7%)
Unallocated items	(6,112,069)	(7,028,758)	(13.0%)
Total	(12,557,952)	(27,701,265)	(54.7%)

We had an operating profit of RMB192.1 million and an operating loss of RMB8.7 billion from the domestic segment in 2022 and 2021, respectively. The change was primarily attributable to 15.5% year-over-year growth in domestic revenues.

We had an operating loss of RMB6.6 billion and RMB12.0 billion from the overseas segment in 2022 and 2021, respectively. The narrowing operating loss was primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Management Discussion and Analysis

Finance Income/(Expense), Net

We had finance income, net of RMB165.6 million in 2022, compared to finance expense, net of RMB38.5 million in 2021, primarily attributable to an increase in interest income from bank deposits.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were nil in 2022, as a result of the completion of our initial public offering in February 2021, compared to negative RMB51.3 billion in 2021.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB138.7 million in 2022, compared to RMB86.7 million in 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB12.5 billion and RMB79.1 billion in 2022 and 2021, respectively.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB1.2 billion in 2022 and income tax benefits of RMB1.0 billion in 2021, as we incurred deferred income tax expenses in 2022, compared to deferred income tax benefits in 2021.

Loss for the Year

As a result of the foregoing, our loss for the year was RMB13.7 billion and RMB78.1 billion in 2022 and 2021, respectively.

Management Discussion and Analysis

FOURTH QUARTER OF 2022 COMPARED TO FOURTH QUARTER OF 2021

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the fourth quarter of 2022 and 2021, respectively:

	Unaudited		Three Months Ended December 31,	
	2022	%	2021	%
	RMB		RMB	
	<i>(in thousands, except for percentages)</i>			
Revenues	28,292,284	100.0	24,430,260	100.0
Cost of revenues	(15,415,716)	(54.5)	(14,281,697)	(58.5)
Gross profit	12,876,568	45.5	10,148,563	41.5
Selling and marketing expenses	(9,739,839)	(34.4)	(10,229,580)	(41.9)
Administrative expenses	(1,034,485)	(3.7)	(919,756)	(3.8)
Research and development expenses	(3,445,952)	(12.2)	(4,016,063)	(16.4)
Other income	450,616	1.6	222,516	0.9
Other losses, net	(350,201)	(1.2)	(995,834)	(4.0)
Operating loss	(1,243,293)	(4.4)	(5,790,154)	(23.7)
Finance income/(expense), net	106,772	0.4	(56,730)	(0.2)
Share of losses of investments accounted for using the equity method	(26,585)	(0.1)	(24,771)	(0.1)
Loss before income tax	(1,163,106)	(4.1)	(5,871,655)	(24.0)
Income tax expenses	(383,908)	(1.4)	(331,088)	(1.4)
Loss for the period	(1,547,014)	(5.5)	(6,202,743)	(25.4)
Non-IFRS Measures:				
Adjusted net loss	(45,322)	(0.2)	(3,568,768)	(14.6)
Adjusted EBITDA	1,935,917	6.8	(1,290,186)	(5.3)

Management Discussion and Analysis

Revenues

Our revenues increased by 15.8% to RMB28.3 billion for the fourth quarter of 2022, from RMB24.4 billion for the same period of 2021. The increase was primarily attributable to the growth of our online marketing services, live streaming business 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 2022 and 2021, respectively:

	Unaudited Three Months Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	15,094,052	53.4	13,236,475	54.2
Live streaming	10,034,193	35.5	8,827,182	36.1
Other services	3,164,039	11.1	2,366,603	9.7
Total	28,292,284	100.0	24,430,260	100.0

Online marketing services

Revenue from our online marketing services increased by 14.0% to RMB15.1 billion for the fourth quarter of 2022, from RMB13.2 billion for the same period of 2021, primarily attributable to the growth in the number of advertisers and the increased advertising spending from advertisers, especially from our e-commerce merchants, driven by the increased traffic on our platform, diversified product portfolio and refined operation based on industry attributes.

Live streaming

Revenue from our live streaming business increased by 13.7% to RMB10.0 billion for the fourth quarter of 2022, from RMB8.8 billion for the same period of 2021, as a result of the 20.4% year-over-year growth in average MPUs, which was supported by consistent enrichment of content supply, continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 33.7% to RMB3.2 billion for the fourth quarter of 2022, from RMB2.4 billion for the same period of 2021, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and average order value.

Management Discussion and Analysis

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 2022 and 2021, respectively:

	Unaudited		Three Months Ended December 31,	
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	9,987,186	35.3	8,191,079	33.5
Bandwidth expenses and server custody costs ⁽¹⁾	1,843,826	6.5	1,808,818	7.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,486,309	5.3	1,686,273	6.9
Employee benefit expenses	539,284	1.9	893,225	3.7
Payment processing costs	580,648	2.1	526,692	2.2
Other cost of revenues	978,463	3.4	1,175,610	4.8
Total	15,415,716	54.5	14,281,697	58.5

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 the new standard of 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 7.9% to RMB15.4 billion for the fourth quarter of 2022, from RMB14.3 billion for the same period of 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth, partially offset by the decrease in employee benefit expenses and depreciation of property and equipment and right-of-use assets, and amortization of intangible assets.

Management Discussion and Analysis

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 2022 and 2021, respectively:

	Unaudited Three Months Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Gross profit	<u>12,876,568</u>	<u>45.5</u>	<u>10,148,563</u>	<u>41.5</u>

As a result of the foregoing, our gross profit increased by 26.9% to RMB12.9 billion for the fourth quarter of 2022, from RMB10.1 billion for the same period of 2021. Our gross profit margin increased to 45.5% for the fourth quarter of 2022, from 41.5% for the same period of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 4.8% to RMB9.7 billion for the fourth quarter of 2022, from RMB10.2 billion for the same period of 2021, and decreased to 34.4% from 41.9% as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 12.5% to RMB1.0 billion for the fourth quarter of 2022, from RMB919.8 million for the same period of 2021, primarily due to an increase in employee benefit expenses, which was mainly related to share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 14.2% to RMB3.4 billion for the fourth quarter of 2022, from RMB4.0 billion for the same period of 2021, primarily attributable to a decrease in employee benefit expenses, including related share-based compensation expenses.

Management Discussion and Analysis

Other Income

Our other income increased by 102.5% to RMB450.6 million for the fourth quarter of 2022, from RMB222.5 million for the same period of 2021, primarily due to increase in value-added tax preferences and other tax refunds for the fourth quarter of 2022 as compared to the same period of 2021.

Other Losses, Net

We recorded other losses, net of RMB350.2 million and RMB995.8 million for the fourth quarter of 2022 and 2021, respectively. The change was primarily due to the impairment provision for investments recorded in the fourth quarter of 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB1.2 billion and a negative operating margin of 4.4% for the fourth quarter of 2022, compared to an operating loss of RMB5.8 billion and a negative operating margin of 23.7% for the same period of 2021.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the fourth quarter of 2022 and 2021, respectively:

	Unaudited Three Months Ended December 31,		
	2022	2021	Year-over-year change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	1,267,205	(847,358)	N/A
Overseas	(1,499,133)	(2,427,007)	(38.2%)
Unallocated items	(1,011,365)	(2,515,789)	(59.8%)
Total	(1,243,293)	(5,790,154)	(78.5%)

We had an operating profit from the domestic segment of RMB1.3 billion for the fourth quarter of 2022, compared to an operating loss of RMB847.4 million for the same period of 2021, mainly due to 14.9% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB1.5 billion for the fourth quarter of 2022, from RMB2.4 billion for the same period of 2021, primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Management Discussion and Analysis

Finance Income/(Expense), Net

Our finance income, net was RMB106.8 million for the fourth quarter of 2022, compared to finance expense, net of RMB56.7 million for the fourth quarter of 2021. The change was primarily attributable to the increase in interest income from bank deposits and decrease in interest expense from lease liabilities.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB26.6 million for the fourth quarter of 2022, compared to RMB24.8 million for the same period of 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB1.2 billion and RMB5.9 billion for the fourth quarter of 2022 and 2021, respectively.

Income Tax Expenses

We incurred income tax expenses of RMB383.9 million and RMB331.1 million for the fourth quarter of 2022 and 2021, respectively.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB1.5 billion for the fourth quarter of 2022, compared to RMB6.2 billion for the same period of 2021.

Management Discussion and Analysis

FOURTH QUARTER OF 2022 COMPARED TO THIRD QUARTER OF 2022

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 2022, respectively:

	Unaudited Three Months Ended		September 30, 2022	
	December 31, 2022 RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenues	28,292,284	100.0	23,128,413	100.0
Cost of revenues	(15,415,716)	(54.5)	(12,425,410)	(53.7)
Gross profit	12,876,568	45.5	10,703,003	46.3
Selling and marketing expenses	(9,739,839)	(34.4)	(9,130,341)	(39.5)
Administrative expenses	(1,034,485)	(3.7)	(1,059,353)	(4.6)
Research and development expenses	(3,445,952)	(12.2)	(3,533,090)	(15.3)
Other income	450,616	1.6	687,184	3.0
Other losses, net	(350,201)	(1.2)	(279,595)	(1.2)
Operating loss	(1,243,293)	(4.4)	(2,612,192)	(11.3)
Finance income, net	106,772	0.4	68,258	0.3
Share of losses of investments accounted for using the equity method	(26,585)	(0.1)	(31,386)	(0.1)
Loss before income tax	(1,163,106)	(4.1)	(2,575,320)	(11.1)
Income tax expenses	(383,908)	(1.4)	(137,081)	(0.6)
Loss for the period	(1,547,014)	(5.5)	(2,712,401)	(11.7)
Non-IFRS Measures:				
Adjusted net loss	(45,322)	(0.2)	(671,946)	(2.9)
Adjusted EBITDA	1,935,917	6.8	1,023,285	4.4

Management Discussion and Analysis

Revenues

Our revenues increased by 22.3% to RMB28.3 billion for the fourth quarter of 2022, from RMB23.1 billion for the third quarter of 2022, primarily attributable to the growth of our online marketing services, live streaming business 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 and third quarters of 2022, respectively:

	Unaudited Three Months Ended			
	December 31, 2022		September 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	15,094,052	53.4	11,589,632	50.1
Live streaming	10,034,193	35.5	8,946,690	38.7
Other services	3,164,039	11.1	2,592,091	11.2
Total	28,292,284	100.0	23,128,413	100.0

Online marketing services

Revenue from our online marketing services increased by 30.2% to RMB15.1 billion for the fourth quarter of 2022, from RMB11.6 billion for the third quarter of 2022, primarily attributable to the growth in the number of advertisers and the increased advertising spending from advertisers, especially from our e-commerce merchants, along with the e-commerce promotional seasons and events in the fourth quarter.

Live streaming

Revenue from our live streaming business increased by 12.2% to RMB10.0 billion for the fourth quarter of 2022, from RMB8.9 billion for the third quarter of 2022, primarily due to our consistent enrichment of content supply, optimized algorithms and continuously-evolving collaboration strategy with talent agencies.

Other services

Revenue from our other services increased by 22.1% to RMB3.2 billion for the fourth quarter of 2022, from RMB2.6 billion for the third quarter of 2022, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and average order value, amid the e-commerce promotional campaigns in the fourth quarter.

Management Discussion and Analysis

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 2022, respectively:

	Unaudited Three Months Ended		September 30, 2022	
	December 31, 2022 RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	9,987,186	35.3	7,163,900	31.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,843,826	6.5	1,653,413	7.1
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,486,309	5.3	1,402,298	6.1
Employee benefit expenses	539,284	1.9	766,033	3.3
Payment processing costs	580,648	2.1	526,415	2.3
Other cost of revenues	978,463	3.4	913,351	3.9
Total	15,415,716	54.5	12,425,410	53.7

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 the new standard of 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 24.1% to RMB15.4 billion for the fourth quarter of 2022, from RMB12.4 billion for the third quarter of 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth and the increase in bandwidth expenses and server custody costs.

Management Discussion and Analysis

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 2022, respectively:

	Unaudited Three Months Ended			
	December 31, 2022		September 30, 2022	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Gross profit	<u>12,876,568</u>	<u>45.5</u>	<u>10,703,003</u>	<u>46.3</u>

As a result of the foregoing, our gross profit increased by 20.3% to RMB12.9 billion for the fourth quarter of 2022, from RMB10.7 billion for the third quarter of 2022. Our gross profit margin decreased to 45.5% for the fourth quarter of 2022, from 46.3% for the third quarter of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 6.7% to RMB9.7 billion for the fourth quarter of 2022, from RMB9.1 billion for the third quarter of 2022, primarily due to the increased spending along with the e-commerce promotions and earlier Chinese New Year marketing activities. Our selling and marketing expenses as a percentage of our total revenues decreased to 34.4% for the fourth quarter of 2022, from 39.5% for the third quarter of 2022, primarily attributable to the improved efficiency and more rationalized spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses were RMB1.0 billion for the fourth quarter of 2022, compared to RMB1.1 billion for the third quarter of 2022.

Research and Development Expenses

Our research and development expenses were RMB3.4 billion for the fourth quarter of 2022, compared to RMB3.5 billion for the third quarter of 2022.

Other Income

Our other income was RMB450.6 million for the fourth quarter of 2022, compared to RMB687.2 million for the third quarter of 2022, mainly due to the decrease in tax refunds.

Management Discussion and Analysis

Other Losses, Net

We recorded other losses, net of RMB350.2 million and RMB279.6 million for the fourth and third quarter of 2022, respectively.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB1.2 billion for the fourth quarter of 2022, and an operating loss of RMB2.6 billion for the third quarter of 2022, and our operating margin was negative 4.4% for the fourth quarter of 2022, compared to negative 11.3% for the third quarter of 2022.

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

	Unaudited Three Months Ended		
	December 31, 2022	September 30, 2022	Quarter-over- quarter change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	1,267,205	375,070	237.9%
Overseas	(1,499,133)	(1,686,912)	(11.1%)
Unallocated items	(1,011,365)	(1,300,350)	(22.2%)
Total	(1,243,293)	(2,612,192)	(52.4%)

Our operating profit from the domestic segment increased to RMB1.3 billion for the fourth quarter of 2022, from RMB375.1 million for the third quarter of 2022, mainly due to quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB1.5 billion for the fourth quarter of 2022, from RMB1.7 billion for the third quarter of 2022. The decrease was primarily attributable to growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Management Discussion and Analysis

Finance Income, Net

We had finance income, net of RMB106.8 million in the fourth quarter of 2022 and RMB68.3 million in the third quarter of 2022, respectively. The increase was primarily attributable to the 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 RMB26.6 million for the fourth quarter of 2022, compared to RMB31.4 million for the third quarter of 2022.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB1.2 billion for the fourth quarter of 2022, compared to RMB2.6 billion for the third quarter of 2022.

Income Tax Expenses

We incurred income tax expenses of RMB383.9 million and RMB137.1 million for the fourth and third quarter of 2022, respectively.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB1.5 billion for the fourth quarter of 2022, compared to RMB2.7 billion for the third quarter of 2022.

Management Discussion and Analysis

RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRS MEASURES

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the years ended December 31, 2022 and 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,	
	2022	2021
	<i>(RMB thousands)</i>	
Loss for the year	(13,689,360)	(78,077,101)
Add:		
Share-based compensation expenses	6,249,115	7,830,249
Fair value changes of convertible redeemable preferred shares	—	51,275,797
Net fair value changes on investments ⁽¹⁾	1,688,811	119,286
Adjusted net loss (unaudited)	(5,751,434)	(18,851,769)
Adjusted net loss (unaudited)	(5,751,434)	(18,851,769)
Add:		
Income tax expenses/(benefits)	1,158,299	(1,025,155)
Depreciation of property and equipment	3,212,104	3,985,910
Depreciation of right-of-use assets	3,221,589	2,735,442
Amortization of intangible assets	139,734	163,665
Finance (income)/expense, net	(165,574)	38,536
Adjusted EBITDA (unaudited)	1,814,718	(12,953,371)

Management Discussion and Analysis

The following table sets forth the reconciliations of our non-IFRS financial measures for the fourth quarter of 2022, the third quarter of 2022 and the fourth quarter of 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	December 31,	September 30,	December 31,
	2022	2022	2021
	(RMB thousands)		
Loss for the period	(1,547,014)	(2,712,401)	(6,202,743)
Add:			
Share-based compensation expenses	1,111,780	1,707,939	1,742,471
Net fair value changes on investments ⁽¹⁾	389,912	332,516	891,504
Adjusted net loss	(45,322)	(671,946)	(3,568,768)
Adjusted net loss	(45,322)	(671,946)	(3,568,768)
Add:			
Income tax expenses	383,908	137,081	331,088
Depreciation of property and equipment	890,959	810,387	1,077,220
Depreciation of right-of-use assets	776,176	779,714	776,990
Amortization of intangible assets	36,968	36,307	36,554
Finance (income)/expense, net	(106,772)	(68,258)	56,730
Adjusted EBITDA	1,935,917	1,023,285	(1,290,186)

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 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.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

Other than the funds raised through our global offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB13.3 billion as of December 31, 2022, compared to RMB32.6 billion as of December 31, 2021.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposit, financial assets and restricted cash. Financial assets mainly included wealth management products and others. The aggregate amount of our available funds was RMB44.7 billion as of December 31, 2022, compared to RMB49.6 billion as of December 31, 2021.

The following table sets forth a summary of our cash flows for the years ended December 31, 2022 and 2021, respectively:

	Year Ended December 31,	
	2022	2021
	<i>(RMB thousands)</i>	
Net cash generated from/(used in) operating activities	2,198,028	(5,519,291)
Net cash used in investing activities	(17,547,929)	(18,361,335)
Net cash (used in)/generated from financing activities	(4,482,383)	36,500,187
Net (decrease)/increase in cash and cash equivalents	(19,832,284)	12,619,561
Cash and cash equivalents at the beginning of the year	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents	494,134	(398,687)
Cash and cash equivalents at the end of the year	13,274,269	32,612,419

Net Cash Generated from/(Used in) Operating Activities

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

For the year ended December 31, 2022, our net cash generated from operating activities was RMB2.2 billion, which was primarily attributable to our loss before income tax of RMB12.5 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB6.2 billion, depreciation of property and equipment of RMB3.2 billion, depreciation of right-of-use assets of RMB3.2 billion and impairment provision for investments of RMB1.0 billion. The amount was further adjusted by changes in working capital, which primarily comprised increases in accounts payables of RMB2.2 billion and other payables and accruals of RMB1.7 billion, partially offset by an increase in trade receivables of RMB1.9 billion. We also paid income tax of RMB1.0 billion.

Management Discussion and Analysis

Net Cash Used in Investing Activities

For the year ended December 31, 2022, our net cash used in investing activities was RMB17.5 billion, which was primarily attributable to the net change of time deposits with initial terms of over three months of RMB7.5 billion, purchase of property, equipment and intangible assets of RMB4.6 billion, net change of investments in financial assets at fair value through profit or loss of RMB4.1 billion and net change of investments in other financial assets measured at amortized cost of RMB1.3 billion.

Net Cash (Used in)/Generated from Financing Activities

For the year ended December 31, 2022, our net cash used in financing activities was RMB4.5 billion, which was primarily attributable to payments for principal elements of lease and the related interests of RMB3.4 billion and the settlement of notes payable of RMB1.2 billion, which are used to settle trade payables.

BORROWINGS

We did not have any borrowings as of December 31, 2022.

GEARING RATIO

As of December 31, 2022, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was zero.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2022.

SIGNIFICANT INVESTMENTS HELD

As of December 31, 2022, we did not hold any significant investments in the equity interests of any other companies.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Management Discussion and Analysis

PLEDGE OF ASSETS

As of December 31, 2022, we had not pledged any assets of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as otherwise disclosed in this annual report, as of December 31, 2022, we had no specific plan for material investments or acquisition of capital assets. However, we will continue to identify new opportunities for business development and investments.

FOREIGN EXCHANGE RISK

During the Reporting Period, most transactions of the Group were settled in RMB and USD. Thus, our business is not exposed to any significant foreign exchange risk as the Group has no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of the entities within the Group.

The Group has not engaged in hedging activities designed or intended to manage foreign exchange rate risk during the Reporting Period. However, the Group will continue to monitor foreign exchange risk from time to time based on its business development requirements to best preserve the Group's cash value, and may enter into forward foreign exchange contracts or engage in other hedging activities when necessary.

IMPACT OF CORONAVIRUS OUTBREAK

In 2022, global economic, geopolitics and pandemic uncertainties continued to disrupt activities in mainland China and across the world. Until recently, the COVID-19 pandemic and other external events had impacted our operations and financial performance as they shifted consumers' demand for internet and mobile services, affected advertisers' advertising spending pattern, impacted the incomes and consumption power of our users, and caused supply chain disruptions and logistics challenges. In December 2022, China had eased most COVID-19 restrictions, and the return to pre-pandemic level of social-economic activities continues to vary across regions. We will continue to monitor, and seek to manage the potential implications of all the above developments on our customers and our business.

Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

USE OF PROCEEDS

Use of Proceeds from 2020 Issuance of Convertible Redeemable Preferred Shares

The Company raised net proceeds of approximately RMB20,956.5 million from issuance of convertible redeemable series F-1 & F-2 preferred shares during the year ended December 31, 2020 (the “**2020 Issuance of Convertible Redeemable Preferred Shares**”). The convertible redeemable series F-1 & F-2 preferred shares were automatically converted into Class B Shares upon the Listing.

There has been no change in the intended use of net proceeds. The Group has utilized the net proceeds from the 2020 Issuance of Convertible Redeemable Preferred Shares as set out in the table below:

Net proceeds raised (RMB million)	Proposed use of net proceeds	Amount of net proceeds utilized as of December 31, 2022 (RMB million)	Balance of net proceeds as of December 31, 2022 (RMB million)	Expected timeline of full utilization of net proceeds
20,956.5	Business operations and other general corporate purposes	9,769.0	6,430.6	Before December 31, 2024
	Capital expenditure	4,756.9		Before December 31, 2024

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. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. Please refer to “Future Plans and Use of Proceeds” in the Prospectus for details.

Report of the Board of Directors

As of December 31, 2022, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from the Global Offering <i>(HK\$ million)</i>	Amount of net proceeds utilized as of December 31, 2022 <i>(HK\$ million)</i>	Balance of net proceeds as of December 31, 2022 <i>(HK\$ million)</i>	Expected timeline of full utilization of net proceeds
Approximately 35% to enhance and grow the ecosystem	16,437.5	15,315.3	1,122.2	Before December 31, 2023
Approximately 30% to strengthen research and development and technological capabilities	14,089.3	12,554.9	1,534.4	Before December 31, 2023
Approximately 25% to selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	Before December 31, 2023
Approximately 10% for working capital and general corporate purposes	4,696.5	4,441.5	255.0	Before December 31, 2023
Total	46,964.4	32,816.7	14,147.7	

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 received from 2020 Issuance of Convertible Redeemable Preferred Shares and the Global Offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with 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 PRC regulation of loans and direct investment by offshore holding companies to 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.

Report of the Board of Directors

BUSINESS AND COMPANY-RELATED INFORMATION

Principal Activities

The Group is a leading content community and social platform. As the various parts of the Group's platform work together, they enable numerous interactions among the Group's ecosystem participants and generate a significant network effect:

- **Content:** The Group's users have contributed to a vast and organically growing repository of short video and live streaming content, as well as the community and the myriad of social interactions and connections that springs from it. The Group promotes content on its platform that embraces all lifestyles and reflects the lives of its users.
- **Business:** The Group works with its business partners to provide products and services that address the various needs that arise naturally on its platform. These products and services include entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more.
- **Technology and Data:** The Group's advanced technologies and massive data repository support its ecosystem. The Group's technological capabilities enable it to serve the interests and needs of users and cover various aspects of content creation, compression, transmissions, analysis, recommendation, search and other fields.

Results of Operations

The results of the Group for the Reporting Period are set out in the consolidated income statement contained in this annual report.

Five-Year Financial Summary

A summary of the condensed consolidated income statements and statements of comprehensive loss, and condensed consolidated balance sheets of the Group is set out on page 8 of this annual report.

Report of the Board of Directors

Dividend Policy and Final Dividends

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from its subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulations, the Board has discretion to recommend any dividend. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's earnings and financial condition, operating requirements, capital and investment requirements, level of indebtedness and any other factors that the Board may deem relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment. Dividend distribution to the Shareholders is recognized as a liability in the period in which the dividends are approved by the Shareholders or Directors, where appropriate.

The Company does not have any present plan to pay any dividends to the Shareholders in the foreseeable future. However, the Company may distribute dividends in the future by way of cash or by other means that the Board considers appropriate.

After due consideration of the Shareholders' as well as the Company's long-term interests, the Board did not recommend the payment of a final dividend for the Reporting Period.

As of the Latest Practicable Date, there was no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including analysis of the Group's financial performance, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. These discussions form part of the Group's business review.

Report of the Board of Directors

Future Development

The Company aims to be the most customer-obsessed company in the world. The Group's mission is to help people discover their needs and use their talents in order to find their unique brand of happiness. To achieve such mission and further strengthen the Group's market leadership, the Group intends to pursue the following strategies:

- continue to exceed users' expectations;
- continue to strengthen our technological capabilities;
- further expand on our ecosystem and monetization capabilities; and
- selectively pursue strategic alliances, investments and acquisitions.

Environmental Policies and Performance

The Group is not subject to significant environmental risks. During the Reporting Period, the Group had not been subject to any fines or other penalties due to non-compliance with environmental regulations, which would likely to have a material and adverse effect on its business, financial conditions or results of operations.

More details of the environmental policies and performance of the Company are set forth in the section headed "Environmental, Social and Governance Report" of this annual report.

Relationships with Stakeholders

Employees

The Group had 25,445 full-time employees as of December 31, 2022. The Group also used some third-party labor outsourcing and labor dispatch services, though most of our employees were directly employed by us. Substantially all of the Group's employees are based in China, primarily at our headquarters in Beijing as well as in Chengdu, Wuhan, Wuxi, Tianjin and other cities.

The Group's success depends on its ability to attract, retain and motivate qualified personnel. The Group adopts high standards in recruitment with strict procedures to ensure the quality of new hires. The Group uses various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy its demand for different types of talents, and pay competitive market salaries.

Report of the Board of Directors

The Group provides robust training programs for its employees, which it believes are effective in equipping them with the necessary skillset and work ethic. As required by PRC laws, it participates in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. The Group and its employees are required to bear the costs of the social security schemes in proportion to a specified percentage. The Group is required under PRC law to make contributions to employee social security plans directly at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

The total remuneration expenses of the employees of the Group for the Reporting Period are set out in Note 10 to the Consolidated Financial Statements in this annual report.

Customers and Suppliers

The Group's major customers primarily include advertisers, merchants and individuals. The Group's top five customers accounted for less than 30% of the Group's total revenues for the Reporting Period. The Group's major suppliers primarily include marketing service providers, cloud service providers and bandwidth service providers. The Group's top five suppliers accounted for less than 30% of the Group's purchasers for the Reporting Period.

Property and Equipment

Details of movements in the property and equipment of the Group during the Reporting Period are set out in Note 15 to the Consolidated Financial Statements in this annual report.

Share Capital

Details of the movements in the Company's share capital during the Reporting Period are set out in Note 24 to the Consolidated Financial Statements in this annual report.

Reserves and Distributable Reserves

Details of movements in the reserves of the Company during the Reporting Period are set out in Note 37 to the Consolidated Financial Statements in this annual report. As of December 31, 2022, the Company had distributable reserves amounting to RMB92,219.4 million.

Report of the Board of Directors

Bank Loans and Other Borrowings

As of December 31, 2022, the Group did not have any bank loans or other borrowings.

Issue of Debentures

The Group has not issued any debentures during the Reporting Period.

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

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.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Tax Relief and Exemption and Professional Tax Advice Recommended

The Company is not aware of any tax relief or exemption available to the Shareholders by reasons of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

Charitable Donations

During the Reporting Period, the Group made approximately RMB22.7 million charitable and other donations.

Contracts with the Controlling Shareholders

Save as disclosed in this annual report, no contract of significance has been entered into among the Company or any of its subsidiaries, the Consolidated Affiliated Entities and the Controlling Shareholders during the Reporting Period.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the Reporting Period.

Report of the Board of Directors

Corporate Governance

The Company is committed to maintaining and promoting high standards of corporate governance which are crucial to the Company'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 during the Reporting Period. Information on the corporate governance practices adopted by the Company is set forth in the section headed "Corporate Governance Report" of this annual report.

Sufficiency of Public Float

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public during the Reporting Period and up to the Latest Practicable Date.

Legal Proceedings and Compliance

The Group may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. During the Reporting Period, the Group had not been a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which would likely to have a material and adverse effect on its business, financial conditions or results of operations.

The Group is subject to applicable laws and regulations in the PRC in respect of its business operations. During the Reporting Period, the Group had not been and were not involved in any non-compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition or results of operations, and the Group had been in compliance with applicable laws and regulations in all material respects.

Important Events after December 31, 2022

Save as otherwise disclosed in this annual report, there were no other significant events affecting the Group which occurred after December 31, 2022 and up to the Latest Practicable Date.

Annual General Meeting

The 2023 AGM of the Company will be held on Friday, June 16, 2023. A notice convening the 2023 AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Report of the Board of Directors

Closure of Register of Members

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, June 13, 2023 to Friday, June 16, 2023 (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 2023 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 Monday, June 12, 2023.

Weighted Voting Rights

The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's weighted voting rights structure will enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of the Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of the Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

As of the Latest Practicable Date, the WVR Beneficiaries are Mr. SU Hua and Mr. CHENG Yixiao.

- (1) Mr. SU Hua is interested in and controls, through Reach Best, 427,469,521 Class A Shares, representing approximately 9.86% of the Company's total issued share capital, approximately 9.86% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 38.06% with respect to matters other than the Reserved Matters.
- (2) Mr. CHENG Yixiao is interested and controls, through Ke Yong, 338,767,480 Class A Shares and 43,770,873 Class B Shares, representing approximately 8.83% of the Company's total issued share capital, approximately 8.83% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 30.56% with respect to matters other than the Reserved Matters.

Class A Shares may be converted into Class B Shares on a one to one ratio. As of the Latest Practicable Date, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 766,237,001 Class B Shares, representing approximately 21.48% of the total number of issued and outstanding Class B Shares as of the Latest Practicable Date.

Report of the Board of Directors

The weighted voting rights attached to Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of the Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (1) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where both WVR Beneficiaries are: (1) deceased; (2) no longer members of the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing their duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;
- (2) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (3) where the vehicles holding Class A Shares on behalf of both WVR Beneficiaries no longer comply with Rule 8A.18(2) of the Listing Rules; or
- (4) when all of the Class A Shares have been converted to Class B Shares.

DIRECTORS AND SENIOR MANAGEMENT

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. SU Hua (宿華) (*Chairman of the Board*)

Mr. CHENG Yixiao (程一笑)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)

Mr. ZHANG Fei (張斐)

Dr. SHEN Dou (沈抖)

Mr. LIN Frank (林欣禾) (*alias LIN Frank Hurst*)

Independent Non-executive Directors

Mr. WANG Huiwen (王慧文)

Mr. HUANG Sidney Xuande (黃宣德)

Mr. MA Yin (馬寅)

Report of the Board of Directors

The biographical details of the Directors are set out in “— Biographical Details and Other Information of the Directors” below.

In accordance with article 17.19 of the Articles of Association, Mr. WANG Huiwen, Mr. HUANG Sidney Xuande and Mr. MA Yin shall retire by rotation at the 2023 AGM and, being eligible for re-election at the 2023 AGM. Details of the Directors to be re-elected at the 2023 AGM are set out in the circular to the Shareholders to be dispatched in due course.

Confirmation of Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Biographical Details and Other Information of the Directors

We set forth below the updated biographical details and other information of the Directors.

Executive Directors

Mr. SU Hua (宿華先生)

Mr. SU Hua, aged 40, is our co-founder, executive Director and chairman of the Board. He is also a member of the Remuneration Committee and holds directorship in certain subsidiaries of the Group. Mr. SU focused primarily on formulating the Group’s long-term strategies and exploring new initiatives.

Mr. SU joined the Group in November 2013. Prior to that, Mr. SU worked as an engineer at Google China from December 2006 to October 2008, and Baidu, Inc. (a company listed on Nasdaq with stock symbol of BIDU with its secondary listing on the Stock Exchange with stock code of 9888) from January 2010 to May 2011.

Mr. SU received his bachelor’s degree in computer software from the School of Software, Tsinghua University in Beijing, the PRC, in July 2005.

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 39, is our co-founder, executive Director and Chief Executive Officer. He is also a member of the Nomination Committee and holds directorship in certain subsidiaries of the Group. Mr. CHENG is responsible for overseeing the management of the business and operations of the Group, including leading the day-to-day operations, supervising product-related matters and strategic investments and acquisitions of the Group.

Prior to founding the Group, Mr. CHENG was a software engineer and developer at Hewlett-Packard from August 2007 to July 2009, and worked at Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN) from September 2009 to February 2011. “GIF Kuaishou”, our original mobile app for users to create and share animated images, was launched by Mr. CHENG in 2011.

Mr. CHENG received his bachelor’s degree in software engineering from the Software College of Northeastern University in Liaoning Province, the PRC, in July 2007.

Report of the Board of Directors

Non-executive Directors

Mr. LI Zhaohui (李朝暉先生)

Mr. LI Zhaohui, aged 47, is a non-executive Director. He is also a member of the Remuneration Committee. As a non-executive Director, Mr. LI is primarily responsible for providing professional advice to the Board.

Mr. LI joined Tencent Holdings Ltd (a company listed on the Stock Exchange with stock code of 700) in 2011, and currently serves as the managing partner of Tencent Investment and the vice president of Tencent. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010.

Mr. LI also holds directorships at various other companies. He has served as a director of Howbuy Wealth Management Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations with stock code of 834418) since December 2013. He has been a director of KE Holdings Inc. ("**BEKE**") (a company listed on the New York Stock Exchange with stock symbol of BEKE and on the Hong Kong Stock Exchange with stock code of 2423) since December 2018. He has been a director of Zhihu Inc. (a company listed on the New York Stock Exchange with stock symbol of ZH and on the Hong Kong Stock Exchange with stock code of 2390) since September 2015. He was previously a director of Missfresh Limited ("**MF**") (a company listed on Nasdaq with stock symbol of MF) from June 2017 to November 2021, and a non-executive director of Fenbi Ltd. (a company listed on the Hong Kong Stock Exchange with stock code of 2469 since January 2023) from December 2020 to March 2023.

Mr. LI received his bachelor's degree in economics (majoring in enterprise management) from Peking University in Beijing, the PRC, in July 1998 and his MBA degree from Duke University Fuqua School of Business in North Carolina, the United States, in May 2004.

Mr. ZHANG Fei (張斐先生)

Mr. ZHANG Fei, aged 50, is a non-executive Director. He is also a member of the Nomination Committee. As a non-executive Director, Mr. ZHANG, together with other members of the Board, provides oversight in respect of the formulation of business plans and strategic and major decisions of the Group.

Mr. ZHANG has over 20 years of venture capital experience, with a focus in the areas of AI/cloud computing, social/digital media and entertainment, and electric vehicle/autonomous driving. He was a partner at Ceyuan Ventures (策源創投) in Beijing from 2004 to 2007, where he set up and managed a venture fund and led investments in multiple portfolios. Since January 2011, Mr. ZHANG was a partner of 5Y Capital (formerly known as Morningside Venture Capital). Around 2016, he founded and has been a fund manager and the Responsible Officer of Neumann Advisory Hong Kong Limited, a SFC Type 9 licensed corporation.

Mr. ZHANG received his bachelor's degree of engineering in automation and control from the Shanghai Jiao Tong University in Shanghai, the PRC, in July 1994, and his MBA degree from the China Europe International Business School in Shanghai, the PRC, in May 1999.

Report of the Board of Directors

Dr. SHEN Dou (沈抖博士)

Dr. SHEN Dou, aged 43, is a non-executive Director. As a non-executive Director, Dr. SHEN is primarily responsible for strategic planning, major business decisions, and corporate governance for the Group.

Dr. SHEN currently serves as an executive vice president of Baidu, Inc. (a company listed on Nasdaq with stock symbol of BIDU with secondary listing on the Hong Kong Stock Exchange with stock code of 9888) and the president of Baidu AI Cloud Group, overseeing the development of AI Cloud. Dr. SHEN joined Baidu in 2012 and has served in various management roles, including web search, display advertising, the financial services group and mobile products. Since May 2022, Dr. SHEN has taken charge of Baidu AI Cloud Group (ACG). Prior to joining Baidu, Dr. SHEN worked in Microsoft headquarter and was responsible for R&D management in relation to search behaviour and semantic advertising, where he subsequently founded BuzzLabs, Inc., a company engaged in social media monitoring and analysis, which was acquired by CityGrid Media in 2011. Dr. SHEN has published more than 40 papers in international conferences and journals, and held more than 10 patents on Internet search and computational advertising. Currently, he serves as the vice president of The Association for Computing Machinery's (ACM) Special Interest Group on Knowledge Discovery and Data Mining (SIGKDD) China Chapter.

Dr. SHEN holds directorships at various other companies. Dr. SHEN has been a director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娛科技有限公司) since January 2018, and the chairman of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娛科技有限公司) since September 2020. Dr. SHEN has been a director of iQIYI, Inc. (a company listed on Nasdaq with stock symbol of IQ) since September 2019. He was previously a director of Trip.com (a company listed on Nasdaq with stock symbol of TCOM with secondary listing on the Hong Kong Stock Exchange with stock code of 9961) from October 2019 to June 2022 and a director of Uxin Limited (a company listed on Nasdaq with stock symbol of UXIN) from May 2018 to November 2019.

Dr. SHEN received his bachelor's degree in Information Engineering (Computer Technology) from North China Electric Power University in Beijing, the PRC, in June 2001, a master's degree in Computer Science and Technology from Tsinghua University in Beijing, the PRC, in July 2004, and a Ph.D. degree in Computer Science from the Hong Kong University of Science and Technology in Hong Kong in November 2007. Dr. SHEN was awarded by Beijing Overseas Talent Service Joint Council (北京市海外學人工作聯席會) as "Beijing High Caliber Talent from Overseas (北京市海外高層次人才)" and "Beijing Distinguished Expert (北京市特聘專家)" in July 2014. Dr. SHEN was also acknowledged by Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) as a senior engineer (正高級工程師) in Computer Technology in May 2018.

Mr. LIN Frank (林欣禾先生) (*alias LIN Frank Hurst*)

Mr. LIN Frank, aged 58, is a non-executive Director. As a non-executive Director, Mr. LIN is primarily responsible for participating in the formulation of business plans and strategic and major decisions of the Group.

Mr. LIN has been a co-founder and general partner of DCM China, a technology venture capital firm, since 2006. He co-founded and was the chief operations officer of SINA Corporation (a company listed on Nasdaq with stock symbol SINA), helping to guide it to become the first Chinese internet company to list in the United States.

Report of the Board of Directors

Mr. LIN also holds directorships at various listed companies, including China Online Education Group (a company listed on the New York Stock Exchange with stock symbol COE) since June 2013, Vipshop Holdings Limited (a company listed on the New York Stock Exchange with stock symbol VIPS) since January 2011, Tuniu Corporation (a company listed on Nasdaq with stock symbol TOUR) since December 2009, GigaCloud Technology Inc (a company listed on Nasdaq since August 2022 with stock symbol GCT) since November 2006 and QuantaSing Group Ltd (a company listed on Nasdaq since January 2022 with stock symbol QSG) since May 2022. He was previously a director of 58.com Inc. (a company listed on the New York Stock Exchange with stock symbol WUBA and delisted on September 18, 2020) from March 2010 to April 2020.

Mr. LIN received his bachelor's degree in engineering from Dartmouth College in New Hampshire, the United States in June 1988, and his MBA degree from Stanford University in California, the United States, in June 1993.

Independent Non-executive Directors

Mr. WANG Huiwen (王慧文先生)

Mr. WANG Huiwen, aged 44, is an independent non-executive Director. He is also the chairman of both Nomination Committee and Corporate Governance Committee, and a member of the Audit Committee and the Remuneration Committee. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. WANG has over 10 years of managerial and operational experience in the internet industry. In December 2005, he co-founded xiaonei.com. xiaonei.com was sold to China InterActive Corp in October 2006, which was later renamed as Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN). In January 2009, he co-founded taofang.com and worked there from June 2008 to October 2010. In 2010, Mr. WANG co-founded Meituan (a company listed on the Stock Exchange with stock code of 3690) and served as its executive director from October 2015 to March 2023, and has been serving as its non-executive director since March 2023.

Mr. WANG received his bachelor's degree in electronic engineering from Tsinghua University in Beijing, the PRC, in July 2001.

Mr. HUANG Sidney Xuande (黃宣德先生)

Mr. HUANG Sidney Xuande, aged 57, is an independent non-executive Director. He is also the chairman of both Audit Committee and Remuneration Committee, and a member of the Nomination Committee and Corporate Governance Committee. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. HUANG has over 15 years of experience in the technology and internet industry. He is currently a senior advisor of JD.com, Inc. (a company listed on Nasdaq with stock symbol of JD with its secondary listing on the Stock Exchange with stock code of 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor.

Report of the Board of Directors

Mr. HUANG has served as an independent non-executive director of Tuya Inc. (a company listed on the New York Stock Exchange with stock symbol of TUYA and on the Stock Exchange with stock code of 2391) since July 2022. He has been an independent director of Yatsen Holding Limited (a company listed on the New York Stock Exchange with stock symbol of YSG) since November 2020.

Mr. HUANG previously served as chief financial officer of VancelInfo Technologies Inc. and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the chief operating officer of VancelInfo Technologies Inc. from 2008 to 2010 and the co-president from 2011 to 2012. He also served as chief financial officer at two China-based companies in the technology and internet sectors between August 2004 and March 2006. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000 and qualified as a Certified Public Accountant in the State of New York in October 1999.

Mr. HUANG is currently a Foundation Fellow and was an Academic Visitor focusing on geoeconomics from October 2021 to September 2022 at St Antony's College of Oxford University in the United Kingdom. He received his bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States, in February 1997, and his MBA degree from the Kellogg School of Management at Northwestern University in the United States, in June 2002.

Mr. MA Yin (馬寅先生)

Mr. MA Yin, aged 49, is an independent non-executive Director. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. He is primarily responsible for supervising and providing independent judgment to the Board.

Mr. MA has been the general manager of Aranya Holdings Group Co., Ltd. (阿那亞控股集團有限公司) since February 2014. From April 2006 to September 2013, Mr. MA served various managerial roles at Yeland Group Co., Ltd. (億城集團股份有限公司, subsequently renamed HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) in 2015, and is a company listed on the Shenzhen Stock Exchange with stock code of 000616), including vice president, executive vice president, and president. He was a director of HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) from April 2007 to September 2013.

Mr. MA received his executive MBA degree from Peking University in Beijing, the PRC, in July 2009.

Report of the Board of Directors

Biographical Details and Other Information of the Senior Management

We set forth below the updated biographical details and other information of our senior management members.

Mr. SU Hua (宿華先生)

Mr. SU Hua, aged 40, is our co-founder, executive Director and chairman of the Board. For further details, see “— Biographical Details and Other Information of the Directors — Executive Directors” above.

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 39, is our co-founder, executive Director, and Chief Executive Officer. For further details, see “— Biographical Details and Other Information of the Directors — Executive Directors” above.

Mr. CHONG Nicholas Yik Kay (鍾奕祺先生)

Mr. CHONG Yik Kay, aged 55, has retired from his role as the chief financial officer of the Company with effect from January 17, 2022. For details, please refer to the announcement of the Company dated January 17, 2022.

Mr. CHEN Dingjia (陳定佳先生)

Mr. CHEN Dingjia, aged 41, has resigned from his role as the chief technology officer of the Company with effect from January 18, 2023. For details, please refer to the announcement of the Company dated January 17, 2023.

Mr. JIN Bing (金秉先生)

Mr. JIN Bing, aged 45, has been appointed as our chief financial officer with effect from January 17, 2022. He is primarily responsible for overall finance (accounting, financial management, etc.), audit and internal controls, and capital market activities of our Group.

Mr. JIN has strong and diversified financial background and experience. From August 2010 to March 2014, Mr. JIN worked at Citi's China Investment Banking Department. From March 2014 to April 2017, Mr. JIN served several positions including as the Head of China Technology of Investment Banking and Capital Markets, Asia Pacific, at Credit Suisse, where he worked with many listed and private Chinese technology companies for various financing and mergers and acquisitions transactions. From May 2017 to April 2021, Mr. JIN served as the chief financial officer of Joyy Inc. (formerly known as YY Inc., a company listed on Nasdaq with stock code of YY). From May 2021 to January 2022, Mr. JIN served as the chief financial officer of Zuoyebang. He also previously worked in other areas including public service, consulting and corporate banking.

Mr. JIN received his bachelor's degree in English from Beijing Foreign Studies University, the PRC, in June 2000, his master's degree in Pacific International Affairs from the University of California, San Diego, the United States, in June 2004, and his MBA degree from the Wharton School of the University of Pennsylvania, the United States, in May 2010.

Report of the Board of Directors

Directors' Service Contracts and Appointment Letters

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years from January 1, 2023 to December 31, 2025, subject to retirement as and when required under the Articles of Association. The service contract could be terminated in accordance with its terms and conditions or by either party giving to the other not less than three months' prior notice in writing. No annual director's fees are payable to the executive Directors under the current arrangement.

Non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment shall be three years from the Listing Date, subject to retirement as and when required under the Articles of Association. The appointment letter could be terminated in accordance with its terms and conditions or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors.

Independent Non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointment shall be three years from the Listing Date, subject to retirement as and when required under the Articles of Association. The appointment letter could be terminated in accordance with its terms and conditions or by either party giving to the other not less than one month's prior notice in writing. On February 20, 2023, each of the independent non-executive Directors entered into an attachment to his appointment letter with the Company, under which each of the independent non-executive Directors will receive an annual director's fee of HK\$750,000 with effect from April 1, 2023. The Board, with recommendation from the Remuneration Committee, has approved the remuneration of the independent non-executive Directors with reference to their qualifications, experience, responsibilities and time commitment to the Company.

Save as disclosed above, none of the Directors has or will have a service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Details of the emoluments of the Directors during the Reporting Period are set out in Note 10(b) to the Consolidated Financial Statements in this annual report.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in Note 10(b)(v) to the Consolidated Financial Statements in this annual report and in "— Connected Transactions" in this section below, to the best knowledge of the Directors, none of the Directors or any entity connected with a Director, is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

Report of the Board of Directors

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in “— Pre-IPO and Post-IPO Share Incentive Plans” in this section below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Directors' Interest in Competing Business

Dr. SHEN Dou is currently the chairman and director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娱科技有限公司), the business of which involves operations of a short video app.

Save as disclosed in this annual report and except for the interests of the Controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Emolument Policy

The remuneration of the Directors is paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments.

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, having regard to the factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of the Directors and senior management, and the employment conditions of the Group.

The Directors and the senior management members are eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

Mr. SU Hua waived a substantial portion of his discretionary bonuses for the year ended December 31, 2022, and agreed to waive his discretionary bonus entitlement from the Company for the year ending December 31, 2023. Save as disclosed above, none of the other Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in Note 10 to the Consolidated Financial Statements in this annual report.

Report of the Board of Directors

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in Note 10 to the Consolidated Financial Statements in this annual report.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force. Pursuant to article 39.1 of the Articles of Association, a Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted. The Company has taken out and maintained appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

In accordance with the archiving notice submitted through the Disclosure of Interests Online (DION) System, as far as the Directors are aware and as of December 31, 2022, the interests or short positions of the Directors and the chief executive in any Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which is required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which is required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, is set forth below:

Report of the Board of Directors

(a) Interest in Shares of the Company

Name	Capacity/Nature of interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in the Company ⁽¹⁾	Approximate percentage of shareholding in the issued and outstanding share capital of the Company ⁽¹⁾
Class A Shares — Mr. SU Hua				
Reach Best ⁽²⁾	Beneficial interest	427,469,521 Class A Shares	55.79%	9.92%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	427,469,521 Class A Shares	55.79%	9.92%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust ⁽²⁾	427,469,521 Class A Shares	55.79%	9.92%
Class A Shares — Mr. CHENG Yixiao				
Ke Yong ⁽³⁾	Beneficial interest	338,767,480 Class A Shares	44.21%	7.86%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	338,767,480 Class A Shares	44.21%	7.86%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾	338,767,480 Class A Shares	44.21%	7.86%
Class B Shares — Mr. SU Hua				
Reach Best ⁽²⁾	Beneficial interest	54,713,783 Class B Shares	1.54%	1.27%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	54,713,783 Class B Shares	1.54%	1.27%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust and other ⁽²⁾	60,412,886 Class B Shares	1.70%	1.40%
Class B Shares — Mr. CHENG Yixiao				
Ke Yong ⁽³⁾	Beneficial interest	43,770,873 Class B Shares	1.24%	1.02%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	43,770,873 Class B Shares	1.24%	1.02%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾ Beneficial interest ⁽³⁾	47,017,643 Class B Shares	1.33%	1.09%
Class B Shares — Mr. ZHANG Fei				
Mr. ZHANG Fei	Founder of a trust ⁽⁴⁾	15,137,509 Class B Shares	0.43%	0.35%

Report of the Board of Directors

Notes:

- (1) As of December 31, 2022, the Company had 4,310,017,329 issued and outstanding share capital in total, comprising 766,237,001 Class A Shares and 3,543,780,328 Class B Shares.
- (2) The entire interest in Reach Best is held by an entity wholly owned by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. SU Hua (as settlor) for the benefit of Mr. SU Hua and his family. Mr. SU Hua is deemed to be interested in the 427,469,521 Class A Shares and 54,713,783 Class B Shares held by Reach Best under the SFO as of December 31, 2022.
- As of December 31, 2022, Mr. SU Hua is also deemed to be interested in the 5,699,103 outstanding and unexercised options underlying Class B Shares pursuant to the Pre-IPO ESOP of the Company.
- (3) The entire interest in Ke Yong is held by an entity wholly owned by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. CHENG Yixiao (as settlor) for the benefit of Mr. CHENG Yixiao and his family. Mr. CHENG Yixiao is deemed to be interested in the 338,767,480 Class A Shares and 43,770,873 Class B Shares held by Ke Yong under the SFO as of December 31, 2022.
- As of December 31, 2022, Mr. CHENG Yixiao is also deemed to be interested in the 3,246,770 outstanding and unexercised options underlying Class B Shares pursuant to the Post-IPO Share Option Scheme of the Company.
- (4) Mr. ZHANG Fei is deemed to be interested in the 15,137,509 Class B Shares held by an entity controlled by the trustee of a discretionary trust, of which Mr. ZHANG Fei is a founder, under the SFO.

(b) Interest in associated corporations

Name	Nature of interest ⁽¹⁾	Associated corporations	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation ⁽⁴⁾
Mr. SU Hua	Beneficial interest	Hangzhou Youqu ⁽²⁾	10,000,000	90.00%
		Beijing One Smile ⁽³⁾	10,000,000	32.32%
Mr. CHENG Yixiao	Beneficial interest	Beijing One Smile ⁽³⁾	10,000,000	25.86%

Notes:

- (1) All interests stated are long position.
- (2) Hangzhou Youqu is a Consolidated Affiliated Entity and is owned as to 90% and 10% by Mr. SU Hua and Ms. PENG Xiaochun, respectively.
- (3) Beijing One Smile is a Consolidated Affiliated Entity and is owned as to (i) 32.32% by Mr. SU Hua, (ii) 29.24% by Mr. YANG Yuanxi, (iii) 25.86% by Mr. CHENG Yixiao, (iv) 7.40% by Mr. YIN Xin, and (v) 5.18% by Ms. HU Changjuan.
- (4) The calculation is based on the registered capital of Beijing One Smile and Hangzhou Youqu, respectively.

Report of the Board of Directors

Save as disclosed above, as far as the Directors are aware and as of December 31, 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

In accordance with the archiving notice submitted through the Disclosure of Interests Online (DION) System, as far as the Directors are aware and as of December 31, 2022, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in the Company ⁽¹⁾	Approximate percentage of shareholding in the issued and outstanding share capital of the Company ⁽¹⁾
Class B Shares — Tencent Shareholders				
Tencent Mobility Limited ⁽²⁾	Beneficial interest	506,143,854 Class B Shares	14.28%	11.74%
Morespark Limited ⁽²⁾	Beneficial interest	53,619,657 Class B Shares	1.51%	1.24%
Parallel Nebula Investment Limited ⁽²⁾	Beneficial interest	83,127,760 Class B Shares	2.35%	1.93%
Image Frame Investment (HK) Limited ⁽²⁾	Beneficial interest	80,048,189 Class B Shares	2.26%	1.86%
TPP Follow-on I Holding F Limited ⁽²⁾	Beneficial interest	6,003,614 Class B Shares	0.17%	0.14%
THL A25 Limited ⁽²⁾	Beneficial interest	492,650 Class B Shares	0.01%	0.01%
THL A6 Limited ⁽²⁾	Beneficial interest	104,033 Class B Shares	0.003%	0.002%
Class B Shares — DCM Shareholders				
DCM Ventures China Fund (DCM VII), L.P. ⁽³⁾	Beneficial interest	222,181,697 Class B Shares	6.27%	5.16%
DCM VII L.P. ⁽³⁾	Beneficial interest	21,406,231 Class B Shares	0.60%	0.50%

Report of the Board of Directors

Notes:

- (1) As of December 31, 2022, the Company had 4,310,017,329 issued and outstanding share capital in total, comprising 766,237,001 Class A Shares and 3,543,780,328 Class B Shares.
- (2) Tencent Mobility Limited, Morespark Limited, Parallel Nebula Investment Limited, Image Frame Investment (HK) Limited, TPP Follow-on I Holding F Limited, THL A25 Limited and THL A6 Limited are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700).
- (3) DCM Investment Management VII, L.P. is the general partner of each of DCM Ventures China Fund (DCM VII), L.P. and DCM VII L.P. and DCM International VII, Ltd. is the general partner of DCM Investment Management VII, L.P.

Save as disclosed above, as of December 31, 2022, the Directors were not aware of any person (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PRE-IPO AND POST-IPO SHARE INCENTIVE PLANS

Pre-IPO ESOP

The following is a summary of the principal terms of the amended and restated share incentive plan of the Company as approved and adopted pursuant to the written resolutions of all Shareholders of the Company dated February 6, 2018 as amended from time to time. The terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. For detailed information of share options granted to the Directors, members of the senior management and other connected persons of the Company under the Pre-IPO ESOP, please refer to “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V of the Prospectus.

Purpose

The purpose of the Pre-IPO ESOP is to promote the success of the Company and the interests of its Shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, Directors and other eligible persons and to further link the interests of award recipients under the Pre-IPO ESOP with those of the Shareholders generally.

Selected participants to the Pre-IPO ESOP

Awards under the Pre-IPO ESOP may be granted only to those persons that the Administrator (as defined below) determines to be Eligible Persons. An “Eligible Person” means any person who qualifies as one of the following at the time of grant of the respective Award (as defined below):

- (a) an officer (whether or not a Director) or employee of the Company or any of its affiliates;
- (b) any member of the Board; or
- (c) any director of one of the Company’s affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity’s securities) to the Company or one of its affiliates.

Report of the Board of Directors

An advisor or consultant may be selected as an Eligible Person pursuant to paragraph (c) above only if such person's participation in the Pre-IPO ESOP would not adversely affect the Company's compliance with any applicable laws. Subject to the provisions of the Pre-IPO ESOP, the Administrator may, from time to time, select from among all Eligible Persons to whom Awards in the form of options ("**Options**") and restricted share awards ("**Restricted Shares**") (collectively "**Awards**") shall be granted and shall determine the nature and amount of each option.

Maximum number of shares

The maximum aggregate number of Shares which may be issued is 711,946,697, subject to any adjustments for other dilutive issuances, representing approximately 16.43% of the issued share capital of the Company (on a one share one vote basis) as at the date of this annual report.

Administration

The Pre-IPO ESOP is administered by and all Awards under the Pre-IPO ESOP are authorized by the Administrator. The "**Administrator**" means the Board or a committee of the Board to administer all or certain aspects of the Pre-IPO ESOP. Any such committee shall be comprised solely of one or more Directors or such number of Directors as may be required under applicable law and the Memorandum and Articles of Association. The Board or the committee, as the case may be, may delegate its powers under the Pre-IPO ESOP or different levels of authority to different committees or one or more officers of the Company to the extent permitted by the Companies Act and any other applicable laws. Pursuant to the delegation of power and authority, actions by such committees or officers shall constitute actions by the Administrator. Unless otherwise provided in the Memorandum and Articles of Association or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

Subject to the express provisions of the Pre-IPO ESOP, the Administrator is authorized and empowered to do all things it deems necessary or desirable in connection with the authorization of Awards and the administration of the Pre-IPO ESOP (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)).

Grant of Awards

The Administrator is authorized to approve and grant Awards to participants in accordance with the terms of the Pre-IPO ESOP. Awards granted will be evidenced by an agreement ("**Award Agreement**") between the Company and the participant in the form approved by the Administrator. The Award Agreement evidencing an Award shall contain the terms established by the Administrator for that Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Award; in each case subject to the applicable provisions and limitations under the Pre-IPO ESOP. The Administrator may require that the recipient of an Award promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the Administrator may require that the spouse of any married recipient of an Award also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Award. There is no amount payable on application or acceptance of the Awards that is specified under the terms of the Pre-IPO ESOP.

Report of the Board of Directors

Options

(a) Exercise price

Subject to the following provisions under the Pre-IPO ESOP, the Administrator will determine the purchase price per share of the ordinary shares covered by each Option (the “**exercise price**” of the Option) at the time of the grant of the Option, which exercise price will be set out in the applicable Award Agreement subject to certain pricing limit as set out in the Pre-IPO ESOP.

(b) Payment

The Company will not be obligated to deliver certificates for the ordinary shares to be purchased on exercise of an Option unless and until it receives full payment of the exercise price therefor, all related withholding obligations have been satisfied, and all other conditions to the exercise of the Option set forth in the Pre-IPO ESOP or in the Award Agreement have been satisfied. The purchase price of any ordinary shares purchased on exercise of an Option must be paid in full at the time of each purchase in such lawful consideration as may be permitted or required by the Administrator.

(c) Vesting and Term

The Administrator will determine the vesting and/or exercisability provisions of each Option (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set out in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an Option will remain exercisable until the expiration or earlier termination of the Option. To the extent required to satisfy applicable securities laws and subject to early termination as set out the Pre-IPO ESOP, no Option (except an Option granted to an officer, Director, or consultant of the Company or any of its Affiliates) shall vest at a rate of less than 20% per year over five years after the date the Option is granted unless otherwise provided by the Administrator.

Each Option shall expire not more than 10 years after its date of grant, subject to earlier termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for or pursuant to an Option may be delayed until a future date if specifically authorized by the Administrator in writing and by the participant.

(d) Exercise

The Option, to the extent then vested, shall become exercisable upon the earlier of (i) the Listing Date, (ii) the occurrence of a change in control event (as defined under the Pre-IPO ESOP); except that, the Administrator, subject to applicable laws and regulations, expressly provides that the Option could also become exercisable during one or several window periods before either of the dates mentioned above. Any exercisable Option will be deemed to be exercised when the Company receives written notice of such exercise from the participant (on a form and in such manner as may be required by the Administrator), together with any required payment and any written statement required under the Pre-IPO ESOP.

Report of the Board of Directors

Restricted Shares

(a) Purchase Price

Subject to paragraph (b) below, the Administrator will determine the purchase price per share of the ordinary shares covered by each award of Restricted Shares (“**Share Award**”) at the time of grant of the Award. In no case will such purchase price be less than the par value of the ordinary shares.

(b) Payment

The Company will not be obligated to record in the Company’s register of members, or issue certificates evidencing, ordinary shares awarded under the Share Award unless and until it receives full payment of the purchase price therefor and all other conditions to the purchase, as determined by the Administrator, have been satisfied, at which point the relevant shares shall be issued and noted in the Company’s register of members. The purchase price of any shares subject to a Share Award must be paid in full at the time of the purchase in such lawful consideration as may be permitted or required by the Administrator.

(c) Vesting and Term

The restrictions imposed on the ordinary shares subject to a Share Award (which may be based on performance criteria, passage of time or other factors or any combination thereof) will be set out in the applicable Award Agreement. To the extent required to satisfy applicable securities laws, the restrictions imposed on the ordinary shares subject to a Share Award (other than an Award granted to an officer, Director, or consultant of the Company or any of its Affiliates, which may include more restrictive provisions) shall lapse as to such shares, subject to repurchase as set out in the Pre-IPO ESOP, at a rate of at least 20% of the shares subject to the Award per year over the five years after the date the Award is granted.

A Share Award shall either vest or be repurchased by the Company not more than 10 years after the date of grant subject to repurchase and early termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for a Share Award may be delayed until a future date if specifically authorized by the Administrator in writing and by the participant.

Duration

The Pre-IPO ESOP was terminated upon the Listing and the Company did not grant further Awards under the Pre-IPO ESOP thereafter, but in all other respects the terms of the Pre-IPO ESOP shall remain in full force and effect and the Awards granted prior to the termination shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO ESOP.

Report of the Board of Directors

Outstanding Share Options Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted Options under the Pre-IPO ESOP to 7,020 grantees (including Directors, officer and other employees of the Company) to subscribe for an aggregate of 626,184,514 Shares, a portion of which corresponding to 363,146,799 Shares has been exercised. All these 363,146,799 Shares have been issued as Class B Shares upon the Listing. No consideration has been paid by the grantees for the grant of Options under the Pre-IPO ESOP. For details, please refer to “Statutory and General Information — 4. Pre-IPO ESOP — Outstanding share options granted” in Appendix V of the Prospectus. Up to the Listing Date, the Company has not issued any Restricted Shares under the Pre-IPO ESOP.

There is no Options or Restricted Share available for grant under the Pre-IPO ESOP upon the Listing.

The table below shows the details of movements of Options granted to each participant or each category of participants under the Pre-IPO ESOP:

Name	Date of Grant	Vesting period	Exercise period	Exercise Price (US\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2022	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise	Number of Options lapsed during the Reporting Period	Number of Options cancelled during the Reporting Period	Number of Class B Shares underlying Options outstanding as of December 31, 2022
Director										
Mr. SU Hua	June 30, 2017 to April 1, 2020	0.8–4 years	August 6, 2021 to March 31, 2030	0.0422	5,699,103	0	—	0	0	5,699,103
Other grantees										
Employees	December 22, 2014 to January 7, 2021	0–4 years	August 6, 2021 to March 31, 2031	0.0422–16.66	175,200,038	(55,332,598)	72.59	(37,432,604)	(13,187)	82,421,649
Total					180,899,141	(55,332,598)		(37,432,604)	(13,187)	88,120,752

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021. The Post-IPO Share Option Scheme commenced on the Listing Date and will expire on the tenth anniversary of the commencement date. The following is a summary of certain principal terms of the Post-IPO Share Option Scheme.

Report of the Board of Directors

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Selected Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations where of such place or, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

Maximum Entitlement of a Grantee

Unless approved by the Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders (with such selected participant and his associates abstaining from voting).

Grant of Options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof are received by the Company, provided such are received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Report of the Board of Directors

Subscription Price

The amount payable for each Class B Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board but shall be not less than the greatest of:

- (a) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a Class B Share on the date of grant.

Vesting of Options

The Board or its delegate(s) may from time to time while the Post-IPO Share Option Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the options to be vested.

Time of Exercise of an Option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee at any time or times during the period to be determined and notified by the Board or its delegates to the grantee, which may commence on a day after the date of grant and in any event shall end not later than 10 years from the date of grant.

Maximum Number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 334,195,773 Class B Shares, being no more than 10% of the Class B Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any Class B Shares which may be issued pursuant to the exercise of the over-allotment option and the options granted under the Pre-IPO Share Option Scheme and grants under the Post-IPO RSU Scheme). The Option Scheme Mandate Limit represented approximately 7.71% of the issued share capital of the Company (on a one share one vote basis) as at the date of this annual report. Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Class B Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

Report of the Board of Directors

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Class B Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by the Shareholders in general meeting.

Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme. Accordingly, as of December 31, 2022, the remaining life of the Post-IPO Share Option Scheme is approximately eight years and one month.

Outstanding Share Options Granted under the Post-IPO Share Option Scheme

As of January 1, 2022, being the beginning of the Reporting Period, the total number of share options available for grant under the Post-IPO Share Option Scheme is 334,195,773; while as of December 31, 2022, being the end of the Reporting Period, the total number of share options available for grant under the Post-IPO Share Option Scheme is 250,052,709. There is no service provider sublimit under the Post-IPO Share Option Scheme.

Report of the Board of Directors

Details of movements of share options granted to each participant or each category of participants under the Post-IPO Share Option Scheme are as follows:

Name	Date of Grant	Vesting period	Exercise period	Particulars of Options granted during the Reporting Period																	
				Exercise Price (HK\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2022	Number of Class B Shares underlying Options granted during the Reporting Period	Performance Targets of the Options granted during the Reporting Period	Closing price of the Class B Shares immediately before the date on which the Options were granted (HK\$)	Fair value of Options at the date of grant ⁽¹⁾ (HK\$)	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise	Number of Options cancelled during the Reporting Period	Number of Class B Shares underlying Options outstanding as of December 31, 2022								
Director																					
Mr. CHENG Yixiao	April 14, 2022	1-4 years	April 13, 2023 to April 13, 2029	66.46	0	3,246,770	Nil	64.00	37.52	0	—	0	0	0	0	3,246,770					
Other grantees																					
Employees	January 24, 2022	1-4 years	January 23, 2023 to January 23, 2029	86.85	0	6,244,884	Nil	88.35	47.01	0	—	0	0	0	0	6,244,884					
Employees	March 30, 2022	0.25-4 years	June 29, 2022 to March 29, 2029	76.29	0	16,239,976	Nil	78.50	32.78-38.83	0	—	0	0	0	0	16,239,976					
Employees	April 21, 2022	0.25-4 years	July 20, 2022 to April 20, 2029	62.30	0	53,749,404	Nil	61.35	26.76-35.38	(711,506)	74.14	(2,866,723)	0	0	50,171,175						
Employees	June 23, 2022	1 year	June 22, 2023 to June 22, 2026	83.55	0	6,251	Nil	82.35	38.23	0	—	0	0	0	6,251						
Employees	July 21, 2022	0.69-4 years	March 29, 2023 to July 20, 2029	82.40	0	3,779,720	Nil	81.40	44.09-45.21	0	—	0	0	0	3,779,720						
Employees	September 27, 2022	1-4 years	September 26, 2023 to September 26, 2029	56.15	0	67,922	Nil	55.60	31.12	0	—	0	0	0	67,922						
Employees	October 20, 2022	1-4 years	October 19, 2023 to October 19, 2029	48.86	0	188,537	Nil	47.65	21.46-23.36	0	—	0	0	0	188,537						
Employees	November 29, 2022	0.34-2.34 years	April 1, 2023 to November 28, 2029	54.80	0	3,068,293	Nil	50.70	28.04	0	—	0	0	0	3,068,293						
Employees	December 29, 2022	1-4 years	December 28, 2023 to December 28, 2029	70.65	0	418,030	Nil	73.10	39.89	0	—	0	0	0	418,030						
Total					0	87,009,787				(711,506)		(2,866,723)			83,431,558						

Note:

(1) The fair value of the share options is determined by the binomial model at the grant date. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Company. For details, please refer to Note 27 to the Consolidated Financial Statements in this annual report.

Report of the Board of Directors

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021. The Post-IPO RSU Scheme commenced on the Listing Date. Subject to any early termination as may be determined by the Board and the Shareholders pursuant to the Post-IPO RSU Scheme, the Post-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on the date of adoption.

Save for disclosure requirements under Rules 17.06A, 17.06B, 17.06C, 17.07, 17.07A and 17.09 of the Listing Rules, the Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme was adopted by the Company before January 1, 2023, the effective date of the amended Chapter 17. The Company may appoint a trustee (the “**Trustee**”) to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below) by the Board or its delegate(s) (including a committee of the Board, the chief executive officer of the Company or person(s) to which the Board has delegated its authority) which may vest in the form of Class B Shares (the “**Award Shares**”) or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme. The following is a summary of certain principal terms of the Post-IPO RSU Scheme.

Purpose

The purposes of the Post-IPO RSU Scheme is to recognize and reward Eligible Persons (as defined below) for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them so as to align the interests of the Eligible Persons with those of the Group and to further promote the long-term success of the Group’s business.

RSU Participants

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an “**Eligible Person**” and, collectively “**Eligible Persons**”) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

Maximum Entitlement of a Grantee

There is no maximum entitlement of a grantee under the Post-IPO RSU Scheme. The grant of Awards to Eligible Persons will be made in accordance with the requirements of Listing Rules.

Report of the Board of Directors

RSU Awards

An award of restricted share units under the Post-IPO RSU Scheme (the “**Award(s)**”) gives a participant in the Post-IPO RSU Scheme a conditional right when the Award vests to obtain either the Award Shares or an equivalent value in cash with reference to the market value of the Award Shares on or about the date of vesting, as determined by the Board or its delegate(s) in its absolute discretion. An Award may include, if so specified by the Board or its delegate(s) in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests. For the avoidance of doubt, the Board or its delegate(s) at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Grant of Awards

The Board or its delegate(s) may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board’s delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter (“**Award Letter**”). The Award Letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary. There is no amount payable on application or acceptance of the Awards or purchase price of the Awards, that are specified under the terms of the Post-IPO RSU Scheme.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Class B Shares to connected persons of the Company.

Vesting of Awards

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Post-IPO RSU Scheme Limit

No Award shall be granted pursuant to the Post-IPO RSU Scheme without Shareholders’ approval if as a result of such grant (assumed accepted), the aggregate number of Class B Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Class B Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Post-IPO RSU Scheme) will exceed in total 205,409,736 Shares (the “**Post-IPO RSU Scheme Limit**”), representing approximately 4.74% of the issued share capital of the Company (on a one share one vote basis) as at the date of this annual report, subject to an annual limit of 3% of the total number of issued shares of the Company at the relevant time. The Post-IPO RSU Scheme Limit may be refreshed from time to time pursuant to the paragraph below.

Report of the Board of Directors

Refresh of Post-IPO RSU Scheme Limit

The Post-IPO RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but in any event, the total number of Shares that underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 3% of the number of Shares in issue as at the relevant New Approval Date. Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the Post-IPO RSU Scheme) prior to such New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed.

Duration

The Post-IPO RSU Scheme shall be valid and effective for the period of ten years commencing on the Listing Date, after which no Awards will be granted, but the provisions of the Post-IPO RSU Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the Post-IPO RSU Scheme may continue to be valid and exercisable in accordance with the terms of grant. Accordingly, as of December 31, 2022, the remaining life of the Post-IPO RSU Scheme is approximately eight years and one month.

Appointment of Trustee

The Company may appoint a Trustee to assist with the administration and vesting of RSUs granted pursuant to the Post-IPO RSU Scheme. Subject to the approval of the Board or its delegate(s), the Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon vesting and/or (ii) direct and procure the Trustee to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market) to satisfy the RSUs upon vesting. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board or its delegate(s) may determine to enable the Trustee to satisfy its obligations in connection with the administration of the Post-IPO RSU Scheme.

RSUs Granted under the Post-IPO RSU Scheme

As of January 1, 2022, being the beginning of the Reporting Period, the total number of RSUs available for grant under the Post-IPO RSU Scheme is 117,233,904; while as of December 31, 2022, being the end of the Reporting Period, the total number of RSUs available for grant under the Post-IPO RSU Scheme is 50,748,525. There is no service provider sublimit under the Post-IPO RSU Scheme.

Report of the Board of Directors

Details of movements of RSUs granted to each category of participants under the Post-IPO RSU Scheme are as follows:

Name	Date of Grant	Vesting period	Particulars of RSUs granted during the Reporting Period										Number of Class B Shares underlying RSUs outstanding as of December 31, 2022
			Purchase price outstanding as of January 1, 2022 (HK\$)	Number of Class B Shares underlying RSUs granted during the Reporting Period	Performance Targets of RSUs granted during the Reporting Period	Number of Class B Shares immediately granted	Closing price of the Class B Shares immediately before the date on which the RSUs were granted (HK\$)	Fair value of RSUs at the date of grant ⁽¹⁾ (HK\$)	Number of RSUs vested during the Reporting Period	Weighted average price of Class B Shares immediately before the date of vesting	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	
Employees	February 23, 2021	0.45-4 years	0	75,740	—	—	—	—	(22,208)	83.86	(285)	(49,290)	3,957
Employees	April 2, 2021	0.5-4 years	0-0.3273	13,668,770	—	—	—	—	(5,065,982)	68.97	0	(1,716,336)	6,886,452
Employees	April 23, 2021	0.48-4 years	0-0.3273	9,126,563	—	—	—	—	(2,962,513)	74.26	0	(753,359)	5,410,691
Employees	May 30, 2021	0.19-4 years	0-0.3273	4,040,051	—	—	—	—	(1,179,717)	72.58	0	(837,576)	2,022,758
Employees	June 29, 2021	1-4 years	0-0.3273	2,703,656	—	—	—	—	(598,401)	88.77	0	(610,287)	1,494,968
Employees	July 21, 2021	0.04-4 years	0-0.3273	3,432,698	—	—	—	—	(809,535)	76.19	0	(412,383)	2,210,780
Employees	August 27, 2021	0.95-4 years	0	4,595,186	—	—	—	—	(1,018,060)	71.32	0	(754,497)	2,822,629
Employees	September 26, 2021	0-4 years	0-0.3273	10,417,035	—	—	—	—	(2,383,807)	54.78	0	(1,290,626)	6,742,602
Employees	October 22, 2021	1-4 years	0-0.3273	31,819,094	—	—	—	—	(6,870,317)	43.61	0	(4,986,719)	19,962,058
Employees	November 30, 2021	0.74-4 years	0	3,529,805	—	—	—	—	(833,635)	50.84	0	(197,075)	2,499,095
Employees	December 28, 2021	1-4 years	0	3,597,909	—	—	—	—	(805,707)	69.35	0	(379,434)	2,412,768
Employees	January 24, 2022	1-4 years	0	0	5,327,703	Nil	88.35	85.25	0	—	0	(77,465)	5,250,238
Employees	February 25, 2022	1-4 years	0	0	882,237	Nil	86.50	86.65	0	—	0	(52,681)	829,556
Employees	March 30, 2022	0.25-4 years	0	0	4,077,828	Nil	78.50	73.60	(272,870)	72.00	0	(70,914)	3,734,044
Employees	April 19, 2022	—	0	0	1,522,024	Nil	63.70	61.80	(1,522,024)	63.70	0	0	0
Employees	April 21, 2022	1-4 years	0	0	12,185,776	Nil	61.35	59.80	0	—	0	(573,449)	11,612,327
Employees	May 30, 2022	1-4 years	0	0	3,180,368	Nil	68.55	70.90	0	—	0	(152,913)	3,027,455
Employees	June 23, 2022	1-4 years	0	0	2,422,560	Nil	82.35	83.55	0	—	0	(198,954)	2,223,606
Employees	July 21, 2022	1-4 years	0	0	3,363,873	Nil	81.40	82.40	0	—	0	(280,119)	3,083,754
Employees	August 31, 2022	1-4 years	0	0	2,054,177	Nil	68.00	68.80	0	—	0	(119,429)	1,934,748
Employees	September 27, 2022	1-4 years	0	0	3,789,556	Nil	55.60	56.15	0	—	0	(127,114)	3,662,442
Employees	October 20, 2022	0.75-4 years	0	0	29,617,666	Nil	47.65	43.55	0	—	0	(169,921)	29,447,745
Employees	November 29, 2022	0-4 years	0	0	7,163,961	Nil	50.70	54.80	(18,840)	50.70	0	(92,991)	7,052,130
Employees	December 29, 2022	0-4 years	0	0	4,801,467	Nil	73.10	70.65	(568,053)	73.10	0	0	4,233,414
Total					80,389,196				(24,931,669)		(285)	(13,903,532)	128,560,217

Note:

(1) The fair value of each RSU was determined by reference to the market price of the Company's shares at the respective grant date.

The shares that may be issued in respect of all the Options and RSUs granted under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme during the Reporting Period, being 167,398,983 Class B Shares, represented approximately 4.76% the weighted average number of Class B Shares of the Company for the Reporting Period.

Report of the Board of Directors

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted as of December 31, 2022.

CONNECTED TRANSACTIONS

Upon Listing, transactions between members of the Group and the Company's connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the non-exempt continuing connected transactions and partially-exempt continuing connected transactions of the Group for the year ended December 31, 2022 are set out below, which are entered into with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("**Tencent Computer**"). Tencent Computer is a subsidiary of Tencent, which is a substantial shareholder of the Company, and therefore Tencent Computer is a connected person of the Company.

Non-exempt Continuing Connected Transactions

Marketing and Promotion Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a marketing and promotion services framework agreement (the "**Marketing and Promotion Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)).

Pursuant to the Marketing and Promotion Services Framework Agreement, the Represented Tencent Group will market and promote the Group's products and services on its platforms, and the Group will provide marketing and promotion services to the Represented Tencent Group. In return for the marketing and promotion services provided by the Represented Tencent Group to the Group, the Group will pay service fees in one or more of the following manners, depending on the type of marketing and promotion services and the platforms of the Represented Tencent Group through which such services are provided, including Cost-Per-Click, Cost-Per-Mille, Cost-Per-Time, Cost-Per-Activity, Cost-Per-Sale and Cost-Per-Download. In return for the marketing and promotion services provided by the Group to the Represented Tencent Group, the Represented Tencent Group will pay service fees in one or more of the following manners, depending on the type of our marketing and promotion services and the platforms through which such services are provided, including Cost-Per-Click, Cost-Per-Mille and Cost-Per-Time.

Report of the Board of Directors

On August 25, 2021, Beijing Dajia entered into the supplemental agreement to the Marketing and Promotion Services Framework Agreement (the “**Supplemental Marketing and Promotion Services Agreement**”) with Tencent Computer, pursuant to which the scope of the Represented Tencent Group under the Marketing and Promotion Services Framework Agreement shall be Tencent and its group members, including China Literature Limited, TME Group and their respective subsidiaries, and the existing annual caps for the service fees chargeable by the Group from the Represented Tencent Group under the Marketing and Promotion Services Framework Agreement shall be revised from approximately RMB740.2 million, RMB962.2 million and RMB1,250.9 million to approximately RMB1,292.0 million, RMB1,698.0 million and RMB2,210.0 million for the years ending December 31, 2021, 2022 and 2023, respectively.

The term of the Marketing and Promotion Services Framework Agreement and the Supplemental Marketing and Promotion Services Agreement both commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Marketing and Promotion Services Framework Agreement and the Supplemental Marketing and Promotion Services Agreement. For further details, please refer to the Prospectus and the announcement of the Company dated August 25, 2021.

The annual cap of service fees to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2022 is approximately RMB1,698.0 million, while the actual transaction amount for the year ended December 31, 2022 were approximately RMB247.5 million. The annual cap of service fees to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2022 is approximately RMB4,707.1 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB1,405.5 million.

Cloud Services and Technical Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a cloud services and technical services framework agreement (the “**Cloud Services and Technical Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will provide cloud services and other cloud-related technical services to the Group for service fees.

Pursuant to the Cloud Services and Technical Services Framework Agreement, the service fees will be determined after arm’s length negotiation between the parties based on the fee rates disclosed on the relevant official platforms or websites of the Represented Tencent Group.

On August 25, 2021, Beijing Dajia entered into the supplemental agreement to the Cloud Services and Technical Services Framework Agreement (the “**Supplemental Cloud Services and Technical Services Agreement**”) with Tencent Computer, pursuant to which the annual caps under the Cloud Services and Technical Services Framework Agreement shall be revised from approximately RMB1,970.0 million, RMB2,320.0 million and RMB2,645.0 million to approximately RMB2,600.0 million, RMB2,800.0 million and RMB2,900.0 million for the years ending December 31, 2021, 2022 and 2023, respectively.

Report of the Board of Directors

The term of the Cloud Services and Technical Services Framework Agreement and the Supplemental Cloud Services and Technical Services Agreement both commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Cloud Services and Technical Services Framework Agreement and the Supplemental Cloud Services and Technical Services Agreement. For further details, please refer to the Prospectus and the announcement of the Company dated August 25, 2021.

The annual cap for the year ended December 31, 2022 is approximately RMB2,800.0 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB1,589.5 million.

Payment Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a payment services framework agreement (the “**Payment Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will provide the Group with payment services through its payment channels to enable the Group’s users to conduct online transactions on the Group’s platform through Tencent payment channel. The Group shall in return pay payment processing costs to Tencent.

Pursuant to the Payment Services Framework Agreement, the payment processing costs will be determined after arm’s length negotiation between the parties with reference to the market rates. The charge rates and calculation method shall be agreed between the parties separately.

The term of the Payment Services Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Payment Services Framework Agreement. For further details, please refer to the Prospectus.

The annual cap for the year ended December 31, 2022 is approximately RMB1,890.6 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB1,009.5 million.

Game Co-operation Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a game co-operation framework agreement (the “**Game Co-operation Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)). Under the Game Co-operation Framework Agreement, the Group will display and recommend designated mobile and computer games developed or distributed by the Represented Tencent Group. The Group’s users interested in such games appearing on our platform (the “**Interested Users**”) will be re-directed to downloading pages to download such games.

Report of the Board of Directors

The revenue arising out of the Game Co-operation Framework Agreement shall be split between the Group and the Represented Tencent Group and shall be determined in accordance with the following formula:

Net proceeds x revenue sharing percentage

Net proceeds refers to the aggregate amount of revenue received by the Represented Tencent Group from such Interested Users through purchasing virtual items connected with the relevant games after deduction of the payment platform commissions charged by payment channels. The amount to be shared by the Group shall be separately determined for each designated game. The exact prescribed revenue sharing percentage for individual game shall be determined after arm's length negotiation between the relevant parties. The basis for determining the revenue sharing percentage includes (a) the revenue sharing percentage in respect of the game co-operation between the Group and business partners who are independent third parties of the Group; (b) the revenue sharing percentage in respect of the game co-operation between the Represented Tencent Group and its business partners; and (c) the general industry practice of revenue sharing in respect of game co-operation.

The term of the Game Co-operation Framework Agreement commenced on the Listing Date and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. The collaboration outlined under the Game Co-operation Framework Agreement and the revenue sharing arrangement are in line with industry practice. Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Game Co-operation Framework Agreement. For further details, please refer to the Prospectus.

The sharing of revenue based on the formula provided under the Game Co-operation Framework Agreement (i.e. revenue split based on a prescribed ratio) is consistent with historical and the prevailing market practices in relation to online game co-operation arrangements with the Represented Tencent Group or independent third parties. We are of the view that it would be unsuitable to adopt monetary annual caps for the Game Co-operation Framework Agreement. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual cap for the Game Co-operation Framework Agreement in terms of monetary value.

For the year ended December 31, 2022, our game co-operation with the Represented Tencent Group under the Game Co-operation Framework Agreement involved 104 games and the actual transaction amount thereunder was approximately RMB16.9 million.

Report of the Board of Directors

Partially-exempt Continuing Connected Transactions

Game Events Copyrights Licensing Framework Agreement

On August 25, 2021, Beijing Dajia (as licensee, and for itself and on behalf of other members of the Group) entered into the game events copyrights licensing framework agreement (the “**Game Events Copyrights Licensing Framework Agreement**”) with Tencent Computer (as licensor) (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will grant the Group a license to use the game events copyrights of the Represented Tencent Group (including the game events copyrights owned by or legally authorized to the Represented Tencent Group) on the internet live streaming and short video platforms operated by the Group. The Group will in return pay license fees to the Represented Tencent Group.

Pursuant to the Game Events Copyrights Licensing Framework Agreement, the license fees payable by the Group to the Represented Tencent Group will be determined after arm’s length negotiation between the parties after taking into account factors including the procurement demands of the Group for game events copyrights, the number of game events copyrights owned by the Represented Tencent Group, as well as the market performance and popularity of such game events.

The term of the Game Events Copyrights Licensing Framework Agreement commenced on August 25, 2021 and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Game Events Copyrights Licensing Framework Agreement. For further details, please refer to the announcement of the Company dated August 25, 2021.

The annual cap for the year ended December 31, 2022 is approximately RMB350.0 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB77.3 million.

2022 Game Cooperation Framework Agreement

On May 24, 2022, Beijing Dajia (for itself and on behalf of other members of the Group) entered into the game cooperation framework agreement (the “**2022 Game Cooperation Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Group and Represented Tencent Group agreed to conduct various cooperation on games, including game publication, operation, distribution and promotion as well as eSports.

Report of the Board of Directors

Pursuant to the 2022 Game Cooperation Framework Agreement:

- (i) the fees or bonus payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of (i) the publication, operation, distribution and/or promotion of the games developed, operated and copyrighted by, or legally licensed to, the Represented Tencent Group or the Group (as the case may be), and (ii) the license of intellectual property rights by the Represented Tencent Group to the Group for the development of games, shall be determined after arm's length negotiation between the parties with reference to the prevailing market price in the industry and considering various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games, as well as the range of ancillary rights to be agreed upon; and
- (ii) the fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the Group's operation of its eSports club(s), set-up and adjustment of its team(s) as a member of the eSports league of the Represented Tencent Group and its participation in the eSports events of the Represented Tencent Group shall be determined in accordance with the operating rules of the eSports league and the eSports events formulated by the Represented Tencent Group, which is equally applicable to all league members of the same league.

The term of the 2022 Game Cooperation Framework Agreement commenced on May 24, 2022 and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the specific scope of the license granted and/or services provided, fees calculation, method of payment and other details of the arrangements in the manner provided in the 2022 Game Cooperation Framework Agreement. For further details, please refer to the announcement of the Company dated May 24, 2022.

The annual cap of the amounts to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2022 is approximately RMB385.0 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB11.2 million. The annual cap of the amounts to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2022 is approximately RMB150.8 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB11.6 million.

Other Marketing and Promotion Services Framework Agreement

On May 24, 2022, Beijing Dajia (for itself and on behalf of other members of the Group) entered into the marketing and promotion services framework agreement (the "**Other Marketing and Promotion Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Group and Represented Tencent Group agreed to provide certain new types of marketing and promotion services to each other.

Report of the Board of Directors

Pursuant to the Other Marketing and Promotion Services Framework Agreement, the fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the provision of marketing and promotion services to each other shall be determined after arm's length negotiation between the parties with reference to (i) the effectiveness of the marketing and promotion services provided by different service providers; (ii) the breadth of user base of various marketing and promotion platforms; (iii) the cost of resources devoted in the marketing and promotion activities; and (iv) the prevailing market rates in the industry.

The term of the Other Marketing and Promotion Services Framework Agreement commenced on May 24, 2022 and will end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements will be entered into which will set out the specific scope of services, fees calculation, method of payment and other details of the arrangements in the manner provided in the Other Marketing and Promotion Services Framework Agreement. For further details, please refer to the announcement of the Company dated May 24, 2022.

The annual cap of the service fees to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2022 is approximately RMB105.1 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB34.7 million. The annual cap of the service fees to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2022 is approximately RMB40.0 million, while the actual transaction amount for the year ended December 31, 2022 was approximately RMB6.8 million.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

Report of the Board of Directors

The Auditor has confirmed in a letter to the Board with a copy to the Stock Exchange that, with respect to the aforesaid continuing connected transactions entered into during the Reporting Period:

- (a) nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (b) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (c) nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) nothing has come to the Auditor's attention that causes the Auditor to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

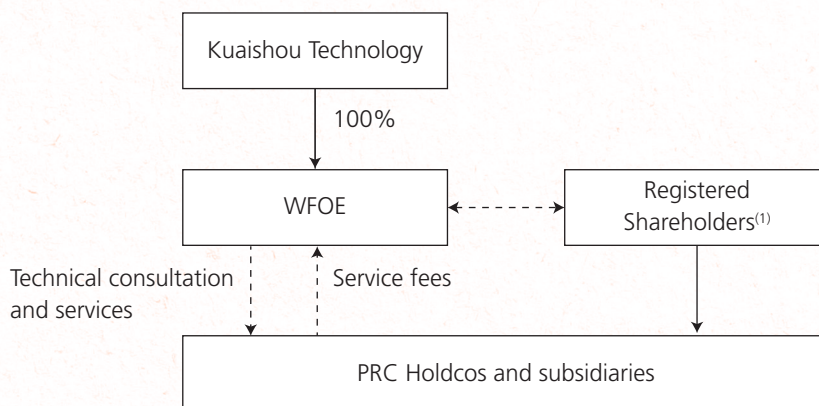
CONTRACTUAL ARRANGEMENTS

Reasons for Adopting the Contractual Arrangements

Because foreign investment in certain areas of the industry in which the Group currently operates is subject to restrictions under current PRC laws and regulations, the Company has determined that it was not viable for the Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, the Company has decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements between WFOE, on the one hand, and the PRC Holdcos and the registered shareholders of the PRC Holdcos (the "**Registered Shareholders**"), on the other hand. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of the Group's operations, the Group has implemented the Contractual Arrangements with regards to our Consolidated Affiliated Entities.

Report of the Board of Directors

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to WFOE and the Company as stipulated under the Contractual Arrangements as of December 31, 2022:



Notes:

⁽¹⁾ As of the Latest Practicable Date, Registered Shareholders refer to the registered shareholders of the PRC Holdcos, namely (i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, (iv) Beijing Mufei, (v) Beijing Hanyu, (vi) Beijing Murong, (vii) Guizhou Fankuai, (viii) Beijing Zhongbo Keyuan, (ix) Guizhou Fanxin Lingzhi, (x) Huai'an Shuangxin, (xi) Beijing Qingque, (xii) Yunshitai Beijing, and (xiii) Shandong Yixiang. Among these Registered Shareholders, (i) HU Changjuan is a representative of Baidu, Inc, which is a Pre-IPO Investor of the Company; (ii) SU Hua is the Company's co-founder, a Controlling Shareholder and an executive Director and holds the Shares of the Company through Reach Best; (iii) CHENG Yixiao is the Company's co-founder, a Controlling Shareholder and an executive Director and holds the Shares of the Company through Ke Yong; (iv) YIN Xin is the director of Beijing Kuaishou and holds the Shares of the Company through Fortune One; (v) YANG Yuanxi is the director of Beijing Kuaishou Ads and holds the Shares of the Company through Jovial Star; and (vi) the information of other Registered Shareholders of the PRC Holdcos is set forth below.

⁽²⁾ The details of the shareholding structure of the PRC Holdcos as of the Latest Practicable Date are set out below:

- (i) Hangzhou Youqu is owned by SU Hua as to 90% and PENG Xiaochun (a former employee of the Group) as to 10%.
- (ii) Huayi Huilong is owned by YANG Yuanxi as to 90% and PENG Xiaochun (a former employee of the Group) as to 10%. Huankuai Technology, a former Consolidated Affiliated Entity of the Group, is currently 100% owned by Huayi Huilong. On December 27, 2022, 100% of the total registered share capital of Huankuai Technology was transferred from LU Hao to Huayi Huilong (the "Transfer 1"). Upon completion of the Transfer 1, Huankuai Technology became a wholly-owned subsidiary of Huayi Huilong, and the Contractual Arrangement involving Huankuai Technology was terminated.
- (iii) Beijing One Smile is owned by SU Hua as to 32.32%, YANG Yuanxi as to 29.24%, CHENG Yixiao as to 25.86%, YIN Xin as to 7.40% and HU Changjuan as to 5.18%.
- (iv) Beijing Mufei is 100% owned by SHI Jin (a former employee of the Group). On January 4, 2022, ZHANG Xiaodong transferred 100% of the total registered share capital of Beijing Mufei to SHI Jin (the "Transfer 2"). Upon completion of the Transfer 2, ZHANG Xiaodong ceased to be a Registered Shareholder of Beijing Mufei, and SHI Jin became the Registered Shareholder holding 100% of the total registered share capital of Beijing Mufei.
- (v) Beijing Hanyu is owned as to 50% and 50% by TAO Shengru and LU Yuan, both of whom are employees of the Group.

Report of the Board of Directors

- (vi) Beijing Murong is 100% owned by ZHENG Nan (an employee of the Group). On December 30, 2022, CHEN Qu transferred 100% of the total registered share capital of Beijing Murong to ZHENG Nan (the “**Transfer 3**”). Upon completion of the Transfer 3, CHEN Qu ceased to be a Registered Shareholder of Beijing Murong, and ZHENG Nan became the Registered Shareholder holding 100% of the total registered share capital of Beijing Murong.
 - (vii) Guizhou Fankuai is owned by JIA Hongyi (an employee of the Group) as to 95% and ZHENG Nan (an employee of the Group) as to 5%.
 - (viii) Beijing Zhongbo Keyuan is owned by LU Yuan as to 90% and TAO Shengru as to 10%, both of whom are employees of the Group.
 - (ix) Guizhou Fanxin Lingzhi is owned by JIA Hongyi (an employee of the Group) as to 95% and PENG Xiaochun (a former employee of the Group) as to 5%.
 - (x) Huai’an Shuangxin is owned by JIAO Xiang (an employee of the Group) as to 50% and WANG Lvbing (a former employee of the Group) as to 50%.
 - (xi) Beijing Qingque is owned as to 50% and 50% by JIA Hongyi (an employee of the Group) and YIN Xin.
 - (xii) Yunshitai Beijing is owned by CHEN Man (an independent third party of the Group) as to 97.5% and LI Jingchen (an independent third party of the Group) as to 2.5%.
 - (xiii) Shandong Yixiang is owned by JIAO Xiang (an employee of the Group) as to 50% and SUN Junyi (a former employee of the Group) as to 50%.
- (3) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (4) “- ->” denotes contractual relationship.
- (5) “- -” denotes the control by WFOE over the Registered Shareholders and the PRC Holdcos through (i) powers of attorney to exercise all shareholders’ rights in the PRC Holdcos, (ii) exclusive options to acquire all or part of the equity interests in the PRC Holdcos and (iii) equity pledges over the equity interests in the PRC Holdcos.

Our Consolidated Affiliated Entities are primarily engaged in the businesses of short video and live streaming, online games and online advertising facilitation business. The Consolidated Affiliated Entities contributed a significant portion of our Group’s financial positions and results of operations. The revenue of our Consolidated Affiliated Entities amounted to RMB51.4 billion for the Reporting Period, representing approximately 54.6% of the total revenue of the Group. As of December 31, 2022, the total assets of our Consolidated Affiliated Entities amounted to RMB22.2 billion, representing approximately 24.9% of the total assets of the Group.

Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period, and none of the Contractual Arrangements had been unwound because none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. We had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

Report of the Board of Directors

Summary of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements entered into by each of the WFOEs, the PRC Holdcos and the relevant Registered Shareholders is set out as follows:

Exclusive Technical Consultation and Service Agreements

Pursuant to the exclusive technical consultation and service agreements (the “**Exclusive Technical Consultation and Service Agreements**”), in exchange for service fees, the PRC Holdcos have agreed to engage WFOE as their respective exclusive provider of the following technical consultation and services:

- (1) the research and development of technologies required by the PRC Holdcos’ businesses, including the development, design and production of database software for business information, user interface software and other related technologies, and to grant them for the PRC Holdcos’ use;
- (2) the application and implementation of technologies relating to the operation of the PRC Holdcos’ businesses, including but not limited to system design, system installation and debugging and system trial runs;
- (3) the daily maintenance, monitoring, debugging and troubleshooting for the PRC Holdcos’ computers and network software equipment (including information databases), including the timely entering users’ information into the database, or timely updating the database, regularly updating the user interface and providing other related technical services according to other business information provided by the PRC Holdcos at any time;
- (4) providing consultation services for the procurement of required equipment, software and hardware for the PRC Holdcos’ network operations, including but not limited to utility software, applications and selection of technology platforms, system installation and testing, and advise on their complementary hardware facilities, equipment models and their respective performances;
- (5) providing suitable training and technical support and assistance to employees of the PRC Holdcos, including but not limited to customer service and technological training, introduction to the installation and operation of systems and equipment, resolving problems that may arise during the installation and operation of systems and equipment, providing consultation and suggestions on online editing platforms and software, helping the PRC Holdcos collect and compile all kinds of information;
- (6) providing technical consultations and solutions to technical questions raised by the PRC Holdcos in relation to network equipment, technical products and software; and
- (7) other relevant services and consultation as required by the PRC Holdcos’ businesses.

Report of the Board of Directors

The service fees shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes, other statutory contributions, and any reasonable operating profits calculated based on the application of PRC tax law principles and tax practices. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of the PRC Holdcos, and the PRC Holdcos will accept any such adjustment. The WFOE will calculate the service fees on a monthly basis and issue a corresponding invoice to the PRC Holdcos. Notwithstanding the payment arrangements in the Exclusive Technical Consultation and Service Agreements, WFOE may adjust the payment time and method, and the PRC Holdcos will accept any such adjustment.

In addition, absent the prior written consent of WFOE, during the term of the Exclusive Technical Consultation and Service Agreements, with respect to the services subject to the Exclusive Technical Consultation and Service Agreements, the PRC Holdcos shall not accept the same or any similar consultation or services provided by any third party. The Exclusive Technical Consultation and Service Agreements also provide that WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Holdcos during the performance of the Exclusive Technical Consultation and Service Agreements.

Exclusive Option Agreements

Pursuant to the exclusive option agreements (the “**Exclusive Option Agreements**”), WFOE has the exclusive and irrevocable right to purchase, or to designate one or more persons/entities to purchase, from the Registered Shareholders of the PRC Holdcos all or any part of their equity interests in the PRC Holdcos and from the PRC Holdcos all or any part of the assets of the PRC Holdcos at any time in WFOE’s absolute discretion in accordance with the provisions of the Exclusive Option Agreements and to the extent permitted by the PRC laws. The consideration in relation to purchasing shares from the Registered Shareholders of the PRC Holdcos shall be RMB1 or the lowest price as permitted by the applicable PRC laws. The consideration in relation to purchasing assets from the PRC Holdcos shall be the lowest price as permitted under the applicable PRC laws.

Equity Pledge Agreements

Pursuant to the equity pledge agreements (the “**Equity Pledge Agreements**”), the Registered Shareholders of the PRC Holdcos agreed to pledge all their respective equity interests in the PRC Holdcos that they own, including any interest or dividend paid for the shares, to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreements and any applicable PRC law, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders of the PRC Holdcos.

All the Equity Pledge Agreements in relation to the PRC Holdcos had been properly registered with competent authorities.

Report of the Board of Directors

Shareholder Voting Rights Proxy Agreements

Under the shareholder voting rights proxy agreements (the “**Proxy Agreements**”), the Registered Shareholders of the PRC Holdcos irrevocably appointed WFOE and its designated persons (including but not limited to the directors of the holding companies of WFOE and their successors and the liquidators replacing such directors or successors) as their exclusive agent to exercise on their behalf, any and all rights that they have in respect of their equity interests in the PRC Holdcos.

Confirmation from the Registered Shareholders

Each of the Registered Shareholders has confirmed to the effect that (i) his/her interests do not fall within the scope of communal properties, and his/her spouse does not have the right to claim any interests in the respective PRC Holdcos (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the respective PRC Holdcos; and (ii) in the event of his/her death, disappearance, incapacity, divorce, marriage or any other event which causes his/her inability to exercise his/her rights as a shareholder of the respective PRC Holdcos, his/her successors (including his/her spouse) will not take any actions that would affect his/her obligations under the Contractual Arrangements.

Spouse Undertakings

The spouse of the relevant Registered Shareholders, where applicable, has signed amended and restated undertakings to the effect that (i) he/she has no right to or control over such interests of the respective registered shareholder and will not have any claim on such interests; (ii) confirms that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her; (iii) the respective spouse’s interests in the PRC Holdcos (together with any interests therein) do not fall within the scope of communal properties; and (iv) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of the PRC Holdcos, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly performed.

Report of the Board of Directors

PRC Foreign Investment Law

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**PRC Foreign Investment Law**” or “**FIL**”) became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus a “negative list” with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The current negative list, namely, the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the “**2021 Negative List**”), sets out the industries in which foreign investments are prohibited or restricted. Generally, foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions and requirements stipulated in the 2021 Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the 2021 Negative List shall be treated equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”) which became effective on January 1, 2020. The Implementation Regulations provide that foreign investments in prohibited sectors on the negative list are not allowed, while foreign investments in restricted sectors on the negative list shall comply with special administrative measures in respect of shareholding, senior management personnel and other matters stipulated under the negative list.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Haiwen & Partners, our PRC legal advisor confirmed that the FIL does not specify contractual arrangements as a form of foreign investment. In that regard, if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected.

Risks Relating to the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, including:

- (1) If the PRC government determines that the agreements establishing the structure for operating our online businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Company’s interest in our Consolidated Affiliated Entities.
- (2) Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as “foreign investment” and how it may impact the viability of our current corporate structure and operations.

Report of the Board of Directors

- (3) The Group relies on the Contractual Arrangements for its operations in China, which may not be as effective in providing operational control as direct ownership. The PRC Holdcos and/or their Registered Shareholders may fail to perform their obligations under our Contractual Arrangements, which may result in us resorting to litigation to enforce the Group's rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.
- (4) As some of the Contractual Arrangements may not have fully detailed the parties' rights and obligations, the remedies for a breach of these arrangements may not be guaranteed.
- (5) The Group may not be able to conduct its operations without the services provided by certain of its Consolidated Affiliated Entities.
- (6) The Company may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- (7) The Registered Shareholders of the PRC Holdcos may have conflicts of interest with the Group, which may materially and adversely affect the Group's business.
- (8) The Group conducts its business operations in China through the Consolidated Affiliated Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws and regulations.
- (9) The Contractual Arrangements between Beijing Dajia and the PRC Holdcos may be subject to scrutiny by the PRC tax authorities and may subject the Group to increased income tax due to the different income tax rates applicable to Beijing Dajia and our PRC Holdcos. A finding that the Group owes additional taxes could negatively affect the Group's financial condition and the value of the Shareholders' investment.
- (10) If the Company exercises the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.
- (11) A transfer of shares in some of the Consolidated Affiliated Entities may trigger tax liability.

Further details of these risks are set out in "Risk Factors — Risks Related to our Corporate Structure" in the Prospectus.

Actions Taken by the Group to Mitigate the Risks relating to the Contractual Arrangements

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

Report of the Board of Directors

- (2) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and
- (4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under certain Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. SU Hua and Mr. CHENG Yixiao, are connected persons of the Group.

In respect of these Contractual Arrangements constituting connected transactions of the Company under the Listing Rules, the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject, however, to the following conditions:

- (1) no change to the Contractual Arrangements (including with respect to any fees payable to Beijing Dajia thereunder) will be made without the approval of our independent non-executive Directors;
- (2) save as described in paragraph (4) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of the Company will, however, continue to be applicable;
- (3) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;
- (4) the Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expedience, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (5) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Report of the Board of Directors

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the Contractual Arrangements outlined above, and confirmed that:

- (1) the transactions under the Contractual Arrangements carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (2) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; and
- (3) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements.

The Auditor has confirmed in a letter to the Board with a copy to the Stock Exchange that, with respect to Contractual Arrangements:

- (1) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;
- (2) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (3) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

Certain related party transactions as disclosed in Note 34 to the Consolidated Financial Statements in this annual report constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

Report of the Board of Directors

AUDITOR AND AUDIT COMMITTEE'S REVIEW

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period and there had been no change in auditor of the Company in the past three years. The accompanying financial statements prepared in accordance with IFRS have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming 2023 AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the 2023 AGM.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely Mr. HUANG Sidney Xuande, Mr. WANG Huiwen and Mr. MA Yin. The chairman of the Audit Committee is Mr. HUANG Sidney Xuande, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's audited consolidated financial statements for the Reporting Period. 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 annual results for the Reporting Period have been prepared in accordance with IFRS.

On behalf of the Board

Mr. SU Hua

Chairman

Hong Kong, March 29, 2023

Corporate Governance Report

The Board of Directors of the Company has hereby submitted its Corporate Governance Report for the Reporting Period to the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance standards.

The Company aims to achieve high standards of corporate governance which are crucial to the Company's development and safeguard the interests of the Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

The Company was incorporated in the Cayman Islands on February 11, 2014 with limited liability. The Company's Class B Shares have been listed on the Main Board of the Stock Exchange since February 5, 2021. During the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company (the "**Guidelines for Securities Dealings by Relevant Employees**") on terms no less exacting than the Model Code. No incident of non-compliance with the Guidelines for Securities Dealings by Relevant Employees by the employees has been noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. SU Hua (宿華) (*Chairman of the Board*)
Mr. CHENG Yixiao (程一笑) (*Chief Executive Officer*)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
Dr. SHEN Dou (沈抖)
Mr. LIN Frank (林欣禾) (*alias LIN Frank Hurst*)

Independent Non-executive Directors

Mr. WANG Huiwen (王慧文)
Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)

The biographical information of the Directors is set out in the section headed “Report of the Board of Directors — Directors and Senior Management — Biographical Details and Other Information of the Directors” of this annual report. To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board or between the chairman of the Board and the chief executive officer of the Company.

During the Reporting Period and up to the Latest Practicable Date, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Corporate Governance Report

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairman and Chief Executive Officer

The chairman of the Board and the chief executive officer of the Company are two separate positions with clear distinction in responsibilities. During the Reporting Period and up to the date of this annual report, the role of the chairman of the Board was performed by Mr. SU Hua, while Mr. CHENG Yixiao was chief executive officer of the Company. Mr. SU Hua is responsible for formulating the Group's long-term strategies and exploring new initiatives, while Mr. CHENG Yixiao is leading the day-to-day operations and business development of the Group.

Corporate Governance Report

Appointment and Re-election of Directors

According to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. All retiring Directors shall be eligible for re-election.

Each Director (including the non-executive Directors and independent non-executive Directors) is engaged for a term of three years. They are subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The newly appointed Directors will be provided with a detailed induction to the Group's businesses by senior management.

Pursuant to code provision C.1.4 of the Corporate Governance Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors.

Corporate Governance Report

The training received by the Directors throughout the Reporting Period is summarized below:

Name of Director	Participated in continuous professional development ⁽¹⁾
<i>Executive Directors</i>	
Mr. SU Hua	√
Mr. CHENG Yixiao	√
<i>Non-executive Directors</i>	
Mr. LI Zhaohui	√
Mr. ZHANG Fei	√
Dr. SHEN Dou	√
Mr. LIN Frank	√
<i>Independent Non-executive Directors</i>	
Mr. WANG Huiwen	√
Mr. HUANG Sidney Xuande	√
Mr. MA Yin	√

Note:

⁽¹⁾ attended training/seminar/conference arranged by the Company or other external parties or read relevant materials

Board Activities

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board committees members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Corporate Governance Report

During the Reporting Period, the Board convened five Board meetings, four Audit Committee meetings, three Corporate Governance Committee meetings, three Remuneration Committee meetings, one Nomination Committee meeting and one annual general meeting. The attendance records of each Director at the above meetings are set out in the table below:

Name of Director	Attendance/Number of Meetings					Corporate Governance Committee	General Meeting of Shareholders
	Board	Audit Committee	Nomination Committee	Remuneration Committee			
Mr. SU Hua	5/5	–	–	3/3	–	1/1	
Mr. CHENG Yixiao	5/5	–	1/1	–	–	1/1	
Mr. LI Zhaohui	5/5	–	–	3/3	–	1/1	
Mr. ZHANG Fei	5/5	–	1/1	–	–	1/1	
Dr. SHEN Dou	5/5	–	–	–	–	1/1	
Mr. LIN Frank	5/5	–	–	–	–	1/1	
Mr. WANG Huiwen	5/5	4/4	1/1	3/3	3/3	1/1	
Mr. HUANG Sidney Xuande	5/5	4/4	1/1	3/3	3/3	1/1	
Mr. MA Yin	5/5	4/4	1/1	2/3	2/3	1/1	

In addition, Mr. SU Hua, the chairman of the Board, held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Corporate Governance Report

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, the risk management and internal controls systems of the Group, to review connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. HUANG Sidney Xuande, Mr. WANG Huiwen and Mr. MA Yin. The chairman of the Audit Committee is Mr. HUANG Sidney Xuande, who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

None of the members of the Audit Committee is a former partner of the Company's existing Auditor, PricewaterhouseCoopers.

During the Reporting Period, the Audit Committee has held four meetings, in which the Audit Committee has performed the following major tasks:

- reviewed the audited annual results and annual report of the Group for the year ended December 31, 2021;
- reviewed the 2022 interim results announcement and interim report of the Group;
- reviewed the Company's quarterly results announcements for the first quarter ended March 31, 2022 and the third quarter ended September 30, 2022, respectively;
- reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, financial reporting and internal audit function;
- reviewed the continuing connected transactions of the Group;
- reviewed the risk management and internal control systems of the Group;
- reviewed the Auditor's independence and terms of engagement for the year ending December 31, 2022, and made recommendations on the re-appointment of the Auditor;
- approved the Auditor's remuneration for the year ended December 31, 2022; and
- reviewed and approved the Pre-Approval Policy for Non-Audit Services conducted by the Auditor.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee was satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended the re-appointment of the Auditor.

Corporate Governance Report

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to review the Board composition, to make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, and to assess the independence of independent non-executive Directors. The Nomination Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. CHENG Yixiao, Mr. ZHANG Fei, Mr. WANG Huiwen, Mr. HUANG Sidney Xuande and Mr. MA Yin. Mr. WANG Huiwen is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee has held one meeting, in which the Nomination Committee has performed the following major tasks:

- reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group;
- recommended the re-election of the retiring Directors at the forthcoming annual general meeting;
- assessed the independence of all the independent non-executive Directors;
- reviewed the Board diversity policy; and
- reviewed and approved the Directors Nomination Policy.

Diversity

Board Diversity Policy

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. The Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

The Nomination Committee is responsible for reviewing the diversity of the Board. It will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective.

Corporate Governance Report

The Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. The Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The Company plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Company is of the view that such strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in the future with an aim to providing the Board with a pipeline of female candidates to achieve gender diversity in the Board in the long run.

The Nomination Committee will use its best endeavors and on suitable basis, within three years after the Listing, to identify and recommend at least one female candidate to the Board for its consideration on appointment of a Director with the goal to have at least one female Director in the Board, subject to the Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its Shareholders as a whole when considering the appointment. The Company believes that such merit-based selection process with reference to the diversity policy and the nature of our business will be in the best interests of the Company and its Shareholders as a whole.

Diversity of Employees

The Company strives to enhance gender diversity of staff and management to create a fair, diverse and inclusive workplace. As at December 31, 2022, the gender ratio of the Group's workforce (including the Company's senior management) was approximately 56.2% male to 43.8% female. To achieve the goal of improving fairness and create more opportunities for female employees, the Group has put in place recruitment and hiring, training and promotion measures such that a diver range of candidates are considered. The Group also provides physical and mental health, care and benefits, safe workplace environment and communication channels to empower our female employees. During the Reporting Period, the Board was not aware of any mitigating factors or circumstances which made achieving gender diversity across the Group's workforce (including senior management) more challenging or less relevant.

More details of the Group's diversity practices for employees are set forth in the section headed "Environmental, Social and Governance Report" of this annual report.

Corporate Governance Report

Mechanism Regarding Independent Views to the Board

The Board has implemented different ways to ensure independent views and input are available to the Board. The implementation and effectiveness of such mechanism was reviewed on an annual basis. The Board considers that such mechanism has been implemented properly and effectively.

The mechanism is disclosed below:

Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to the Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

Independent Assessment in Nomination Process

The Company has nomination policy for election of Directors. Such policy, devising the criteria and procedures of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors (including the independent non-executive Directors) of the Company. The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure they can continually exercise independent judgement.

The Board believes that the defined selection process is good for corporate governance in serving the Board continuity and appropriate leadership at Board level, enhancing Board effectiveness and diversity, and ensuring independent views and input are available to the Board.

Compensation

No equity-based remuneration with performance-related elements has been granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

Board Decision Making

The Directors (including independent non-executive Directors), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Corporate Governance Report

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, to establish a formal and transparent procedure for developing policy to review the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all Directors and senior management. The Remuneration Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. SU Hua, Mr. LI Zhaohui, Mr. WANG Huiwen, Mr. HUANG Sidney Xuande and Mr. MA Yin. Mr. HUANG Sidney Xuande is the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee has held three meetings, in which the Remuneration Committee has performed the following major tasks:

- reviewed the remuneration policy and the remuneration packages of the Directors and senior management of the Company;
- reviewed and approved the granting of options to the chief executive officer of the Company under the Post-IPO Share Option Scheme; and
- reviewed and obtained independent professional advice from a consulting firm on the structure and design of Directors' and chief executive officer's remuneration mechanisms.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management during the Reporting Period and up to December 31, 2022, including those members of senior management who are also the executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of individuals
HK\$0 to HK\$20,000,000	2
> HK\$20,000,000	3

Further details of the remuneration of Directors for the Reporting Period are set out in Note 10(b) to the Consolidated Financial Statements in this annual report.

Corporate Governance Report

Corporate Governance Committee

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company. The Corporate Governance Committee comprises three independent non-executive Directors, namely, Mr. WANG Huiwen, Mr. HUANG Sidney Xuande and Mr. MA Yin. Mr. WANG Huiwen is the chairman of the Corporate Governance Committee.

During the Reporting Period, the Corporate Governance Committee has held three meetings, in which the Corporate Governance Committee has performed the following major tasks:

- reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report;
- reviewed the written confirmation provided by the WVR Beneficiaries that they have been members of the Company's Board of Directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year, and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- reviewed and monitored the management of conflicts of interests between the Company, its subsidiaries or Consolidated Affiliated Entities and/or the Shareholders on one hand and any WVR Beneficiaries on the other;
- reviewed and monitored all risks related to the weighted voting rights structure;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- made a recommendation to the Board as to the appointment or removal of the compliance advisor;
- reviewed the implementation and effectiveness of the Shareholders' Communication Policy;
- reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's ESG related matters;
- reviewed work performance and work plan of ESG team and the Company's ESG strategy, and provided guidance and supervision to the ESG team; and
- reviewed the Company's compliance with the *ESG Reporting Guide* and disclosure in the 2021 Environmental, Social and Governance Report.

Corporate Governance Report

In particular, the Corporate Governance Committee has confirmed to the Board that it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the WVR Beneficiaries in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole. These measures include the Corporate Governance Committee ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) any Directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iii) the compliance advisor is consulted on any matters related to transactions involving the WVR Beneficiaries or a potential conflict of interest between the Group and the WVR Beneficiaries. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

Having reviewed the remuneration and terms of engagement of the compliance advisor, the Corporate Governance Committee confirmed to the Board that it was not aware of any factors that would require it to consider either the removal of the current compliance advisor or the appointment of a new compliance advisor. As a result, the Corporate Governance Committee recommended that the Board retain the services of the compliance advisor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems.

The management considers it is important to establish and continue to improve its risk management and internal control systems, and has strengthened internal control, internal audit, compliance and forensic functions of the Company during the Reporting Period. The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Corporate Governance Report

Organization Principles

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the “Three Lines of Defense” model as an official organizational structure for risk management and internal control.

The First Line of Defense — Management and Operation

The first line of defense is mainly implemented by the business departments of the Company which are responsible for the day-to-day operations, and they are responsible for designing and implementing control measures to address the risks.

The Second Line of Defense — Risk Management, Internal Control and Other Functions

The second line of defense is mainly implemented by, among others, the internal control team, finance department, legal department, IT infrastructure department, efficiency engineering department and other departments with similar functions. This line of defense is responsible for formulating policies related to management of operations, finance, compliance and litigation, information security and internal controls of the Company, and for planning and establishing an integrated risk control system. For ensuring effective implementation of such systems, this line of defense also assists and supervises the first line of defense in the establishment and improvement of risk management and internal control systems.

The Third Line of Defense — Internal Audit and Forensic

The third line of defense is mainly implemented by the internal audit and forensic teams, which hold a high degree of independence. The internal audit team provides an evaluation on the effectiveness of the Company’s risk management and internal control systems, and monitors management’s continuous improvement over these areas. The forensic team is responsible for receiving whistle-blowing reports and investigating alleged fraudulent incidents.

Corporate Governance Report

Risk Management Process

The Company has established a risk management system (including the “Three Lines of Defense” internal monitoring model as detailed above) which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes.

All business and functional departments of the Company are responsible for conducting internal control assessment regularly to identify risks that may potentially impact the business of the Group.

The internal audit department is responsible for performing independent review of the effectiveness and adequacy of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management, has reviewed the report from the management and findings from the internal audit, and reviewed the risk management and internal control systems, including the financial, operational and compliance controls. The annual review also covered areas on the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting, financial reporting and internal audit functions.

The Board considered the risk management and internal control systems of the Company during the Reporting Period were effective and adequate.

Proper internal control procedures and guidelines are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations. Access to inside information is at all times confined to relevant personnel (i.e. Company’s Directors, senior management and relevant employees) and on “as needed” basis until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Company’s Directors, senior management and relevant employees in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognize their obligations to maintain the information confidential.

Significant Risks of the Company

As the complexity of the Company's business increases and the external environment continues to evolve, the Company could face various risks, including ESG risks, among others. Through risk management analysis and evaluation, the management has identified five significant risks in 2022, four of which remained the same as the risks that disclosed in 2021. Among the four significant risks, there was a considerable increase in market competition and innovation risk and a slight decrease in fraud risk, while the other risk levels were mostly unchanged and the overall ranking of major risks remained the same. Meanwhile, with continuous expansion of its overall business scope, the Company draws increasing attention from the public and the media. The new significant risk added in 2022 was reputation risk.

Below is a summary of the significant risks of the Company along with the applicable response strategies. With the growth of the Company's business scale, scope, complexity and the changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Market Competition and Innovation Risk

The Company faces intense competition from other internet companies in China in several major aspects of its business, particularly in live streaming, online marketing services, e-commerce and other sectors. Some of the Company's competitors may have longer operating histories and greater financial, technical and marketing resources than it does or have an advantage in attracting and retaining users and business partners. In addition, the Company's competitors may have larger user bases or more established brand names than it does and therefore would be able to more effectively leverage their user bases and brand names to provide live streaming, online marketing services, e-commerce and other products and services.

The management of the Company closely monitors the market competition, and shares relevant information and their insights and judgments on the market competition in real time.

The Company continues to (i) enrich and improve the quality and diversity of its content offerings on its platform in order to attract and retain a broad user base, (ii) improve the experience of its users and business partners through improved functionalities and services, (iii) further expand user reach and enhance user engagement through online and offline marketing and promotional activities, and (iv) develop and expand its product and service offerings to fulfill evolving user needs that naturally arise from its ecosystem.

Meanwhile, the Company has been committed to strengthening its research and development and technological capabilities, including to invest in technologies to strengthen its technological capabilities in areas such as AI and big data and continuously upgrade and scale its IT infrastructure, including data centers and cloud computing bandwidth, to support its growing ecosystem as well as product and service offerings.

Corporate Governance Report

Information Security and Privacy Risk

Protection of users' personal data and other privacy-related information is critical to the Company's business. Any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, and even lead to potential legal action against the Company.

The information security committee is responsible for devising information security strategies and decision-making regarding major information security issues. The Company has also set up a data security team which works closely with its legal department to jointly establish and enforce procedures regarding the management of data security. The Company's dedicated privacy protection team is formed by the security group of its IT infrastructure department and other departments including legal, government relations, and public relations departments, and analyzes industry trends, designs privacy protection protocols, conducts privacy trainings, assists in the formulation of feasible compliance work assessments and provides relevant risk control suggestions.

The Company has implemented a data security management protocol that sets out policies for data-related operations within the Company, including the collection, transmission, storage, sharing, destruction, backup and recovery of data. Its data security policies include mechanisms for user privacy protection, data classification, monitoring, emergency response and management of third-parties.

Meanwhile, the Company has developed its internal policies and procedures with the goal of meeting industry standards and good practice.

Compliance Risk

Given that the internet business is highly regulated in China, intensified government regulation of the short video, live streaming and e-commerce industries in China could restrict the Company's ability to maintain or increase its user base or the user traffic to its platform. As the short video, live streaming and e-commerce sectors in China are still evolving rapidly, new laws and regulations may be adopted from time to time to address new issues that come to the regulatory authorities' attention and additional licenses and permits other than those the Company currently has may be required.

The Company has several professional departments and teams that work closely with management of business groups and identify changes in any relevant laws and regulations, so as to take appropriate actions or measures to ensure the Company is in compliance with applicable laws and regulations.

Corporate Governance Report

Fraud Risk

In light of the rapid development of the internet industry, fraud cases have occurred frequently outside and within the industry and have caused harm to the internet industry as a whole. Fraudulent activities engaged by business partners, employees or third parties may exert a negative impact on the operations, finance and reputation of the Company.

The Company consistently adheres to its fundamental value of integrity, combats fraud and has zero tolerance for it. The Company has established effective internal control systems and continuously optimizes such systems to identify and mitigate fraud risk. The Company conducts comprehensive and thorough investigation on any potential fraudulent conduct. Any fraudulent conduct will be dealt with strictly in accordance with the relevant rules and regulations of the Company. Cases involving breaches of national laws and regulations will be immediately transferred to judicial departments. Meanwhile, the Company combats the illegal internet industry together with the police force and promotes the establishment of the Trust and Integrity Enterprise Alliance together with other members of the internet industry to combat internet fraudulent behaviors, and to build a healthy, orderly and civilized internet ecosystem through technological cooperation and information sharing.

Reputation Risk

The Company processes a large number of transactions on a daily basis on its platform. With continuous expansion of its overall business scope, heightened public concerns over consumer protection and consumer safety issues, the Company may be subject to additional legal and social responsibilities and more impacts of negative publicity and regulatory concerns over these issues. If the Company does not pay sufficient attention to public opinion or if any incident or crisis arises but is not dealt with in a timely manner, its reputation, brand and image will be affected.

An effective risk and crisis management mechanism has been established to continuously minimize risks and potential crisis in the Company's ongoing business procedures or information system through a series of evaluations and analysis with an aim to optimize its management system, upgrade its risk management and continuously reduce the Company's exposure to potential crisis. In addition, the Company's public relations department maintains close connections and interactions with other operation departments and related functional units, proactively responds to societal concerns and deals with crisis in a lawful and reasonable manner and protects the Company's reputation in accordance with established policies and working procedures.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Reporting Period.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Company, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the Auditor about their reporting responsibilities on the Company's consolidated financial statements for the Reporting Period is set out under the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group for the Reporting Period is analyzed below. The remuneration for the audit services includes the service fees in connection with audit and reviews of the Group. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and other consultation services.

Type of services provided by the Auditor	Amount (RMB'000)
Audit services	30,000
Non-audit services	13,201
Total	43,201

JOINT COMPANY SECRETARIES

Mr. JIA Hongyi, has resigned from his role as the joint company secretary of the Company with effect from February 20, 2023. Mr. ZHAO Huaxia Matthew has been appointed as our joint company secretary with effect from February 20, 2023. For details, please refer to the announcement of the Company dated February 20, 2023.

Mr. ZHAO Huaxia Matthew, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Corporate Governance Report

Ms. SO Ka Man of Tricor Services Limited, an external service provider, has been engaged by the Company as the other joint company secretary to assist Mr. ZHAO Huaxia Matthew to discharge his duties as the joint company secretary of the Company. The primary contact person at the Company is Mr. ZHAO Huaxia Matthew.

For the Reporting Period, the joint company secretaries of the Company took not less than 15 hours of relevant professional training respectively, in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has in place a Shareholders Communication Policy to ensure that the Shareholders' views and concerns are appropriately addressed. The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an opportunity for communication between the Directors, senior management and the Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, in their absence, other members of the respective committees, are available to answer questions at general meetings. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. The annual general meeting shall be called by not less than 21 days' notice to the Shareholders in writing and any extraordinary general meeting shall be called by not less than 14 days' notice to the Shareholders in writing.

The Company will publish in a timely manner both English and Chinese versions of (i) any corporate communication (as defined in the Listing Rules) of the Company that requires Shareholders' attention or action, and (ii) announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving inside information, corporate actions and corporate transactions).

The Company maintains a website at ir.kuaishou.com as a communication platform with the Shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board, as follows:

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Email: ir@kuaishou.com/kuaishou@tpg-ir.com

The Company continues to enhance communications and relationships with the Shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from the Shareholders and investors are dealt with in an informative and timely manner.

The Company ensures that the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Corporate Governance Report

The Corporate Governance Committee has reviewed the implementation and effectiveness of the Shareholders Communication Policy during the Reporting Period, and in view of the above measures put in place, it considered the policy was effective in maintaining communication with the Shareholders.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.kuaishou.com) and the Stock Exchange (www.hkexnews.hk) after each Shareholders' meeting.

Pursuant to the Articles of the Company, extraordinary general meetings shall be convened on the written requisition of any one or more Shareholders holding, as of the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. A written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company specifying the objects of the meeting and signed by the requisitionist(s) for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Companies Act. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company (www.kuaishou.com).

CONSTITUTIONAL DOCUMENT

Pursuant to a special resolution of the Shareholders passed on January 18, 2021, the amended and restated Memorandum and Articles of Association of the Company was adopted with effect from the Listing Date, and no changes have been made thereto during the Reporting Period.

The Articles of the Company is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com).

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the third environmental, social and governance (“**ESG**”) report (the “**Report**”) published by the Company to communicate with stakeholders on the Group’s ESG philosophy, initiatives and performance, and to respond to stakeholders’ requirements.

Reporting Period

Unless otherwise specified, the Report covers the Group’s performance on ESG matters during the Reporting Period.

Reporting Boundary

Unless otherwise specified, the Report covers all subsidiaries and Consolidated Affiliated Entities within the Group.

Sources of Data

Unless otherwise specified, the information disclosed in the Report is derived from the Group’s internal official documents and filing reports, internal statistics and relevant official, publicly available information and records.

Basis of Preparation

The Report has been prepared with reference to the *ESG Reporting Guide* and in accordance with “materiality”, “quantitative”, “balance” and “consistency” principles set out in the *ESG Reporting Guide*.

- Principle of materiality: Based on materiality assessment, we identify and evaluate the ESG issues that are important to our business and internal and external stakeholders. The Report mainly contains the disclosure in response to the results of materiality assessment. Please refer to the sub-section headed “Materiality Analysis” in the Report for further details regarding the process of the materiality assessment.
- Principle of quantitative: We have disclosed the quantitative KPIs and set up quantitative performance targets where appropriate. The quantification standards, methodologies, assumptions and/or calculation tools for KPIs and source of conversion factors used in the Report have been explained in the corresponding sub-sections (where applicable).
- Principle of balance: The Report aims to provide a balanced presentation of the Group’s ESG effort in various aspects, including environment, employees, product responsibility and community.
- Principle of consistency: The preparation of the ESG Report is consistent with those of the previous years. Changes that may affect a meaningful comparison with the reports of the previous years have been explained in the corresponding sub-sections.

Environmental, Social and Governance Report

STATEMENT FROM THE BOARD

The Board is committed to establishing a comprehensive ESG management system, strengthening ESG governance, and continuously promoting the sustainable growth of Kuaishou. With the support of the Corporate Governance Committee, the Board oversees ESG matters and participates in the formulation of the ESG strategies of the Company. An ESG working group has been set up under the Corporate Governance Committee to coordinate and facilitate various functional departments to formulate ESG projects and to ensure the resource allocation and implementation of ESG.

We are mindful of the expectations and needs of all stakeholders. We closely communicate with them through regular internal and external activities to help us identify and evaluate the important ESG issues and discuss and review the issues during the meetings of the Corporate Governance Committee. Based on the external macro-environment and Kuaishou's growth strategy, the Corporate Governance Committee discusses and identifies the Company's risks and opportunities in environmental, social, and governance and provides an annual summation of important ESG management matters and projects. In 2021, we set environmental targets related to business operations, and the Board has been responsible for regular monitoring and reviewing of the achievement of the targets since then. Apart from this continuous efforts, in 2022, we strengthened our data security and privacy protection, and have obtained ISO 27001 Information Security Management System, ISO 27701 Privacy Information Management System, ISO 27017 Cloud Service Information Security Management System and other international information security management system certifications. In addition, we set up diversity plans to promote gender diversity among employees and the management, and to create an equal, diverse and inclusive workplace environment.

The Report details the progress and achievements of Kuaishou's ESG management in 2022. According to the terms of reference of the Corporate Governance Committee, the Board authorized the Corporate Governance Committee as the specialized committee to supervise ESG management. The Corporate Governance Committee reviewed and approved the Report on March 28, 2023.

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ESG KEY PERFORMANCE

Green Operation



In 2022, **71%** of the data centers leased by Kuaishou have obtained ISO 22301 business continuity management system certifications, and **47.6%** of the data centers have obtained ISO 14001 environmental management system certifications.

In 2022, Kuaishou continued to carry out a number of energy-saving and emission-reduction measures to promote the achievement of environmental goals in five areas, including clean energy use, energy conservation, water conservation, waste reduction and greenhouse gas emission reduction.

In 2022, **5,131** electronic devices were repurchased by employees of Kuaishou through the "Used Electronic Device Repurchase" program.

Privacy Protection and Data Security



In 2022, Kuaishou obtained information security management system certifications including ISO 27001 information security management system, ISO 27701 privacy information management system and ISO 27017 cloud service information security management system, covering **100%** of our business lines.

In 2022, Kuaishou organized a number of data security and privacy protection trainings to all employees (including new employees, as well as dispatched labor and interns). The number of participants was **7,100+**. In respect of trainings for departments, the number of participants was **2,800+**. In respect of trainings for partners, including contractors and suppliers, the number of participants accumulated to **500+**.

Intellectual Property Rights Protection

As of December 31, 2022, Kuaishou had applied for **9,930** patents domestically and abroad and so far has been granted **3,264** patents. It has obtained **8,814** domestic and foreign registered trademarks and **4,346** copyright registrations.

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Platform Responsibilities

In 2022, Kuaishou blocked **174,000** risky merchants in **25,160,000** blockages. Our archive of banned and inferior commodities blocked more than **1.18 million** items.

In 2022, the annual complaints response rate of Kuaishou reached **100%**.

In 2022, Kuaishou conducted telephone follow-ups with more than **250,000** users, and the annual overall satisfaction rate of all channels was **83%**, the satisfaction rate of the call center manual service channel was **93%**.

Employees' Development



As of December 31, 2022, Kuaishou had recruited full-time employees from **24** countries and **32** ethnic groups, and nearly **8%** were from China's ethnic minority groups. Female employees accounted for **43.8%** of all employees. Kuaishou had **214** foreign employees and employees from Hong Kong SAR, Macao SAR and Taiwan regions of China.

Kuaishou's social insurance coverage rate for full-time employees was **100%**.

30.9% of Kuaishou's managers were women. In 2022, the percentage of female employees promoted to managers was **36.3%**.

The annual comprehensive average value of eNPS¹ (Employee Net Promoter Score) in each critical time node of the employee life cycle grew by **6%** compared to 2021, and the highest annual value of residence permit application handling grew by **8%**.

In 2022, the total investment in employee training amounted to RMB **11,710,000** and the total number of participants (online and offline) was **214,701**.

In 2022, **3,183** "First Aiders" of Kuaishou in China have participated and received their first aid certificates. The activity included **81** first-aid training sessions covering **12** cities.

¹ eNPS, namely Employee Net Promoter Score, is used to help employers measure the satisfaction and loyalty of its employees.

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Business Ethics



In 2022, Kuaishou conducted anti-corruption related training for all its employees and directors (including dispatched labor and interns), which had **17,325** participants, and arranged a program for visiting its partners and suppliers during this year to check their integrity.

A total of **3,380** suppliers have signed the Integrity Commitment Letter.

Supply Chain Management



As of December 31, 2022, Kuaishou had included **4,915** suppliers from all over the world on its list of suppliers, including **4,785** suppliers from China (including Hong Kong SAR, Macau SAR and Taiwan regions of China) and **130** overseas suppliers.

Social Responsibility



In 2022, Kuaishou donated RMB **22.70 million** through our public welfare projects, and spent **16,319** hours on public welfare projects.

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ESG GOVERNANCE

In order to better strengthen its ESG governance, the Company has established a three-tier ESG governance structure of “governance level, management level, execution level” to continuously strengthen the sustainable development of its governance.

Governance level:	The Board is the highest decision-making body for ESG management and bears ultimate responsibility for ESG-related matters. With the authorization of the Board, the Corporate Governance Committee is responsible for the Company’s ESG management and decision-making, regularly reviewing outlook, strategies, policies and practices regarding ESG matters and the achievement of ESG goals, and reporting to the Board on ESG matters.
Management level:	The ESG working group, as the management department for ESG matters under the Corporate Governance Committee, is responsible for coordinating and guiding the implementation of ESG practices in various departments, reviewing the achievement of ESG goals, and providing resource guarantee and strong support for the smooth development of ESG tasks.
Execution level:	The constituent departments of the ESG working group are responsible for cooperating with the ESG working group to carry out the implementation of ESG tasks, regularly reporting the results to the ESG working group, and proposing work plans and goals for the next stage.

ESG Governance Structure



For further information about the Company’s corporate governance practices in 2022, please refer to the section headed “Corporate Governance Report” of this annual report.

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COMMUNICATION WITH STAKEHOLDERS

Kuaishou attentively listens and responds to the requirements of its stakeholders. Based on our actual business and operation features, we have identified our users, employees, shareholders and investors, suppliers/partners, government and regulatory bodies, media and non-governmental organizations (“NGOs”) and society as the major stakeholders of Kuaishou. A wide variety of communication mechanism has been established to ensure timely communication and feedback with our stakeholders.

The table below identifies our major stakeholders along with their expectations and requirements, as well as communication and responses.

Stakeholders	Expectations and Requirements	Communication and Responses
Users	<ul style="list-style-type: none"> • Good experience of using products for users • A healthy Internet environment • Continuous improvement of product and service quality • Emphasis on user communication and feedback 	<ul style="list-style-type: none"> • Developing new technology and improving products to meet user needs • Fostering a healthy community ecosystem • Protecting user privacy • Carrying out theme-based activities to interact with users
Employees	<ul style="list-style-type: none"> • Comprehensive protection of rights and interests • Compensation, welfare and employee care • Training and career development opportunities • Company culture embracing diversity • Creating good working environment • Employee communication 	<ul style="list-style-type: none"> • Establishing an employee protection system • Providing professional development training and coaching for employees • Carrying out employee-care activities • Improving the working environment • Providing employee feedback channels
Shareholders and investors	<ul style="list-style-type: none"> • Stable operations and reasonable return on investment • Timely, accurate and transparent corporate information disclosure 	<ul style="list-style-type: none"> • Announcing operating results and other business information in a fair, transparent and timely manner • Holding Shareholders’ general meetings and investor meetings regularly to communicate with Shareholders and investors
Suppliers/partners	<ul style="list-style-type: none"> • Long-term and in-depth cooperation • Timely access to information • Mutual support and growth 	<ul style="list-style-type: none"> • Compliant and valuable cooperation • Carrying out regular supplier surveys and interviews to strengthen communication and exchange

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Stakeholders	Expectations and Requirements	Communication and Responses
Government and regulatory bodies	<ul style="list-style-type: none"> Compliance with laws and regulations Paying taxes in accordance with law Helping the government improve social issues (underprivileged groups etc.) 	<ul style="list-style-type: none"> Boosting the local economy, promoting rural economic development and helping rural revitalization Assisting the operations of government social media accounts to spread positive impact Collaborating on projects to help government bodies fix social issues
Media and NGOs	<ul style="list-style-type: none"> Open and transparent information Active cooperation Innovative forms of charity activities Facilitating charity promotions 	<ul style="list-style-type: none"> Active involvement in media communication Cooperation in promoting charity projects Establishing strategic partnerships with multiple charity organizations Leveraging Internet technology to enable new modes of charity Increasing media exposure for charity initiatives
Society	<ul style="list-style-type: none"> Rural revitalization Inclusive digital technology Contributions to social public welfare 	<ul style="list-style-type: none"> Implementing rural revitalization initiatives and primary-level governance empowerment initiatives to support local economic development Launching social responsibility projects such as child and teenager protection, care for the elderly, disability assistance, support for veterans, emergency rescue, post-disaster reconstruction and donations Carrying out education and science learning programs, intangible cultural heritage promotion, environmental protection, assistance to industries and other charitable activities

Environmental, Social and Governance Report

MATERIALITY ANALYSIS

In 2022, through continuous communication with major stakeholders and combined with the Company's operating characteristics, we have referred to the *ESG Reporting Guide* and conducted materiality assessment based on industry best practices, ESG issues highlighted by the capital market and demands of various stakeholders, as a reference for our actions and reports.

Materiality identification process

Identify	<ul style="list-style-type: none"> Identify issues highly related to Kuaishou based on the <i>ESG Reporting Guide</i> of the HKEX, relevant provisions of the Listing Rules, industry benchmarking, and media monitoring.
Sort	<ul style="list-style-type: none"> Conduct materiality surveys with various stakeholders through emails and official social media accounts to collect ESG management suggestions. Directors and senior executives of the Company determine the materiality of each of the issues towards the Company's strategies and development. Meanwhile, other stakeholders determine the materiality of the issues at their own discretion.
Verify	<ul style="list-style-type: none"> Collect suggestions and opinions from the Board, Corporate Governance Committee, ESG Working Group together with the departments which formed the ESG Working Group, and employees.
Confirm	<ul style="list-style-type: none"> Identify material issues in each area and prepare an ESG report.

We will discuss the content of each topic in the Report, and the analysis results of material issues are shown in the table below.

Result of important issues identification

High Importance	Medium Importance	Importance
Information security and privacy protection	Corporate ESG management	Supply chain management
Product and service safety assurance	Lawful employment	Diversity and equal opportunities
Information compliance and content rating	Employee training and development	Charity engagement
Employee rights and benefits	Win-win cooperation with partners	Promoting environmental practices in the industry
Anti-corruption	Response to climate change	Occupational health and safety
Risk management	E-commerce management	Enhancing resource allocation efficiency
Customer complaint management and user experience enhancement	Board diversity	Emissions and waste management
Intellectual property rights protection	Empowering rural revitalization	
Antitrust		
Compliance in operations		

Environmental, Social and Governance Report

1. ENVIRONMENT

Kuaishou is committed to protecting the ecological environment, practicing the business philosophy of green and sustainable development, and reducing the impact of its own operations on the environment. By identifying the climate risks and opportunities faced by the Company, it has reduced the potential impact of climate risks, and continuously improved its climate resilience.

1.1 Addressing Climate Change

In the context of global warming, the risks and impacts of climate change are becoming more and more significant, which is a major challenge for humanity. Based on the framework and recommendations proposed by the Task Force on Climate-related Financial Disclosure (TCFD), Kuaishou proactively identified and analyzed the physical risks and transitional risks associated with climate change that affect the Company, in order to deal with the impact of climate change on the Company's operations.

- **Governance**

The Board of Kuaishou is responsible for formulating sustainable development strategies and regularly reviewing the implementation of goals, including climate change issues. The Board authorizes the Corporate Governance Committee to provide overall supervision of the ESG management, and regularly report to the Board on the implementation of major climate risks and counter measures. Under the guidance of the Corporate Governance Committee, the ESG working group is responsible for the identification and assessment of daily climate risks and promoting work related to climate change issues.

- **Strategies**

We recognize that climate change will bring potential physical risks and transitional risks to our business operations, and at the same time explore new development opportunities. Kuaishou's physical risks mainly arise from acute and chronic risks caused by climate change. We believe that extreme precipitation and rising average temperature will have a certain impact on Kuaishou's business. For example, extreme precipitation will affect the normal operation of infrastructure facilities and the normal commuting capabilities of employees. Transition risks mainly stem from policy and regulatory risks, technical risks and reputational risks brought by the transition to a low-carbon economy. For example, relevant national policies have put forward high standards of PUE² and energy-saving requirements for the data center industry, causing Kuaishou's data centers to face more pressure to transition to low-carbon technologies. On the other hand, climate change also brings us opportunities, including promoting the improvement of energy resources utilization, developing green and low-carbon technologies, and reducing and optimizing business operating costs. At the same time, by reducing climate impacts and adapting to market and policy requirements, Kuaishou will continue to active its own business and explore its development potential.

² PUE, namely Power Usage Effectiveness, is an index to evaluate the energy efficiency of the data center. PUE is the ratio of all energy consumed by the data center to the energy consumed by IT load, that is, $PUE = \frac{\text{total energy consumption of the data center}}{\text{energy consumption of IT equipment}}$. The total energy consumption of the data center includes energy consumption of IT equipment and energy consumption of refrigeration, power distribution and other systems. The PUE value is greater than 1, and the closer the value is to 1, the less energy is consumed by non-IT equipment, and the better the energy efficiency level.

Environmental, Social and Governance Report

• Risk management

We have integrated climate risk into the Company's corporate risk management. In 2022, the Board and the Corporate Governance Committee assessed the climate risks affecting Kuaishou's business, including acute physical risks, chronic physical risks, policy and regulatory risks, technological risks and reputational risks and formulated corresponding adaptive mitigation measures and proposals.

Our identified climate change risks and corresponding measures are as follows:

Physical risks

Risk Category	Risk Impact	Control Measures
Acute Risk	<p>Typhoon</p> <p>Extreme weather such as typhoons and extreme precipitation will affect the normal operation of infrastructure facilities and employees commuting. Kuaishou may be involved in breach of contract, compensation, and legal liability due to business interruption and other problems.</p> <p>Extreme Precipitation</p>	<ul style="list-style-type: none"> • When selecting a site for our data center site, we fully study the historical data of local natural disasters, and give priority to weather-friendly areas within the North China Plain. • We extend the natural disaster emergency management system to lessors of our data centers. • We extend the emergency management measures to construction units and integrate them into their daily operation management. • We incorporate disaster prevention drills into our data center operation and maintenance system and conduct them on a regular basis.
Chronic Risk	<p>Rising of average temperature</p> <p>Increasing temperature could cause a potentially adverse impact on the daily operation and maintenance of the Kuaishou data center, including impacting the lifespan of the facilities and equipment within the data center. The energy consumption pressure for heat dissipation and cooling of the data center is high, resulting in higher carbon emissions. Simultaneously, it also increases the consumption of water resources.</p>	<ul style="list-style-type: none"> • We continuously improve the energy efficiency of leased data centers, specify energy efficiency requirements in contracts and regularly monitor the energy efficiency of data centers. • When deciding the location for the Company's self-built data centers, a priority is given to areas that can efficiently use natural source cooling technology and areas which are rich in renewable energy (such as wind power and other renewable energy). • We actively communicate with energy trading institutions about green energy consumption opportunities. • We select suitable refrigeration/cooling technologies according to local conditions. For example, medium-temperature chilled water systems are selected in North China to improve the water supply temperature of cooling water and reduce the energy consumption of mechanical refrigeration.

Environmental, Social and Governance Report

Transitional Risks

Risk Category		Risk Impact	Control Measures
Policy and Regulatory Risk	Strengthening the responsibility of emission reporting	International and domestic regulatory agencies, capital market index ratings all have continuously upgraded requirements for disclosing environment-related information. To implement carbon trading, carbon tax, and environmental tax, the government must raise the accuracy requirement of carbon emissions data reporting. Kuaishou needs to improve the overall comprehensiveness and accuracy of environmental data disclosure. If the environmental reporting requirements are not met, the Company will face compliance risks from regulatory authorities.	<ul style="list-style-type: none"> • We actively conduct research on policy control risks, enhance communication with stakeholders, and actively respond to the demands of the stakeholders. • We continue to promote the meticulous management of energy and establish the management and control system for energy statistical analysis, so as to mitigate the compliance risk of information disclosure. • We continue to promote energy conservation and emission reduction: regarding administrative office works, Kuaishou advocates for a green office. In terms of data centers, we will adopt the latest technologies to maximize the application of natural cooling sources, wind energy, solar energy, and low-energy equipment to reduce the total carbon emissions.
Technology Risk	Cost of transition to low emission technologies/ failure to successfully invest in new technologies	In view of global warming and environmental protection, China has introduced new energy consumption and carbon emission control policies and measures and has put forward a high standard of PUE and energy-saving requirements for the data center industry. This led to Kuaishou's data centers facing pressure to transition to low carbon technology. This may lead to an increase in compliance and operating costs. Failing to invest in or develop new low-carbon technologies could increase Kuaishou's risk of financial loss.	<ul style="list-style-type: none"> • We examine the justification of new technology investment and the compatibility with the Kuaishou's business. The latest technologies need to be proven compatible, and which have passed technical experiments, the factory level tests and have been applied on a small scale before entering the large-scale application stage, so as to avoid the financial losses caused by unnecessary technological R&D failures. • We encourage our partners to adopt low-carbon and energy-saving new technologies in leased data centers, and actively adopt such measures to our self-built data centers.

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Risk Category	Risk Impact	Control Measures
Reputational Risk	<p>Increased concerns or negative feedback from stakeholders</p> <ul style="list-style-type: none"> • Extreme climate events, such as extreme precipitation and typhoons, and chronic climate change, such as rising average temperature, may affect the safe and continuous operation of the Kuaishou data centers. This may cause concerns and negative feedback from stakeholders regarding the stability of Kuaishou's business. • Energy-saving and emission reduction in data centers have become a major concern of regulatory and investment institutions under the dual carbon target initiative. High energy consumption in data centers may trigger concerns among stakeholders (including the government and investors) regarding Kuaishou's operational efficiency and commitment to compliance obligations. 	<ul style="list-style-type: none"> • According to the requirements of regulatory authorities, we improve the accuracy and comprehensiveness of the disclosure of carbon emission data and energy consumption data, and reduce the concerns and negative feedback of Kuaishou's stakeholders. • We formulate the energy goal of "realizing 100% clean energy use in self-built data centers by 2030" to strengthen the confidence of Kuaishou's stakeholders. • We formulate emergency management plans for extreme natural disasters, natural disasters prevention plans (manual), and a summary of contingency measures for emergencies to minimize the impact of climate change on Kuaishou's operations, reducing the concerns and negative feedback of Kuaishou's stakeholders. • Investors of our leased data centers are encouraged to increase their investment in energy-saving and emission-reduction technologies, and improve the operating efficiency of data centers leased by Kuaishou to meet compliance requirements.

Kuaishou attaches great importance to the climate change risk response capabilities of its self-built data centers and leased data centers and formulated emergency plans, including *Kuaishou Data Center Guidelines for Natural Disasters Prevention*, *Catalog of Emergency Measures for Typical Emergencies*, *Emergency Plan for Environmental Emergencies* and *Data Center Typhoon and Rainstorm Emergency Plan*. It also continues to improve the emergency notification mechanism for various types of extreme weather. The Company's emergency plans for typhoons and rainstorms, include emergency exercises, decentralizing deployment of data centers, and backups of important systems and business data in different places, to minimize the impact of climate change on Kuaishou's business and employees. In addition, the Company incorporates disaster prevention drills into its annual drills and training plan for data centers to enhance the emergency awareness and ability of operating personnel. In 2022, 71% of the data centers leased by Kuaishou have obtained ISO 22301 business continuity management system certifications.

Environmental, Social and Governance Report

• Indicators and goals

We have set goals for clean energy use, energy conservation, water conservation, waste reduction and greenhouse gas emission reduction, and we monitor and disclose the energy resource usage and carbon emission performance of the Company every year.

Category	Overall goal	Implementation measures
Clean energy use	By 2030, self-built data centers will achieve 100% clean energy usage.	<p>Data centers:</p> <ul style="list-style-type: none"> • Low-energy, clean data centers to be constructed; • Investment in renewable energy projects; • Renewable energy and green certification to be acquired; • Distributed photovoltaic and wind power to be adopted as auxiliary power supply in self-built data center parks; • Solar water heating system design to be used in self-built data center parks to supply hot water.
Energy conservation	By the end of 2026, the per capita power consumption of office premises in Beijing will be reduced by 8%, compared to 2021.	<p>Office premises:</p> <ul style="list-style-type: none"> • Centralized work areas to be established to facilitate energy management and efficiently replace the low-efficiency equipment; • The use time of the existing workplace lighting to be optimized in the Beijing area; landscape and corridor lighting to be adjusted in a timely manner according to seasonal changes; and balcony light switches to be replaced with sensor-controlled switches; • The operation mode and running time of air conditioners to be optimized, and air conditioners to be switched off on floors when office personnel left the work areas; • The monitoring of energy usage to be optimized. A national energy consumption dashboard has been set up, and a comparative analysis of quarterly and annual data has been established to correct deviations in a timely manner.

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Category	Overall goal	Implementation measures
		<p>Data centers:</p> <ul style="list-style-type: none"> • The use of clean energy to be increased in data centers; • High-efficiency equipment to be used in data centers and high-energy consumption equipment to be eliminated; • Intelligent and energy-saving operation management systems to be established in data centers; • Self-built data centers to be located in areas with favorable climatic conditions; • The application of liquid-cooled server technology to be vigorously promoted in self-built data centers; • Waste heat from data center was utilized for park heating and equipment insulation.
Water conservation	<p>By the end of 2026, the per capita water consumption of office premises in Beijing will be reduced by 8%, compared to 2021.</p> <p>Self-built data center parks will recycle 100% of rainwater and air-conditioning condensate.</p>	<p>Office premises:</p> <ul style="list-style-type: none"> • The water saving system to be improved; • The monitoring of the use of water resources to be optimized. A national energy consumption dashboard has been set up, and a comparative analysis of quarterly and annual data has been established to correct deviations in a timely manner; • Water-saving facilities to be improved, and water-saving faucets to be installed in certain workplaces. <p>Data centers:</p> <ul style="list-style-type: none"> • Rainwater to be recycled; • Water saving activities to be organized; • Water-saving equipment to be used; • Changes in water consumption to be regularly monitored and water resource gauges to be digitized; • Water resources to be managed and reviewed; • Reclaimed water to be used in cooling systems of data centers; • Recycling of air conditioning condensate to be applied in self-built data centers; • Waterless solutions may be used in air conditioners in self-built data centers.

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Category	Overall goal	Implementation measures
Waste reduction	<p>Green procurement will be implemented and green procurement standards will be incorporated into supplier management;</p> <p>100% of waste lead-acid batteries in the self-built data centers will be harmlessly treated by qualified suppliers; waste hard drives will be 100% harmlessly disposed of after destruction;</p> <p>Garbage classification will be implemented in all office premises in Beijing;</p> <p>All electronic waste will be disposed of in a harmless manner.</p>	<ul style="list-style-type: none"> • All waste to be harmlessly treated by vendors for closed-loop treatment; • Waste electronic equipment to be recycled (Electronic Equipment Buyback Program); • Garbage classification to be carried out continuously; • Recycled/renewable materials to be used; • Awareness of avoiding food waste to be promoted.
Greenhouse gas emission reduction	<p>We will actively respond to the national carbon peak and carbon neutrality goals and practice green operations.</p>	<p>Office premises:</p> <ul style="list-style-type: none"> • Green office to be implemented. <p>Data centers:</p> <ul style="list-style-type: none"> • Carbon emission to be verified; • Digital tools for carbon emission reduction to be used; • Green, low-carbon, energy-saving and environmental-friendly data centers to be established; • Waste heat recovery technology to be vigorously promoted in self-built data centers; • A greenhouse gas emission management plan to be formulated for self-built data centers; • A carbon emission monitoring platform to be established for self-built data centers.

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1.2 Green Operation

The goal of green operation is to reduce the energy consumption of daily activities and project operations of the Company and achieve low-carbon energy conservation at the source in order to protect the environment. At the same time, lowering energy consumption is beneficial to the reduction of project costs. In 2022, Kuaishou promoted green operations in its energy management, waste management and water resources management, with the aim of minimizing its impact on the environment.

1.2.1 Energy management

Kuaishou strictly adheres to the laws and regulations, such as the *Environmental Protection Law of The People's Republic of China* and the *Energy Conservation Law of The People's Republic of China*, and formulated the *Kuaishou Energy Management Guidelines and Goals* while continuing to improve the Group's energy management and operation mode by adopting the PDCA³ method.

- *Energy management in office premises*

Kuaishou conducts online meticulous energy and resources management to enhance environmental management efficiency. We launched an energy metering and analysis control system and analyzed the domestic workplace air conditioning system, electrical system, water supply, and drainage system's energy and resource consumption data to optimize the efficiency of energy and water resources utilization. Meanwhile, in the event of an abnormal data fluctuation, we will trace the source and make corresponding improvements in time.

We promote energy conservation and emission reduction at the source, and require electric lights, air conditioners, and other electrical equipment be turned off on time. Employees are encouraged to reduce travel by remote working and using video conferences. We also regularly assess our energy consumption and carry out energy-saving renovation projects.

³ PDCA namely "Plan-Do-Check-Act".

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Case: Kuaishou initiated energy-saving and emission reduction projects when the cooling system was in operation

In 2022, Kuaishou launched special “Energy Saving and Consumption Reduction” programs at its headquarters’ industry park and workplaces in Dongsheng when the cooling system was in operation, mainly including the specified and standardized use of lighting devices and the precise control of delayed cooling. Particular measures are as follows:

- Operating mode and time of cooling and heating equipment were adjusted according to the real-time outdoor weather conditions;
- General inspections were carried out three times every night, and lighting facilities in areas where no employee was working overtime were duly turned off;
- Dynamic energy-saving management of lighting and electrical equipment was implemented during holidays;
- On and off time of landscape and corridor lighting was adjusted according to weather conditions.

Through the energy-saving measures above, the electricity bills of Kuaishou’s headquarters and workplaces in Dongsheng when the cooling system was in operation decreased by 7.39% and 7%, respectively, compared with the same period in the previous year.

Case: Implementation plan of energy management and control at office

In 2022, Kuaishou formulated energy conservation and emission reduction measures related to the daily use of water, electricity and air conditioning at the workplace. The measures included:

- Water usage: adjusting the valves at pantries and washrooms to control the water flow in order to avoid excessive wastage while still meeting daily use needs; turning off the water supply during holidays to prevent unnecessary wastage caused by leaks and unattended running water.
- Scheduled lighting: lights in the office area are scheduled to remain on from 07:00 to 21:30 only. Lights in vacant office areas and unoccupied conference rooms shall be turned off. Inspections were conducted every two hours from 22:00 to ensure all lights in the office area are turned off when unoccupied. Lights and heating in restaurants are turned off after every meal.
- Air conditioning and air circulation system: daily weather conditions to determine when air conditioners are in use. Adjustment to the air conditioning settings requires pre-approval every week in order to maximize the benefits of cost optimization.
- Energy recovery ventilation: opening windows for natural ventilation shall be priority at office areas with energy recovery ventilation systems. The energy recovery ventilation system will be turned on during special weather condition such as haze and dust storm.
- VRV system: VRV is an auxiliary cooling and heating system and shall only be used under special circumstances such as a failure of the air conditioning, and when the air conditioning system is turned off during weekends and holidays.
- Air curtains: air curtains shall only be turned on when the ambient temperature is below 5°C when necessary.

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Attaching great importance to green, environmental protection and sustainable features of its buildings, Kuaishou strives to seek green building certification from external parties. The leased office building of Kuaishou in Bohua, Shanghai obtained LEED (Leadership in Energy and Environmental Design) Platinum Certification and WELL Healthy Building Platinum Certification.



LEED Platinum Certification was obtained



WELL Platinum Certification (V2 Pilot) was obtained

In 2022, Kuaishou remained committed to reaching its target of reducing energy consumption per employee in the office premises in Beijing by the end of 2026, by 8% compared to 2021.

- *Energy management in data centers*

Kuaishou strictly adhered to the policies including the *Guiding Opinions regarding Accelerating the Construction of a Coordination and Innovation System for the Nationwide Integrated Big Data Center*, the *Three Years Action plan (2021- 2023) of the New Data Center* and the *Implementation Plan for Meeting the Requirements of 'Carbon Peaking and Carbon Neutrality' Targets and Promoting Green and High Quality Development of Data Centers, 5G and Other New Infrastructure*. These policies actively improved the construction of green data center. As of 2022, the proportion of data centers leased by Kuaishou which obtained ISO 9001 quality system certification was up to 90%. Meanwhile, 47.6% of the data centers have obtained ISO 14001 environmental management system certification.

Kuaishou actively practices the concept of green development and adopts various green energy saving and emission reduction technologies in data center design. One of Kuaishou's leased data centers was designated by the Ministry of Industry and Information Technology of the People's Republic of China as a "Green Data Center."

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Green energy-saving and emission reduction technologies and solutions for Kuaishou data centers

Green Technology/Scheme	Energy-saving Effect
Advanced Refrigeration Technology	<ul style="list-style-type: none"> Installation of advanced refrigeration technologies recommended by the region according to local conditions. For example, the medium temperature of a chilled water system shall be selected to reduce the energy used in mechanical refrigeration in North China by increasing the water supply temperature of chilled water. Higher chilled water temperature can significantly prolong the operation time of natural cooling and reduce the overall energy consumption level. When the chilled water temperature increases by 1°C, energy efficiency can be increased by 2% to 3%; Adopt water conservation operation mode with indirect evaporative cooling equipment. A lower local ambient temperature is used to dissipate heat in data centers, which dramatically reduces the energy consumption of air conditioning systems. The indirect evaporation cooling system has also reduced water consumption by 60% compared with the same technical scheme in the industry and is expected to save 1.2 million tonnes of water annually.
Increase the Inlet Air Temperature	<ul style="list-style-type: none"> Data centers leased by Kuaishou increased the inlet air temperature of the server from 23±2°C to 24±2°C. The increase in the inlet air temperature in the data centers can prolong the operation time of the natural cooling system. For every 1°C increase, the natural cooling time in North China can be increased by 200 hours; Increasing the air temperature of the ventilation systems can also increase the overall capacity of the refrigeration system, resulting in the improvement of energy efficiency. It is expected that the energy consumption of the refrigeration system will be reduced by no less than 4%.
Uninterruptible Power Supply Scheme (UPS)	Compared with the traditional UPS ⁴ solution, the high voltage direct current (HVDC) solution has higher power supply efficiency. It is expected to increase the power supply efficiency by 3% to 5%.
Smart Lighting Scheme	Adopt an inductive lighting scheme. When the access door is opened or the detector detects personnel entry, the lights will be turned on automatically and turned off automatically after the personnel leave.

⁴ UPS, Uninterruptible Power Supply, is an electrical apparatus that includes energy storage devices and rectifiers and inverters as its main components. It provides constant voltage and frequency power supply to monitoring systems, automated instruments, remote communication systems and other equipment in substations.

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Based on the research and development of cutting-edge technologies for data centers, Kuaishou has applied the new generation of indirect evaporative cooling technology and HVDC technology in the Ulanqab data center to maximize natural cooling sources and low power consumption devices. The average annual PUE of the data center is expected to be not higher than 1.2. Compared with the data center industry (Uptime⁵ announced that the average industry value in 2022 was 1.55), energy consumption is expected to be reduced by 25%, resulting in the annual power conservation reaching about 500 million kWh.

In addition, Kuaishou aims to help develop “new infrastructure” and actively develop new technologies to enhance energy efficiency. It has obtained three patents: “A Data Center’s Air Conditioning Control System and Air Conditioning Control Method”, “An Indirect Evaporation Cooling Unit Water Supply System and Water Supply Method”, “A Type of Cover Plate and Server Heat Radiator”. We will continue to work with other industry participants to promote the development of green data-center related technologies.

In 2022, Kuaishou set up a reward and punishment mechanism for providers to encourage energy conservation and emission reduction. Kuaishou and providers of the Ulanqab data center entered into the *PUE Reward and Punishment Agreement for Kuaishou L3 Data Center Project* which sets out specific requirements for the target PUE value, measurement and calculation, reward and punishment based on PUE value, and detailed implementation plans, in an effort to urge suppliers to improve the awareness and practice of energy conservation and emission reduction in terms of operation. The IDC department of Kuaishou developed the *Kuaishou IDC Infrastructure Energy Consumption Management System* in 2022, which applies to various data center operation partners. This system provides the partners with practical energy-saving operation and maintenance methods, refine daily on-site operation and maintenance management, and promote energy efficiency of operation and maintenance.

1.2.2 Waste management

Kuaishou strictly follows the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, the *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* and other relevant laws and regulations related to the discharge and waste disposal standards of local operation sites. We have issued our internal policies such as the *Kuaishou Project Waste Sorting Management Plan* and *Promotion Plan for Workplace Waste Sorting at Beijing Offices*, and promoted the orderly management of waste.

Harmless waste from the Group includes domestic waste, kitchen waste, and waste generated in workplaces. We set up classified waste collection bins in Beijing, Shanghai, and other offices to implement waste classification. We have improved the efficiency of waste classification management by putting up posters containing waste classification information, training employees in waste classification knowledge, and arranging special personnel to sort waste.

Hazardous waste used by the Group, mainly toner cartridges for printers and used batteries, are collected separately and handed over to a qualified third-party recycler for proper recycling.

⁵ Founded in 1993, Uptime Institute has been committed to the exploration and research of data center infrastructure for 30 years. It is a globally recognized data center standards institute and third-party certification institute.

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Since November 2020, Kuaishou launched a “Used Electronic Device Repurchase” program within the Company. The Company offers its employees the opportunity to purchase its laptops, system units, computers, monitors, tablets, and other devices that have been used for a certain number of years. The program extends the service life of the devices and reduces the impact of regular scrapping of electronic devices. In 2022, 5,131 electronic devices were repurchased by employees through this program. Among which, the first-ever internal sales event of used computers in 2022 was well received by employees, with more than 800 computers used for over three years sold at a single event.

In addition Kuaishou has replaced traditional printing paper with FSC certified printing paper used in the printing of its annual report, to help protect the forests and the environment. During the reporting period, Kuaishou promoted the use of Docs documents (an internal document system) for paperless office, which reduced unnecessary paper usage and protected more than approximately 4,000 trees.

Case: Kuaishou participated in the resources recycling campaign in Haidian District, Beijing in 2022

Kuaishou encourages its employees to regularly sort and recycle reusable bulky items and hazardous waste. In 2022, in response to the resources recycling campaign in Haidian District, Beijing, Kuaishou transported waste that met certain requirements to the garbage transfer station for processing on every Monday, Wednesday and Friday in an effort to effectively reuse resources and carry out harmless treatment of waste.

低值可回收物
未污染的、适宜回收的、可资源化利用的生活垃圾。

大件垃圾
体积较大、整体性强、需要拆分再处理的生活垃圾。

有害垃圾
含有毒物质、需要特殊安全处理的生活垃圾。

可回收物	回收价格	
废泡沫	1元/公斤	
废木头、木板	0.15元/公斤	
废玻璃、玻璃瓶	0.15元/公斤	
废纺织、衣服、大布	无偿	
大件垃圾	床垫、桌椅、柜子、沙发等	无偿
有害垃圾	过期药品、杀虫剂、水银温度计等	无偿

关注“海淀E回收”公众号 | 按需选择回收服务 | 回收员确认订单 物品回收清运 | 回收金额实时到账

垃圾分类 Waste Sorting | 北京市海淀区物资回收公司 Beijing Haidian District Recycling Company | 微信扫一扫 享便捷回收服务

Handling process of the resources recycling campaign in Haidian District, Beijing

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1.2.3 Water resources management

With its water source coming from municipal tap water, Kuaishou has no problem in obtaining water source. We have formulated internal management measures such as the *Energy Saving and Consumption Reduction Management Policy* to continuously improve the efficiency of water resources utilization and avoid wasting of water resources. In 2022, we upgraded our water supply equipment to reduce water consumption for daily activities. The main water saving measures carried out were as follows:

- Adjust the sensitivity of the automatic induction water sensors, and turn off the water supply when no one is around;
- Adjust the water pressure of taps in hand-washing basins, equalize the water pressure between high and low floors, and reduce water consumption on low floors;
- Hand washing devices are equipped with special foaming device that reduces water consumption and enhance the handwashing effect;
- Check the water consumption regularly;
- Strengthen inspections and increase maintenance inspections to detect and avoid leaks.

Kuaishou stepped up the water resources management practices at its data centers. Compared with the traditional refrigeration system of chilled water, the Ulanqab data center can save about 4.7 million tonnes of water annually; thus, the WUE⁶ is expected to be 0.83.

Case: Water saving renovation project for headquarters washrooms of Kuaishou

In 2022, Kuaishou installed faucet aerators in the headquarters washrooms, replacing direct flow faucets, to save tap water consumption. We found that the aerator faucet reduces water flow by 500 ml every 30 seconds, which has helped us to achieve our water-saving goal.



The amount of water flowing from an aerator faucet compared to a traditional faucet after 30 seconds

⁶ WUE, namely Water Usage Efficiency. WUE = the annual consumption of water resources in the data center/the annual power consumption of IT equipment in the data center.

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Environmental performance table⁷

Indicator	2022
Total greenhouse gas emissions (Scopes 1 and 2) (ten thousand tonnes)	88.84
Emissions (Scope 1)(ten thousand tonnes) ⁸	1.02
Emissions (Scope 2)(ten thousand tonnes) ⁹	87.82
Per capita greenhouse gas emissions (tonne/person)	32.42
Comprehensive energy consumption (MWh)¹⁰	1,580,499.59
Direct energy consumption (MWh)	38,563.60
Including: Natural gas (m ³)	176,400
Diesel (tonne) ¹¹	3,105.58
Direct energy consumption intensity (MWh/person)	1.41
Indirect energy consumption (MWh)	1,541,935.99
Including: Purchased electricity (MWh)	1,534,956.48
Purchased heat (GJ)	25,140.13
Indirect energy consumption intensity (MWh/person)	56.27

⁷ The environmental data caliber includes the administrative office buildings of the Group's headquarters and subsidiaries, 17 leased data centers in North China and 3 leased data centers in South China. Data on packaging material is not applicable to the Group.

⁸ Greenhouse gas emissions (Scope 1) come from diesel and natural gas consumption. The emission factors of natural gas and diesel refers to the 2019 revision of the IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

⁹ Greenhouse gas emissions (Scope 2) come from the consumption of purchased electricity and purchased heat. The emission factor of purchased electricity refers to the national average emission factor of the power grid in the Enterprise Greenhouse Gas Emissions Accounting Method and Reporting Guidelines for Power Generation Facilities (2022 Revision) published by the Ministry of Ecology and Environment of the People's Republic of China, and the emission factor of purchased heat refers to the Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Enterprises in Other Industries published by the National Development and Reform Commission on July 6, 2015.

¹⁰ The comprehensive energy consumption is calculated according to the conversion of various energy into standard coal in GBT 2589-2020 General Rules for Calculation of Comprehensive Energy Consumption.

¹¹ Diesel consumption increased compared with last year was due to the temporary use of diesel generator resulting from regional power outages and power grid upgrades. Diesel consumption remained at a similar level in 2021 if excluding the above mentioned non-recurring factors.

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Indicator	2022
Fresh water consumption (ten thousand tonnes)¹²	164.87
Per capita fresh water consumption (tonne/person)	60.17
Wastewater discharge (ten thousand tonnes)	61.24
Per capita wastewater discharge (tonne/person)	22.35
Hazardous waste (tonne)¹³	143.61
Per capita hazardous waste discharge (kg/person)	5.24
Non-hazardous waste (ten thousand tonne)¹⁴	0.30
Per capita non-hazardous waste discharge (kg/person)	107.80
PUE value of data centers	1.35

¹² The water source used by the Company is municipal tap water within the statistical range. In terms of water resource utilization, the Company did not have difficulties in obtaining water source in 2022.

¹³ Hazardous wastes include waste batteries, waste modulator tubes, toner cartridges and ink cartridges. The emission of hazardous waste was increased compared with last year because massive old batteries reached their scrapping phrase and were replaced.

¹⁴ Non-hazardous wastes include domestic waste, kitchen waste and office waste.

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2. SOCIETY

As a member of society, Kuaishou always pays close attention to the needs of its users, employees, suppliers, communities and other stakeholders, and strives to offer better products and services to our users and help our employees develop their career and realize their value. We have adopted probity and integrity in our corporate governance. Together with our suppliers, we undertake our social responsibilities and contribute to the betterment of society.

2.1 Platform Responsibilities

Kuaishou attaches great importance to platform governance by closely safeguarding user privacy and platform data security. We have actively carried out technological and business innovation by leveraging technologies and digitalization, and used our own technical resource advantages to empower the industry. In order to provide users with a high-quality service experience, we have continuously strengthened our management of online content and improved our user service system and communication mechanism.

2.1.1 Data Security Guardian

Kuaishou attaches great importance to and protects the data security of our customers, business partners and itself, and strictly abides by laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Provisions on the Administration of Mobile Internet Applications Information Services* and the *Provisions on the Technical Measures for Protection of the Security of the Internet*. We had formulated the *Kuaishou Information Security Management Regulations*¹⁵, *Regulations on the Administration of Information Security Organization of Kuaishou*¹⁶, the *Kuaishou Employee Information Security Code*¹⁷ and other rules (Please see "*Kuaishou Privacy Protection Platform*¹⁸" for details of these and other policies.). In 2022, Kuaishou revised a total of 14 data security-related system documents. Kuaishou always implements the latest technology and specifications to ensure data security.

Kuaishou has established an Information Security Committee to be responsible for the Group's information security management and risk management, laying a solid foundation for network security. The Kuaishou Information Security Committee includes a decision-making layer and an execution layer. The execution layer is composed of personnel from relevant departments.

Kuaishou has built a comprehensive security management process and emergency response plan, and has formulated rules and regulations such as the *Kuaishou Vulnerability Handling Specification*¹⁹, the *Kuaishou Security Incident Emergency Response Specification*²⁰ and the *Security Incident Classification and Grading Specification*. These rules and regulations will allow us to respond quickly after receiving report of an emergency, by convening relevant personnel to formulate an emergency plan, review and summarize actions taken after the incident is properly handled, and to prepare a *Security Incident Emergency Response Report* to continuously optimize and improve Kuaishou's emergency response capabilities. We have also established a public opinion detection mechanism to ensure the correct perception of the public, and balance the transparency and public interest.

¹⁵ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=4>

¹⁶ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=2>

¹⁷ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=3>

¹⁸ <https://privacy.kuaishou.com/>

¹⁹ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=15>

²⁰ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=10>

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Kuaishou regularly conducts internal and external security inspections and third-party certification audits and assessments related to data security. In order to ensure the safe operation of the internal information system, Kuaishou requires information system operation and maintenance inspection and a security inspection performed by the information security center at least once every quarter. In order to protect the data security of the Company and users, Kuaishou regularly conducts privacy and data security inspections of external suppliers and partners. The Company requires suppliers/partners with access to users' (sensitive) personal information to sign data confidentiality agreements and compliance commitment letters. When introducing any new supplier, we will conduct security assessments and assessments of personal information protection capabilities, including data security protection capabilities, account and authority management capabilities, personal information protection, network security, host security construction of such supplier, safety certifications obtained and audits conducted by such supplier. Kuaishou will require it to provide a statement on the legality of the data source, promise to protect user data security and sign the *Data Compliance Undertaking Letter*, and Kuaishou regularly audits system suppliers involving (sensitive) personal information. If any inadequacy is identified, we will require it to complete rectification within a specified period. In addition, Kuaishou actively carries out information security audit/certification, and conducts an external independent audit related to data security once a year. In 2022, Kuaishou obtained information security management system certifications including ISO 27001 information security management system, ISO 27701 privacy information management system and ISO 27017 cloud service information security management system, covering 100%²¹ of our business lines.

In 2022, we continued to improve our data security management capabilities through system assessments and employee training. Kuaishou actively carried out network security level protection filing and evaluation to enhance the security of information systems. During the year, 10 system evaluations were completed, represented four more evaluations compared with 2021. For data security training, Kuaishou has established a comprehensive information security and privacy protection training mechanism, and provides information security trainings to all employees (including new employees, as well as dispatched labor and interns), data security-related employees, business partners (including contractors and suppliers). The trainings cover data security, user personal information protection and coding security, and Kuaishou conducts information security assessments for all of its employees. In addition, we encourage and support data security-related employees to obtain certification in professional fields including CISP²², CISSP²³ and the "Industrial and Information Technology Professional Competency Certificate" issued by the Education and Examination Center of the Ministry of Industry and Information Technology.

²¹ Refers to the ratio of Kuaishou's business lines with information security related qualifications as a percentage of all business lines.

²² CISP refers to Certified Information Security Professional.

²³ CISSP refers to Certification for Information System Security Professional.

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Data security trainings of Kuaishou in 2022

Participants	Content	Number of Participants
All employees (including new employees, as well as dispatched labor and interns)	Introducing the Company's user personal information protection measures, data classification and grading management system, data security incident ratings and corresponding handling measures, so that employees are familiar with the Company's data classification and grading and other protection measures, and improve their data security sensitivity and response capabilities New employees are required to participate in information security awareness training and examinations after joining the Company	In 2022, the number of participants was 7,100+, and the cumulative number of participants has reached 60,000+
The Company's legal, R&D, product development, marketing, content rating, data platform, main platform departments and others	Offline information security awareness training	In 2022, the number of participants was 2,800+
Partners (including contractors and suppliers)	Training on personal information protection and App privacy compliance	In 2022, the number of participants was 500+

As a leading content community and social platform, Kuaishou always maintains an open, educational and progressive attitude when communicating with others. In 2022, we organized external salons to build a communication bridge with industry peers and carried out security technology sharing activities. In 2022, Kuaishou launched five salon activities on themes of vulnerability detection, data security and privacy protection, along with building security defense capabilities, enterprise security and security standardization. In addition, Kuaishou attaches great importance to and actively participates in the standardization. In 2022, Kuaishou participated in data security standardization and issued GB/T 42015–2022 *Information Security Technology — Online Payment Service Data Security Requirements* and GB/T 42016–2022 *Information Security Technology — Network Audio and Video Service Data Security Requirements* and various other national, industry and organization standards.

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Case: Kuaishou organized a security salon titled “Guardians — Building of Security Defense Capabilities”



Poster of “Guardians — Building of Security Defense Capabilities”

On July 2, 2022, Kuaishou organized an online salon with the theme of “Guardians — Building of Security Defense Capabilities”, and invited external security engineers and solution managers to discuss frameworks and implementation plans in zero trust infrastructure construction and defense capacity building with Kuaishou’s office security director. The salon had more than 2,800 participants, including more than 2,400 viewers who watched the live broadcast online.

2.1.2 User Privacy Protection

Kuaishou’s domestic business strictly abides by national laws and regulations, such as *Data Security Law of the People’s Republic of China* and *Personal Information Protection Law of the People’s Republic of China*, while overseas business strictly abides by local laws and regulations, such as EU GDPR²⁴, Brazil LGPD²⁵, US CCPA²⁶ and US CPRA²⁷. Kuaishou has established a comprehensive user privacy protection system, and internally formulated management regulations, such as the *Kuaishou Privacy Protection Specification*²⁸ and the *Kuaishou Privacy Protection Evaluation Guide*, and established a privacy protection organizational structure composed of the Information Security Committee, Privacy Protection Working Group and business departments, so as to continuously strengthen its privacy protection governance.

²⁴ General Data Protection Regulation is a data privacy protection act promoted by the European Union.

²⁵ The General Law for the Protection of Privacy (LGPD), the main regulation for personal data protection in Brazil, has entered into force since September 18, 2020.

²⁶ The California Consumer Privacy Act (CCPA) is the first comprehensive privacy law in the United States. It was signed into law at the end of June, 2018 to provide California consumers with a variety of privacy rights.

²⁷ The *California Privacy Rights Act* (CPRA) introduces new principles involving data minimization and data retention.

²⁸ <https://privacy.kuaishou.com/is-law-privacy/api/open/base/attachment/preview?fileId=5>

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Kuaishou abides by the “principle of consistency of rights and responsibilities, minimum necessity, safety assurance, and informed consent”, and only processes the minimum type and amount of personal information required to meet the purpose of the personal information subject’s authorization and consent, and deletes such personal information in time after the purpose is achieved. If the user does not agree to the authorization, we will not collect his/her personal information. We have implemented adequate management measures and technical means to protect the confidentiality, completeness and availability of personal information. In order to better protect users’ personal information, we have formulated independent privacy policies for all products under Kuaishou. We highly respect users’ independent rights and interests, fully informing them of the collection and purposes of user information, and clearly stipulate that users have the right to manage their personal information, including viewing rights, correction rights, deletion rights, withdrawal of consent rights, cancellation rights, separate consent rights, proxy exercise rights, etc. In 2022, Kuaishou deepened the implementation of the *Personal Information Protection Law of the People’s Republic of China*, and provided users with privacy summaries, personal information collection lists and third-party data cooperation lists in its products, such as Kuaishou App, Kuaishou Express App, Kmovie and Yitian Camera. While providing products and services efficiently, the personal privacy of users has been effectively protected from infringement. Please refer to “Kuaishou Privacy Protection Platform²⁹” for details of the product privacy policy.

In 2022, Kuaishou conducted a privacy compliance review of distributed Apps, completed the privacy compliance review of all existing distributed Apps, and completed the full review and compliance testing of newly added Apps. In addition, we have carried out a number of special tasks on personal information security management to strictly protect personal privacy data from being leaked. In the second half of 2022, Kuaishou was connected to the “National APP Certification and Signature Service System” developed by the China Academy of Information and Communications Technology. Through the certification and signature labels with tamper-proof and identifiable features of the system, the signed App can be verified and clearly marked. This enables users to download and install authentic Apps with assurance.

Case: Kuaishou launched a special project on personal information security management of e-commerce platform companies involved in postal express delivery

In 2022, Kuaishou responded to the special action on personal information security governance of postal express delivery companies on major e-commerce platforms carried out by the State Post Bureau, and strengthened the governance of information security.

During the year, we promoted a series of e-commerce ecological data security governance work, such as internet software vendor (ISV) application security rectification, data perception and early warning capability improvement and black market deterrence. Different tools were deployed and targeted management and control strategies were adopted under different scenarios, such as back office of merchants, ISV customer service, after-sales, upstream and downstream cooperation of offline delivery, courier company inquiries and contacts. Kuaishou has continued to simultaneously promote the penetration rate of electronic bills and the advancement of ordering tools in e-commerce stakeholders to ensure the security of platforms, merchants and user data.

According to the principle of data minimization, Kuaishou has encrypted and desensitized information, such as name, mobile phone number and delivery address, to partners only for the purpose of completing transactions/services upon obtaining user authorization, so as to avoid service providers and relevant parties obtain real user information during the cooperation period, while providing ISVs with data security encryption solutions to enhance their data security protection. Kuaishou promises never to sell users’ personal information to any third parties.

²⁹ <https://privacy.kuaishou.com/regulation>

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Case: Kuaishou launched a special project on the management of highly sensitive personal information

In 2022, Kuaishou focused on carrying out a special project of highly sensitive personal information governance, and established a closed-loop control mechanism, including identification, protection, detection and response for major basic platforms and core business systems:

- Data identification: clearly establishing classification and grading standards, setting up a classification and grading platform, and automatically classifying and marking sensitive data, such as mobile phone numbers and ID card numbers;
- Data protection: implementing authority control and data encryption storage. We control permissions based on the RBAC³⁰ model and the principle of minimal authorization. The use of permissions is required to be authorized, and the permissions are regularly audited and withdrawn. In addition, when we store highly sensitive personal information, we use a secure encryption security algorithm for data encrypted storage;
- Detection and response: establishing a log-based abnormal behavior detection and traceability mechanism for major applications and platforms, quickly discovering abnormal use of personal data, and conducting audit operations to ensure abnormal alarms are set off in a timely manner.

In terms of cooperation with external third parties, Kuaishou stipulates that third parties are only allowed to process users' personal data in specified scenarios upon obtaining user authorization, and all data transmissions shall be encrypted. Kuaishou only shares the personal information of users with others in six scenarios. For details, please refer to *Kuaishou Privacy Protection Policy*³¹. In 2022, we carried out third-party SDK³² evaluation and governance work, fulfilled the obligation of prudentially selecting and evaluating embedded SDKs, and completed the compliance evaluation of the SDK's handling of users' personal information before any third-party SDK is embedded. The evaluation included but not limited to: whether the collection and use of personal information was legitimate; whether there was any known malicious code; whether there was any known security vulnerability; whether it had the ability to protect personal information. We clearly inform users of the types of SDK being embedded, and the purposes and means of the processing for the data being collected.

In addition, Kuaishou attaches great importance to and actively participates in standardization of personal information protection. In 2022, Kuaishou participated in and issued GB/T 41391–2022 *Information Security Technology — Mobile Internet Application (App) Basic Requirements for Personal Information Collection*, YD/T 4184–2022 *Mobile Internet Application (App) User Rights and Interests Protection Evaluation Specifications*, T/TAF 109–2022 *Mobile Application Distribution Platform — APP Developer Credit Evaluation System* and various other national, industry and organizational standards.

³⁰ RBAC refers to Role-Based Access Control.

³¹ <https://privacy.kuaishou.com/policy>

³² SDK refers to Software Development Kit.

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2.1.3 Protection of Intellectual Property Rights

Kuaishou strictly abides by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Management Measures for Internet Domain Name* and other laws and regulations. It also formulated and implemented the *Guidelines for Overseas Patent Work*, the *Handbook for Standard Patent Work*, the *Regulation on Patent Quality Standard*, the *Management Measures for Open-Source Compliance*, the *Handling Process of Patent Complaint*, the *Guidelines for Patent Work*, the *Guidelines for Trademark Protection Work*, the *Guidelines for Copyright Registration Work*, and the *Specifications for Domain Name Application and Filing* and other institutional documents to strengthen the protection of patents, trademarks, copyrights and other intellectual property rights. The Group fully respects the intellectual property rights owners, encourages and supports fair competition, and does its best to protect the legitimate rights and interests of others and itself from infringement. In 2022, we formulated *Kuaishou Export Compliance Control System*, progressively established and improved our own export control compliance system and prevented the emergence of export control risk events.

As of December 31, 2022, Kuaishou had applied for 9,930 patents domestically and abroad and so far has been granted 3,264 patents. It has obtained 8,814 domestic and foreign registered trademarks and 4,346 copyright registrations. In April 2022, Kuaishou released the *Kuaishou Innovation and Intellectual Property White Paper*, as the first intellectual property white paper on the live streaming and short video industry in China, which fully demonstrated Kuaishou's latest achievements and progress in technological innovation, intellectual property protection and other fields.

In 2022, Kuaishou as a trademark was recognized as a "well-known trademark" by the competent authority in trademark rights cases. Its legal value has a wider and higher level of legal protection than ordinary trademarks, which will curb malicious trademark registration, infringement and other illegal acts, and safeguard the legitimate rights and interests of trademark owners. Recognition of "Kuaishou" as a "well-known trademark" not only reflects the phased achievements of the Company's brand building over the past decade, but also provides an important guarantee for further exerting the brand value of its trademark and empowering business development in the future.

During the year, Kuaishou won the *23rd China Patent Excellence Award* for three of its patents related to audio-visual fingerprint extraction, human body key point detection and video generation methods.



Three of Kuaishou's patents won the China Patent Excellence Award

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Case: Kuaishou was awarded the title of “Top Ten Copyright Owners” by China Copyright Protection Center



Kuaishou was awarded the title of “2021 Top Ten Copyright Owners”

On April 23, 2022, the conference titled “Reading for Knowledge Dissemination and Copyright Promotion for Innovation” was hosted by the China Copyright Protection Center. The press conference for the Top Ten Copyright Owners of 2021 was held during the first National Reading Conference. The “2021 Top Ten Copyright Owners” were announced in the conference. Beijing Dajia Internet Information Technology Co., Ltd. won the award for the first time.

“Top Ten Copyright Owners” is one of the highest honors issued by the China Copyright Protection Center. This award is recognition of Kuaishou’s efforts to protect its original copyrights, support mechanisms for original content creators and copyright ecological governance. It also encourages Kuaishou to increase its investment in copyright protection. The increasing awareness and ability of copyright protection will contribute more to the creation of high-quality copyrights and the building of a culturally powerful country.

Kuaishou protects the brand and its own intellectual property rights by launching an intellectual property protection platform, establishing anti-counterfeiting alliance, carrying out brand rights protection and combating intellectual property crimes. To improve the experience of rights holders or brand parties in complaining and defending their rights, and build a good ecosystem for the Kuaishou platform, we officially launched the “Intellectual Property Protection Platform” in October 2022, supporting certification of various rights, such as patent rights, trademark rights, and copyrights, handling complaints about e-commerce products and verifying identities of domestic holders of the rights. We continue to closely integrate brand owners, law enforcement agencies, and platforms through the anti-counterfeiting alliance. On top of the original active prevention and control, we also use the passive prevention and control methods through the intellectual property protection platform, a platform which allows public to file reports. We actively expand the channels for rights protection and fight against piracy in the society.



Kuaishou Intellectual Property Protection Platform

In 2022, we assisted brand owners and merchants to carry out brand rights protection. By cooperating with 77 brands, we identified 155 brand authorization qualifications; identified 95 products suspected of infringement, and cracked down on 30 intellectual property infringement crimes offline. The value involved in these cases exceeded RMB47.25 million.

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Case: Kuaishou's trademark and brand public welfare live broadcast helped the business development of merchants



Live broadcast of “Small Trademarks, Great Ways”

On April 21, 2022, Kuaishou organized a trademark and brand public welfare live broadcast with the theme “Small Trademarks, Great Ways”. With the goal of enhancing users’ awareness of trademark protection, and intellectual property rights protection, activities included guest interviews and live sharing with experienced people. A total of 1.26 million viewers watched the live broadcast, and users said it effectively raised their ability to protect their trademark and brand.

Case: Kuaishou actively participated in the China Industrial Internet Alliance to help achieve “carbon neutrality”



Announcement of the Carbon Neutrality Special Committee and the Open Technology Alliance

On August 23, 2022, the Carbon Neutrality Open Patent Technology and Application Forum was held at the China Industrial Internet (Jiangmen) Summit. Kuaishou and 10 other companies jointly announced the formation of the Carbon Neutrality Special Committee and the Open Technology Alliance.

The companies of the Carbon Neutrality Special Committee pledged adherence to the core concept of open sharing, disclosed their patented technologies related to energy conservation and carbon reduction and opened them to other members. The companies shared, free of charge, 189 patented technologies. Among them, eight patent-related technologies released by Kuaishou had been applied in various technical fields, used in data centers, cloud computing, electrical, short video, terminal control to realize peak savings and efficient utilization of resources, and improve resource utilization efficiency.

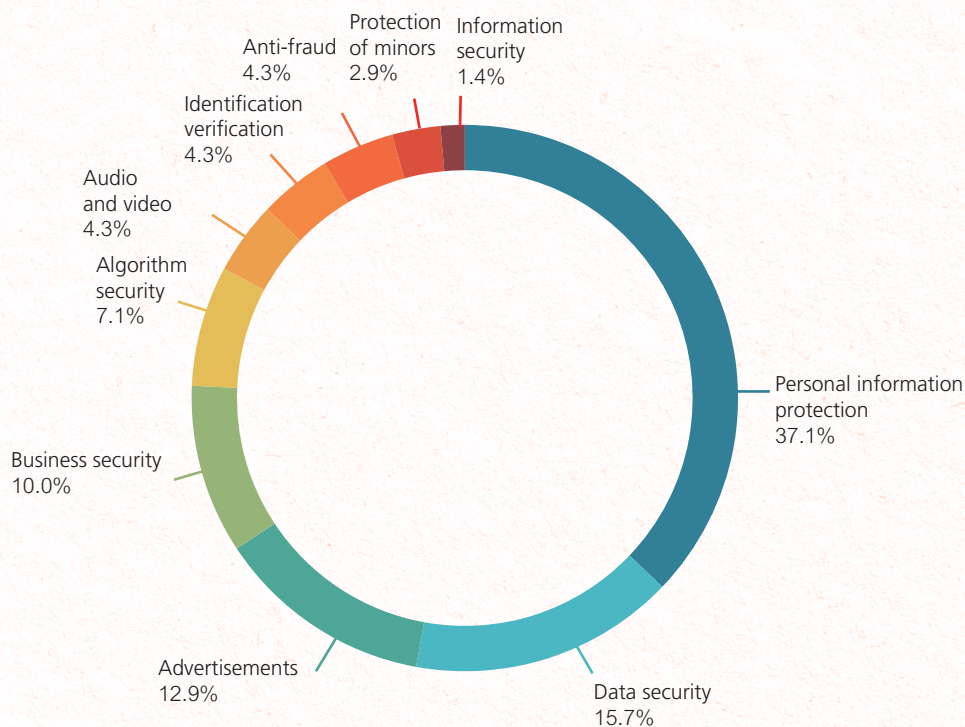
Environmental, Social and Governance Report

2.1.4 Standardization

Kuaishou attaches great importance to standardization and has actively participated in standardization activities. It has contributed best practices to the industry while meeting regulatory compliance requirements. Kuaishou has participated in standardization activities organized by the International Telecommunication Union (ITU-T), National Information Security Standardization Technical Committee (SAC/TC260), National Information Technology Standardization Committee (SAC/TC28), China Communications Standardization Association (CCSA), National Radio, Film and Television Standardization Technology Committee (SAC/TC239), Telecommunications Terminal Industry Association (TAF), Internet Society of China (ISC), China Advertising Association (CAA) and more than 20 standardization organizations, contributing to the healthy development of Internet services, protection of consumer rights and promotion of the industrial technology innovation.

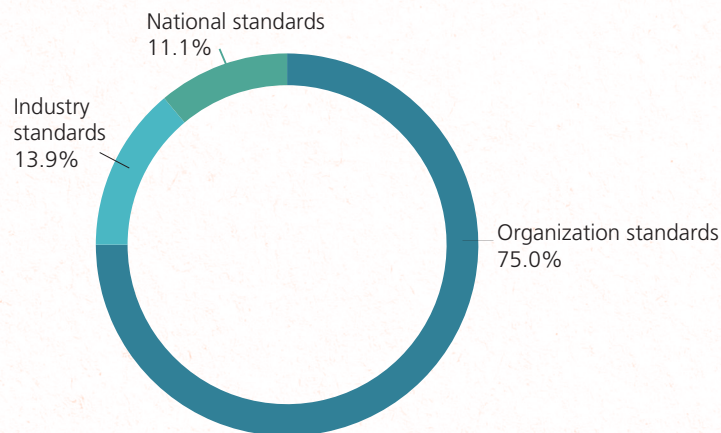
As of December 31, 2022, Kuaishou led and participated in the formulation of more than 70 international, national, industry and organization standards in fields of data security, personal information protection, network security, audio and video. 36 of the standards had been released. In 2022, Kuaishou continued to participate in the advanced technology pre-research of international video standards. The innovative technology independently developed by Kuaishou had been adopted by the ISO/ITU Joint Video Exploration Team (JVET), the Digital Audio and Video Codec Technology Standard Working Group (AVS), the Open Media Alliance (AOM) and other international standard organizations.

Kuaishou led and participated in the formulation of standards in various fields



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Standards formulated and released by Kuaishou



Kuaishou has established an enterprise standard system to strengthen the development of standards and management of its own business lines. By unifying its own standards with national, industry and organization standards, Kuaishou has standardized the structure, interface, process or safety requirements of its internal products. It has shared its technology and business practices with others, laying a cornerstone for international, national, industry and organization standards.

Kuaishou has built a standardized platform to facilitate its employees to promptly inquire, learn and exchange standardized information. The platform hosts sub-modules, such as key standardization projects, standardization organizing meetings, standard interpretations and standardization results, so that Kuaishou's employees can easily, intuitively and timely understand the progress of its internal and industry standardization. The platform releases interpretations of important standards to internal employees as needed, covering many hot and key areas, such as personal information protection, data security, AI algorithm security, anti-telecom network fraud and protection of minors. Through systemically streamlining and refining key points, Kuaishou helps its employees understand standard content faster and more accurately.

Kuaishou attaches great importance to cultivating employees' awareness of standardization and external standardization communication, and insists on disseminating and implementing standardization knowledge in a variety of diversified forms. In order to enhance employees' awareness of standardization and strengthen the influence of Kuaishou's standards, on November 26, 2022, Kuaishou held an online and offline salon event titled "Helping Business, Standards First" to discuss how to help business compliance and healthy and efficient development through standardization. The event attracted nearly 4,000 viewers.

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2.1.5 Platform Ecological Governance

In order to continuously standardize the operation and management of e-commerce, Kuaishou has strengthened the construction of a compliance system in accordance with relevant laws and regulations, strictly controlled the access, review and exit of e-commerce merchants, and protected the rights and interests of merchants, consumers and minors through responsible marketing and customer service training, creating a healthy platform ecology.

- *E-commerce Compliance Management*

In addition to full compliance with all applicable laws and regulations, including the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *E-Commerce Law of the People's Republic of China* and the *Product Quality Law of the People's Republic of China*, Kuaishou has continuously improved the rules and regulations on management of products and merchants, including the *Kwai Shop Management Rules (General Provisions)* and the *Kwai Shop Products Promotion Management Rules*. In 2022, Kuaishou added new systems, such as the *Management Rules for Restricted Commodities in Kwai Shop* and *Detailed Rules for Access to the Jewelry, Cultural and Play Industry/ Restricted Commodities* to strengthen e-commerce compliance management.

Whole process management of e-commerce



E-commerce entry

- Business invitation: Formulate the *Kuaishou Business Invitation Rules for Enterprise E-Commerce Stores* and provide refined and different management based on the types of shops and businesses.
- Qualification review: Formulate *Kuaishou Qualification Requirements for Enterprise E-Commerce Stores*, to support the automatic review of multidimensional rules such as subject qualification, industrial qualification, brand qualification, commodity qualification and others.

E-commerce risk management

- High-risk industries: For high-risk industries such as health care and agricultural goods, we only invite enterprises on the white list of *category invitation/clearance SOP*.
- High-risk merchants: Independently review the products and operations of merchants with high exposure (with no less than 5 million users).
- High-risk products: Classify commodities into high-risk and low-risk categories. A presales review is carried out using machine and manual review. We also enhance category accuracy and prevent high-risk commodities being detected as low-risk.

Merchant exit

- General exit.
- Merchant interception: To avoid unqualified merchants from re-entering our platform under a different name, we have established a unqualified merchants interception mechanism.

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Kuaishou has continued to optimize its management process, risk management, merchant exit and other compliance work to ensure the high-quality experience of merchants and consumers. In June 2022, we formulated the *Rules for the Assessment Period of Kuaishou New Merchants' Operation Capability*, established an operation and management mechanism for new e-commerce merchants, and implemented an inspection period for new e-commerce merchants. Non-conforming merchants are effectively screened out through a comprehensive evaluation, that includes stratification and risk prediction for new merchants. We have monitored the business of over 2 million new merchants, reducing the proportion of orders from non-conforming merchants by more than 10%.

In 2022, we implemented full-process management of Kuaishou merchants in terms of e-commerce entry, risk management and merchant blacklist, strictly controlling the qualifications and risk exposure of merchants, and took targeted measures based on differences in qualifications and risks. An interception mechanism has been implemented for unqualified merchants, to ensure healthy ecosystem and compliance with Kuaishou's rules and regulations. Kuaishou blocked 174,000 risky merchants throughout the year in 25,160,000 blockages. Our archive of banned and inferior commodities blocked more than 1.18 million items throughout the year.

- *Responsible E-commerce Marketing*

Kuaishou always adheres to responsible marketing and strictly manages the sales practices of e-commerce merchants, to create a positive business ecosystem. We published documents containing relevant manuals on the Kuaishou Merchant Forum, including *Expressions Prohibited under the New Advertising Law*, *Video Interpretation of False Advertising Cases*, and *Combating the Promotion of Counterfeit Goods* to standardize the description and promotion of texts, images, live streaming and other means used in the process of product sales.

In 2022, Kuaishou completed three revisions of the *Implementation Rules for Publishing False Promotional Information (Merchants)*, formulated nine industry marketing specifications for Kuaishou e-commerce live streaming (including short video promotion), and revised or added 31 product quality sampling rules to effectively protect the interests of consumers. We formed a whole-process prevention and control system covering pre-sales, sales, and after-sales, and strengthened the review of merchants to avoid consumers being misled.

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Whole-process management of Kuaishou's responsible marketing

Pre-sales

- Strictly review the business qualifications, industrial qualifications as well as brand qualifications of the merchant before allowing for entry;
- Establish a risk control strategy using image and text recognition technologies to identify and intercept non-compliant merchants and commodities;
- Cooperate with service providers to introduce high-quality supply chains.

Sales

- Apply quality indicators for marketing activities and distribution depots, and guide merchants to optimize the quality of commodities and services and improve their quality standards;
- Establish strategic models to identify inferior, counterfeit goods and illegal goods;
- Monitor the complaint data of live streaming content to obtain feedback from users;
- Cooperate with quality inspection authorities and arrange mystery shoppers to carry out random spot checks on products.

After-sales

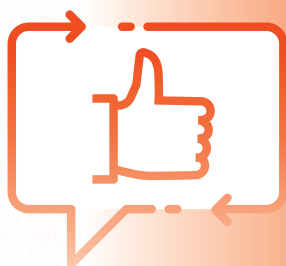
- Establish monitoring indicators and report analysis to spot abnormal quality goods;
- Punish merchants who sell illegal commodities and report to quality inspection authorities;
- Cooperate with brand owners and public security organizations to crack down on non-compliant merchants.

Kuaishou is committed to creating a good e-commerce brand ecology. We have cooperated with more than 200 brands to build a counterfeit identification archive. Combined with platform algorithm capabilities, we intercepted more than 200,000 counterfeit goods, and dealt with more than 23,000 merchants involved in counterfeit goods. In June 2022, Kuaishou cooperated with a brand group to carry out an offline crackdown on counterfeit of its merchandise and products made by other brands. We also identified gangs involved in illegal live broadcast-sales and upstream production of counterfeit goods. The value involved amounted to more than RMB11 million.

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Kuaishou actively carries out positive and responsible marketing, listens to users' needs, and actively solves problems. By launching the "Reliable Purchase" service brand and the Happy Village Leaders Program and strengthening trainings related to responsible marketing, we have continued to empower the growth of small- and medium-sized merchants.

Responsible marketing measures of Kuaishou



Listening to user opinions and identifying pain points

- Kuaishou e-commerce places great emphasis on user needs, pays close attention to their pain points, and receives hundreds of millions of interactive feedback every day from various channels including comments, messages, and evaluations. With a complete dynamic coverage of feedback related to orders, Kuaishou e-commerce aims to achieve 100% coverage of user opinions in all e-commerce scenarios in the future

Actively providing assistance and taking the initiative to serve

- Identifying product-related problems reported by users in merchant customer service or platform customer service channels, and providing quick refunds or compensation proposals
- Through comprehensive analysis of feedback, comments and messages, the platform can learn about users' unpleasant experience and call them to troubleshoot and solve possible problems. The satisfaction rate of affected users with proactive calls reached 92%

Continuous rights protection

- In 2022, the number of orders under the Reliable Purchase program of Kuaishou e-commerce increased by 460% as compared with 2021, meanwhile, number of buyers grew by 32%. According to a survey, nearly 70% of merchants who know about Reliable Purchase program believe it may have had a positive impact on their business
- The gross profit margin (GPM) of Reliable Purchase merchants in free public domain traffic was 20% higher than those who are not
- The coverage rate of rights for damaged and refunded goods reached 90%
- Refunds due to allergies to beauty makeup and personal care products realized nearly full coverage, and refunds for spoiled fruit also realized nearly full coverage

Allocating resources to help reliable live streamers

- The marketing exposure of reliable live streamers or merchants offered by the platform has exceeded 650 million views
- Highly-experience merchants acquired 17% more e-commerce free public domain traffic
- The "Top 100 Reliable Live Streamers" campaign was launched to increase the exposure of outstanding reliable live streamers

Happy Village Leaders Program

- Over the next three years, hundreds of millions of marketing exposure will be invested to discover and support more than 1,000 rural entrepreneurs, in 160 key counties supported by the state, and to carry out short video and live broadcast rural talent training for more than one million people

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Case: Kuaishou organized empowerment trainings for small- and medium-sized merchants

In order to facilitate the rapid growth of small-and medium-sized merchants, Kuaishou has built a self-service learning system for merchants with GMV³³ of less than RMB500,000, to help them plan their growth path. After the launch of the training course for small-and medium-sized merchants, more than 1 million merchants participated, and the user satisfaction rate reached 90%. A series of short videos titled “Kuaishou Merchant Education” were broadcast on the platform and have had more than three billion views, allowing more merchants to have clear growth goals on the platform.

In 2022, Kuaishou continued to expand its training, offering one on-line and 10 in-person training courses on merchant development. As of November 2022, nearly 50,000 new merchants successfully passed the course. The overall satisfaction of the training courses was 95%, and the net promoter score was 83%.



Merchant training courses



In-person merchant training

³³ GMV refers to Gross Merchandise Volume, typically includes sales, cancelled order amounts, rejected order amounts and returned order amounts.

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2.1.6 Quality Customer Services

Kuaishou emphasizes improving service quality by continuously upgrading and innovating customer service systems and communication channels, improving users' service experience, paying attention to and caring for the growth of minors, to create a clear and positive network environment.

- *User Service System*

Kuaishou constantly upgrades service standards based on users' needs and feedback. In 2022, we formulated internal rules and regulations, such as the *Management Specification for Training* and *the Rules for Training Evaluation*, and revised 261 customer service-related systems, including *New User Incoming Consultation Process of User Service Center — Hotline Access*, in order to optimize customer service. In 2022, Kuaishou received approximately 80,000 complaints, and achieved a 100% response rate.

We continue to strengthen the construction of our customer service system and improve the service quality of the platform. In order to meet the increasing demands of users and improve the satisfaction of end users, Kuaishou has optimized and upgraded the user experience department. The user service center was adjusted to a vertical business model which includes the main platform, e-commerce, security, commercialization and games, enabling us to respond to users' needs in a more efficient manner. In August 2022, Kuaishou launched the *Technical Requirements for E-Commerce Smart Customer Service*, which stipulates the technical requirements for smart customer service in terms of system architecture, configuration requirements, knowledge base, service process and technical indicators, to promote the continuous improvement of users' and merchants' experience. In December 2022, the standard was approved by the Internet Society of China and upgraded to an organization standard, allowing related companies to reference Kuaishou's experience.

In order to improve employees' customer service capabilities, Kuaishou has continued to carry out customer service training activities covering new employees, existing employees and managers, aiming to help employees master professional service skills and practical capabilities so they can better answer customer questions, and improve users' experience.

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Kuaishou's user service training system

Category	Trainees	Training frequency	Average training duration	Training content
New employee orientation	New employees	10 times per month	Two weeks in-person training	General courses on customer service, such as customer service awareness, courteous language, complaint handling skills. The courses are designed to help trainees master basic service skills and provide users with a better service experience. Simulation drills are used to strengthen trainees' knowledge, making them more proficient in dealing with various problems and better at answering users' questions.
Business improvement training	Existing employees	10–20 times per month	0.5 hours per day on average	Training is primarily focused on delivering updated content of each business line, expanding the knowledge of related personnel. Once the function of a live streaming product in the App is upgraded, relevant training shall be provided to all live streaming business line employees, before a new function is launched. After training, on-site examination of the training content will be conducted for trainees to ensure they have mastered the knowledge of the updated function and are able to answer questions from users about the new function.
Management promotion training	Employees with high potential Junior management	10–15 times per year	Eight hours per month on average	Provide internal and external training, and external purchased courses for management to learn the advanced management experience and data analysis experience of the current customer service industry, to continuously improve their practical and professional abilities and user experience.

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Kuaishou has continued to strengthen customer service capabilities, enriched user communication channels and improved feedback mechanisms. Through a self-service APP, 400 toll-free hotlines, SMS, sampling, random telephone follow-up, data entry and analysis, we listen to customers in different channels or forms. During telephone follow-ups, if users report potential merchant problems, such as misleading prices or third-party platform fraud, we work with the e-commerce platform to identify and prohibit violating merchants and similar merchants. In 2022, Kuaishou conducted telephone follow-ups with more than 250,000 users, and the annual overall satisfaction rate of all channels was 83%, the satisfaction rate of the call center manual service channel was 93%.

2.1.7 Content Governance

Kuaishou attaches great importance to the maintenance and orderly operation of the short video and live streaming ecosystem, and strives to protect users' legitimate rights and interests and ensure the sound operation of a harmonious community. Strictly abiding by relevant laws and regulations such as the *Measures on the Administration of Internet Information Services*, the *Provisions on the Administration of Internet Live-Streaming Services*, the *Provisions on the Ecological Governance of Network Information content*, the *Detailed Implementation Rules for Online Short Video Content Review Standards*, and the *Provisions on Managing Release of Information about Dangerous Items on the Internet*, Kuaishou has formulated internal policies such as the *Kuaishou Community Management Code*, the *Kuaishou Technology System of Security Assurance Roles on Duty*, and the *Kuaishou Technology Accountability and Penalty System*, to clarify the responsibilities and workflows of content review personnel. The Company continued to improve its content and risk management review mechanisms and conducted risk reviews on content creation, understanding of content, and risk identification of short video and live streams through a double-review mechanism. We also aimed to reduce content risks and strengthen the governance of the short-video and live-stream ecosystem.

Kuaishou actively protects the health of its community and constantly updates the complaint mechanism for content violations. We made efforts to effectively reduce content violations by combining online and offline complaint channels and reviewing content through our "complaint center". We offered the Complaint Entry function for all forms of content scenarios such as video, live stream, account, comments, and group chat. We set up online channels such as customer service, email feedback, and community reporting to maintain a smooth complaint mechanism. We also encourage users to report violating content through monthly reward activities, and annual reports on whistleblowing to build a healthy community together with users. Kuaishou has set up a "complaint center" with both functions of handling whistleblowing and guiding users. The center is responsible for recording and reviewing the complaint content, informing users of the handling results while publicizing the platform's rules.

In order to better guarantee user experience and continue to provide users with high-quality contents, we provide our employees with diversified and comprehensive training courses related to content review through various channels. Customized trainings have been organized for employees in different positions, such as audit staff, inspectors and management personnel, and we have continuously improved the risk awareness of our employees, as well as the ability to identify and judge platform content. In 2022, more than 6,600 employees participated in trainings for content review, and a total of 28,034 training sessions were organized.

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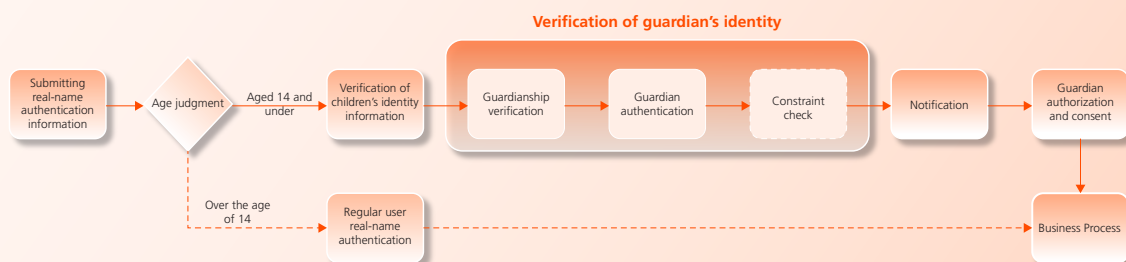
2.1.8 Protection of Minors

Kuaishou always pays attention to and protects the healthy growth of minors, and strictly abides by the *Law of the People's Republic of China on the Protection of Minors*, striving to create a clean cyberspace for teenagers. We attach great importance to the protection of minors' personal information, and only use, share, transfer or disclose relevant information when laws and regulations permit, parents or guardians expressly agree, or when necessary to protect minors. If any personal information of minors is collected without the consent of their verified parents or guardians, the information is deleted as soon as possible. Kuaishou has set up a Minors Care Hotline. The program covers pre-warning, vetting and post-refund from live streaming hosts, and handles refund requests for purchases made in error by minors and people with limited capacity.

Case: Kuaishou took the lead in launching “notifying guardians of children’s real-name authentication” function

The protection of minors is the focus of all parties in society. Kuaishou is committed to giving full play to its advantages in technology and content, establishing and continuously improving the protection system for minors in an all-round way.

Kuaishou is the pioneer in the industry to develop and launch the function of “notifying guardians of children’s real-name authentication”, which was upgraded to a fully intelligent model in 2022, fully realizing real-time monitoring and instant reminder functions. In the process of real-name authentication of underage users, a guardian authorization link has been added, which has been useful for the domestic short video industry.



Children’s real-name authentication process of Kuaishou

In 2022, Kuaishou and the China Communications Standards Association (CCSA) took the lead in formulating an industry standard, *Implementation Specifications for the Informed Consent of Children’s Personal Information Processing in Mobile Internet Applications*, to ensure minors' safe internet use and personal and property safety, and fulfills corporate social responsibilities.

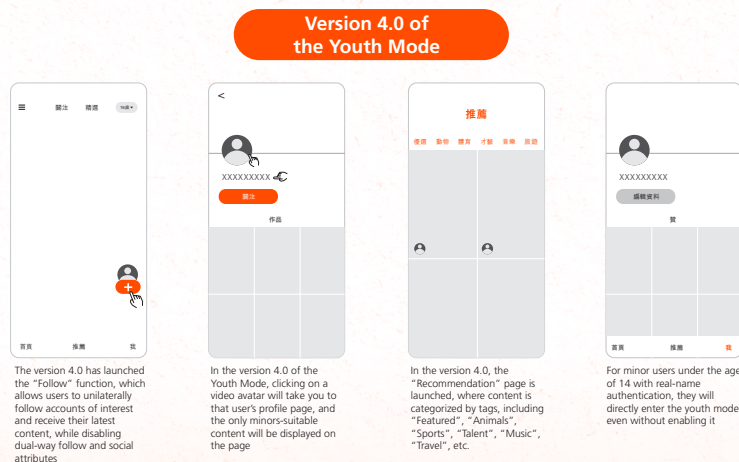
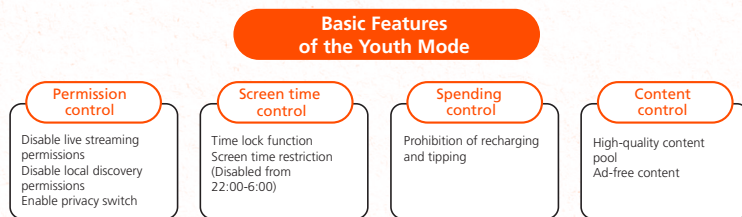
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Case: Kuaishou was selected as an excellent case of the “Children Care Program” by China Academy of Information and Communications Technology in 2022

In June 2022, China Academy of Information and Communications Technology announced the results of the “Children Care Program”. The children personal information protection program of Kuaishou was praised by the expert team for its innovation and comprehensiveness, and the children real-name authentication process function was well received. The overall plan was selected as an excellent model to ensure children’s personal information protection in the “Children Care Program” in 2022.

Kuaishou has initially formed a relatively comprehensive minors personal information protection system, which features functions ranging from real-name authentication to privacy switch and from rule disclosure to content control. Kuaishou has continued to upgrade its youth model, and is committed to personal information protection, privacy protection and content management, to provide comprehensive, suitable and quality services and content ecology for minors. Kuaishou will continue to explore the construction of a protection system for minors. By organizing innovative and interesting activities, it will unite various social forces to carry out themed activities on the protection of minors, and build a unique community that is enriching, interesting, active and healthy.

We are working together with the entire industry to protect and care for the healthy growth of minors. With the release of the version 4.0 of the Kuaishou Youth Mode, we have further upgraded our protection tools and optimized our featured content tags. In order to better protect the legitimate rights and interests of minors, we have added the “Youth Protection Agreement” under the youth mode. The agreement describes in detail the legal knowledge and precautions that minors should be aware of when using the platform, which includes scopes such as personal information security measures for minors, guidelines for safeguarding the health of minors, and the joint protection vision among the platform, guardians and minors.



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2.2 Employees' Development

Kuaishou regards its employees as an important growth driver for long-term development and strictly adheres to the bottom line of compliant employment. Kuaishou is devoted to protecting the legal rights and interests of all employees and establishing comprehensive training and promotion mechanisms. The Company cares about employees' physical and mental health, which facilitates the mutual development of the Company and its employees.

2.2.1 Rights and Interests of Employees

Kuaishou complies with the principle of equal employment, actively promotes the development of diverse teams and pays attention to the fairness and rights of female employees at the workplace. We offer our employees excellent compensation and welfare packages, listen to their opinions and demands in a timely manner which creates a harmonious and healthy working environment for them.

- *Staff Employment, recruitment and diversity*

The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other relevant laws and regulations in respect to staff recruitment and employment and in the course of our daily management. The Group has formulated the *Kuaishou Employees Manual*, *Kuaishou Recruitment Advertisement Specification*, the *Background Check Management System*, *Recruitment On-site Test Process Specification*, *Health Occupational Site Regulation System*, and other management systems, to establish a comprehensive management mechanism for our human resources system. We also strictly prohibit child labor and forced labor. In 2022, there was no violation of child labor and forced labor recruitment, and Kuaishou's social insurance coverage rate for full-time employees was 100%.

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Kuaishou adheres to the principles of fairness, openness and competition in recruitment. We actively expand the recruitment channels to attract high quality talent through campus recruitment, online recruitment, internal recommendations and other methods. Kuaishou pays special attention to the recruitment and attraction of technicians to identify the most talented technicians and cultivate Kuaishou's future technical leaders. We have developed a special technical talent project, "Kuai Star", for the recruitment of talented engineers who are gifted at writing and working with algorithms. In 2022, Kuaishou was awarded the titles of the "Most Attractive Employer in China", the "Year's Best Employer in China", "Outstanding Employer" and "Favorite Employer of University Students in China" by various human resources organizations.

Kuaishou strives to enhance gender diversity of staff and management to create a fair, diverse and inclusive workplace. Our objective is to improve fairness and create more opportunities for female employees. We empower our female employees through a variety means, including recruitment and hiring, training and promotion, and by providing physical and mental health, care and benefits, a safe workplace environment and communication channels. Our diversity practices are as follows:

- Recruitment and employment: Kuaishou adheres to the principles of fair and equal employment, strictly prohibits any form of discrimination and protects the rights of female candidates. In 2022, female staff accounted for 46.1% of the Group's new employees, representing an increase from 42.8% in 2021. As of December 31, 2022, Kuaishou had 11,150 full-time female employees, representing 43.8% of all employees. As of December 31, 2022, Kuaishou had 214 foreign employees and employees from Hong Kong SAR, Macao SAR and Taiwan regions of China, demonstrating the Company's employment diversity;
- Training and promotion: We provide diversified and equal training opportunities and promotion path for employees. Female employees are encouraged to participate in career development and professional skills training to help them pursue more career advancement. Over 35.4% of Kuaishou's lecturers are women. During promotion evaluations, gender is not a consideration. 30.9% of Kuaishou's managers are women. In 2022, the percentage of female employees promoted to managers was 36.3%;
- Physical health: The Company provides professional fitness resources and free mental health consultations for employees to help female employees take better care of their physical and mental health while focusing on career development;
- Cares and benefits: The Company cares for all aspects of its female employees. We provide healthy and safe baby care rooms for female employees to ease their worries. We offer additional maternity allowances beyond the statutory standards, and supplementary medical benefits during pregnancy. Annual physical checkups are provided to female employees. The Company also gives gifts to all female employees on International Women's Day;

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- Workplace environment and communication channels: the Company encourages the development of an equal, inclusive and healthy workplace environment regardless of gender, age or race. The Company cares about the feelings of all female employees in the workplace with an aim to create a positive and warm workplace environment for women. The Company has established diversified communication channels to listen to the opinions of female employees and create a diverse and inclusive working environment to facilitate the career development of female employees.

As of December 31, 2022, Kuaishou had recruited full-time employees from 24 countries and 32 ethnic groups, and nearly 8% were from China's ethnic minority groups. In addition, our content review center in Xiangxi, Hunan Province employed 459 people of ethnic minority backgrounds. The center had provided employment opportunities for local ethnic minorities and helped boost local economic development while promoting employee diversification.

Compensation and Benefits

Kuaishou is committed to providing fair and competitive wages and welfare system, while enhancing and developing its team of high-quality talent. We have formulated system documents of the *Kuaishou Employee Handbook*, *Vocational Holiday Management System*, *Kuaishou Rent Subsidy Management Policy* and other policies to effectively protect the legal rights and interests of our employees and provide attractive supplementary welfare for them. In addition, Kuaishou has established an equity incentive system. Equity incentives are divided into induction grants and additional on-the-job grants, to motivate the enthusiasm of employees. As of December 31, 2022, 30% to 40% of employees were entitled to equity incentives.

Kuaishou's employee compensation system and incentive mechanism

Kuaishou Talent Development Concept	
Employee compensation system	Employee incentive mechanism
We offer compensation based on reasonable market rates of pay, and conduct annual reviews. Outstanding employees will be granted an appropriate salary increase.	<p>Short-term incentives: we mainly offer annual performance bonus, and provide various short-term cash incentives based on the results of diversified businesses.</p> <p>Long-term incentives: employees in important positions and outstanding performance will be granted equity compensation as incentives and recognition.</p>

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Kuaishou's employee welfare system

Kuaishou Insurance	<p>Pay to provide fixed indemnity insurance, accident insurance and serious illness insurance for employees, supplementary medical insurance for employees and their children, and maternity reimbursement for female employees;</p> <p>Provide employees with a variety of personal insurance products covering themselves, spouses, children, parents and even pets. Employees can purchase these products at their own expense according to their own needs.</p>
Kuaishou Health	<p>Pay attention to and protect employees' physical and mental health, and provide employees with annual physical examinations, psychological assistance, health cabin, health monthly journals, health lectures, etc.</p> <p>Care for the families of employees by providing annual physical examinations for employees' parents, family leave for employees to care for parents in need, maternity allowances and paternity leave for employees with newborn children and annual childcare leaves.</p>
Kuaishou Life	<p>Provide convenience to the basic necessities of employees, including cafeteria, rental subsidy, public rental housing ballot, corporate car-hailing services, commuting bus, parking-space ballot, fitness benefits, Kuaishou hair salon and laundry services, etc.</p>
Kuaishou Partner	<p>Host a variety of activities for employees, including company celebration and festival events, community activities, team building activities, holiday gifts, etc.</p>

- **Employee Communication**

Kuaishou pays attention to the reasonable needs of employees and attaches great importance to employee's feedback and opinions. We continue to expand communication channels with employees and effectively help employees solve practical problems through HR query and consultation platform, HR daily business contact, internal and external social platforms and other channels. We also encourage the management team to maintain effective communication with employees and collect reasonable suggestions through salons, department meetings, intranet discussion communities and other methods. If employees encounter unfair treatment and disputes, they can directly give feedback to the higher level departments and HR department. The Company will investigate the complaint and handle the case according to the *Kuaishou Employee Manual* and other provisions.

In addition, research on critical time nodes in the lifecycle of all employees is an important tool and measure for us to understand the true thoughts of employees. By analyzing the changes of survey data and addressing feedbacks from employees with close-loop solutions, the Company significantly enhanced the positive experience and happiness of employees. As of December 31, 2022, the annual comprehensive average value of eNPS (employee Net Promoter Score) in each critical time node of the employee life cycle grew by 6%, and the highest annual single value (residence permit application handling) grew by 8%.

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Highlights of activities for Kuaishou's employees in 2022

Kuaishou's Glory of the King Game (快手王者杯KKL)

From July to August, 2022, the "Kuaishou's Glory of the King Game" (快手王者杯KKL) with the theme of "Dare to Fight for the Championship" kicked off. Kuaishou encouraged its employees to form teams with business departments as units, which had significantly improved the sense of cooperation and collective honor among employees. After 235 intense competitions among 245 employee teams, the team from KSIB won the championship.



The Final in Chengdu

Kuaishou's Community Concert

To enrich the spare time of employees and achieve work-life balance, Kuaishou offers various performance stages for employees. In September 2022, Kuaishou organized a community concert and all singers performing at the concert were Kuaishou's employees.



Band performing at the concert

Kuaishou Programmers' Day

In October 2022, Kuaishou organized the annual event of Kuaishou Programmers' Day. With a theme of "Eliminating Bias", the Programmers' Day of 2022 aimed to eliminate the stereotypes about programmers and establish good team relationships and communication atmosphere among employees.



Kuaishou Programmers' Day

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2.2.2 Employee training and development

Kuaishou puts great efforts to help employees maximize their personal values in order to support the mutual growth of employees and the Company. Based on the *Career Development System of Kuaishou*, *Kuaishou Course Management System*, *Kuaishou Instructor Management System*, *Kuaishou Training Expense Usage Specification*, *Kuaishou Training Operation Management System*, *Kuaishou Assignment Training Management Rules* and other system documents, we reasonably plan the career development path of each employee and offer specified and diversified training programs to provide promotion opportunities for employees.

Based on the career development needs of employees, Kuaishou has built up an employee training system. Horizontally, it consists of training media including Kuai LEARNING (online learning platform), Kuai TEACH (instructor team, massive course database, relevant systems and SOP), Kuai MENTOR (tutor), etc. Vertically, it consists of training brands including Kuai LEAD (leadership), Kuai TECH (professional skills), Kuai TALK (openness), Kuai UP (general skills), Kuai START (new employees), etc. This system provides scientific, rich and systematic learning resources for employees to meet their learning and development demands at different levels.

Kuaishou's Training

Training type	Training content
Leadership training	<ul style="list-style-type: none">Establishing a multi-dimensional learning and development system which covers the overall leadership of the Company, leadership of business lines and individuals, the team leadership, long-term development and short-term problem solutions for leaders and the combination of online and in-person learning;Formulating comprehensive development projects suitable for different levels including the chief technicians, front-line managers, directors and general managers, light projects for solving problems at critical management sections, diversified online learning camps, and mentoring programs tailored for business teams;Over 100 learning activities were organized in 2022, covering thousands of participants. A substantial majority of the contents were tailored to the management of Kuaishou by the "Kuaishou Middle School" Team, which directly solved the practical management problems of Kuaishou.
Professional talent training	<ul style="list-style-type: none">Discovering and cultivating young technical talents with high potential, and supporting their rapid growth through on-the-job practice, tutoring, course learning and other ways;Improving the skills and expertise of technical talents in seven aspects; enhancing technical planning, decision making and other capabilities of technical managers by making use of suitable technology management scenarios; inviting industry and academic technical experts to hold discussions with our technical talents to broaden their technical visions;Conducting relevant talent training projects for professional talents engaging in production and operation, games, design, analysis and other positions to support their development and growth.

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Training type	Training content
New employee training	<ul style="list-style-type: none"> Establishing a four-tiered new employee training system that incorporates a variety of training formats, including operating classroom-style sharing, video shooting, live-streaming experience, group interaction, road shows, and close-up contact with "V"-level experts, to help new employees establish links with product technology and build a three-dimensional capability matrix of "occupation + skills + professionalism"; Focusing on the needs of new employees at various levels from the Company's introduction to Kuaishou's specialty, from technical or product team process specifications to tools and measures, from specific domain skills to business knowledge, and from teamwork to independence, and establishing the "Newcomers' 101 Files" knowledge platform, and organizing training for recruits in various formats, including group training and a special training camp.

Case: Kuaishou launched a series of algorithm courses

Algorithms are the core of Kuaishou's business operation. Understanding the operating mechanism, boundaries and application of algorithms can improve the capabilities of employees and facilitate collaboration within the organization. Therefore, we have launched various algorithm courses for our employees, cadres and managers. Focusing on basic knowledge and common problems and solutions of algorithms in daily work, we organized 12 sessions of training courses in the form of lectures and workshops. Over 2,000 employees from technical, operation, sales and other positions participated in the training, and more than 300 algorithm cases were generated, which had greatly enhanced the working efficiency and collaboration efficiency.



Algorithm courses

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Case: Product Innovation Hackathon

In 2022, Kuaishou organized the product innovation hackathon competition for all employees, allowing employees to have cross-term collaborations to inspire more creative, open and diverse ideas. The competition lasted for 30 days with 297 participants and 56 excellent teams. The candidates came from different positions including product, operation, R&D, algorithm, design, HR, data analysis and others. Ten teams entered the finals. The creative products covered Metaverse, short video, live broadcast, AI and other fields. In addition to an exclusive universe developed for ordinary users, there was also a friendly mode designed for the hearing impaired groups. 50% of the projects from the competition were commercialized and launched.



Product Innovation Hackathon

Kuaishou provides both online and offline training for employees, which largely facilitated the efficiency and convenience of training. As of December 31, 2022, the online platform “Kuaishou Middle School” had launched 2,517 courses covering technology research and development, product operations, management capability, general skills, essential courses for new talents, engaging encyclopedia, and other topics, all of which are accessible to all employees.

In addition to internal training, Kuaishou also frequently collaborates with external parties to build an industry-academic-research exchange platform, improves the professionalism of talent training, and encourages the construction and development of technological ecology. We have established link between external technology vertical communities, technology-related publishing houses, and technology media to build a technology exchange platform in the form of activities to promote the transition from “Know about Kuaishou Technology” to “Recognition of Kuaishou Technology”.

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Collaboration and Exchange Activities of Kuaishou

Name of activity	Contents of activity
"Know about Kuaishou Technology"	Focus on creating a Kuaishou technology salon brand project by sharing front-line practical experience, exploring industry development trends, and helping technical staff broaden their visions. In 2022, exchanges with the industry were held in three sessions which mainly shared the practical experiences of Kuaishou in security, covering more than 4,000 practitioners in the industry.
"Recognition of Kuaishou Technology"	<p>Kuaishou's technical team actively participated in industry conferences. In 2022, approximately 20 employees from the technical team participated in industry sharing and exchanges, covering the service-end, front-end, data, audio and video and other topics, bringing a broad range of technology experience and knowledge to technical practitioners.</p> <p>In 2022, Kuaishou and Geek Time jointly developed a series of audio and video courses, providing introductory guidelines for practitioners in the audio and video field, and helping more than 3,000 developers learn about industry best practices.</p>

2.2.3 Health and Safety of Employees

Occupational health and safety of employees is an important part of the daily operations of Kuaishou. We strictly abide by laws and regulations such as the *Work Safety Law of the People's Republic of China* and *Fire Control Law of the People's Republic of China*, and formulate a variety of occupational health and safety protection measures to safeguard the health and safety of all employees.

We pay attention to the physical and mental health of our employees while assisting them to pursue career development. We focus on details in order to minimize the occurrence of accidents and occupational illness related to the working environment. Ergonomic chairs and fitness centers, equipment, and courses are provided for employees within the office area. Kuaishou conducts joint safety inspections of the workplace nationwide to investigate and rectify all potential safety hazards and ensure that all employees work in a safe environment. Besides, we provide supplemental medical insurance and protection against major illness for all employees, provide regular physical checkups for employees, and provide green channels for medical treatment, comprehensive diagnosis, and treatment care tailored to employees with abnormal physical examination indicators.

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Major measures for Kuaishou’s care for severely ill employees

Medical insurance guarantee	Provide serious illness insurance, outpatient hospitalization reimbursement and serious illness hospitalization reimbursement. If the reimbursement limit is exceeded, the public insurance amount will be provided as appropriate to bear the reimbursement of excess treatment expenses.
Medical resource coordination	Based on the situation of seriously ill employees, health management resources would be contacted to provide registration, hospitalization and transfer resources coordination for employees.
In-hospital visit and care	The Company’s representative buys flowers, fruits, supplements, etc. and visits employee at hospital to express team care.
Advance payment of medical expenses	For special employees with difficult family conditions, the Company pays medical expenses for employees in advance.

Kuaishou has attached high importance to enhancing safety awareness of all employees and strengthening the development of their safety and knowledge of first-aid. We conduct monthly health and safety seminars, publish monthly health magazines and organize regular first-aid skills training. Since the launch of the “First Aiders” activity in 2019, 3,183 employees of Kuaishou in China have received their first aid certificates. The activity included 81 first-aid training sessions covering 12 cities. Kuaishou has completed the “Recruitment of 1,000 First Aiders” (急救侠千人招募计划), and hired on-site service providers for all key positions. In 2022, the number of applicants, and qualified candidates in a single session, and their attendance rate, satisfaction rate and other indicators of the “First Aiders” activity reached record highs. 1,811 participants achieved an attendance rate of 82%. The overall anonymous satisfaction rate was 9.8 out of 10, and there was no rating below 8 points. “First Aider” badges have been awarded to 2,185 employees since its launch on August 5, 2022. Moreover, Kuaishou has established sound cooperation with the Red Cross Society of China, the Red Cross Society in each city where our offices are located and the first aid bases and other units to organize free special training sessions nationwide.



Social First-Aid Capacity Building and Training organized jointly by Kuaishou and the Red Cross Society of China Beijing Branch

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Health and Safety Performance

Indicators	2022	2021	2020
Number of deaths due to work (person)	0	0	0
Rate of death due to work ³⁴ (%)	0	0	0
Number of working days lost due to work-related injury ³⁵ (days)	529	575	1,215

Case: Kuaishou Health Cabin

With an aim to further enhance the health management system and provide health management services to employees of Kuaishou, we have set up a health cabin at Kuaishou's headquarters. With professional medical staff, the health cabin can provide health consultations, basic examinations, massage, medication guides, health promotion and emergency services.

Considering the common diseases of employees associated with the use of the Internet, the health cabin has organized various health activities. These include spinal examinations, bone density examinations, and eye-care services. Kuaishou Health Cabin organized physical check-ups for employees and generated health reports. Doctors are also arranged to provide professional consultation services at the workplaces. In addition, Kuaishou Health Cabin and other departments have joined to promote health knowledge by sending and distributing cards containing health tips through internal message system and cards. On the "1024 Programmers' Day", the health cabin set up a healthcare zone, which had attracted a number of employees to understand and participate in the event. The health cabin also provided health consultation and services for more than 500 employees. This activity has further promoted the health concept to more employees.



Kuaishou Health Cabin

³⁴ Rate of death due to work = (Total number of deaths due to work/total number of employees)*100%.

³⁵ The data refers to work-related injuries and deaths verified by local authorities and with local human resources and social security bureaus recognition.

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EMPLOYMENT PERFORMANCE TABLE

Employment

Indicators		Data of 2022
Total Employee Headcount (person)³⁶		27,402
Number of Employees by Employment Type	Full-time employees	25,445
	Other types of employees ³⁷	1,957
Total Full-time Employee Headcount (person)		25,445
Number of Full-time Employees by Gender	Male	14,295
	Female	11,150
Number of Full-time Employees by Age Group	Under age 30	16,274
	Age 30 to 50	9,160
	Above age 50	11
Number of Full-time Employees by Region	The Mainland of China	25,263
	Overseas and Hong Kong SAR, Macao SAR and Taiwan regions of China	182
Number of Full-time Employees by Management Level	Management	1,639
	Non-management	23,806
Total Full-time Employee Turnover Rate (%)³⁸		31.8%
Full-time Employee Turnover Rate by Gender	Male	34.9%
	Female	27.8%
Full-time Employee Turnover Rate by Geographic Region	The Mainland of China	31.4%
	Overseas and Hong Kong SAR, Macao SAR and Taiwan regions of China	94.0%
Full-time Employee Turnover Rate by Age Group	Under age 30	33.9%
	Age 30 to 50	28.1%
	Above age 50	63.6%

³⁶ Total employee headcount includes the headcounts of full-time employees of Kuaishou Technology and headcounts of employees who are directly managed by the Company, including part-time, dispatched labor and intern.

³⁷ Other types of employment include the headcounts of employees who are directly managed by the Company, including part-time, dispatched labor and intern.

³⁸ Employee turnover rate = the number of full-time employees who leave the Company in the reporting year/the total number of full-time employees at year end * 100%. The number of employees leaving the Company includes full-time employees (due to voluntary resignations, dismissals or retirement), and does not include full-time employees leaving during their probation period.

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Employee Training

Indicators		Data of 2022
Total Investment in Employee Training (in RMB ten thousands)		1,171
“Kuaishou Middle School” Training	Total time of online training (hours)	1,984,762.7
	Total number of online and offline participants (person-times)	214,701
	Number of courses offered online	2,517
Training hours per capita by employee category	Online training hours per management personnel (hours)	56.2
	Online training hours per non-management personnel (hours)	46.4
	Offline training hours per management personnel (hours)	5.2
	Offline training hours per non-management personnel (hours)	6.0
Percentage of trainees by employee category	Proportion of management employee online training (%)	76.0%
	Proportion of non-management employee online training (%)	83.6%
Training hours per capita by gender	Training hours per male employee (hours)	47.6
	Training hours per female employee (hours)	45.9
Percentage of trainees by gender	Proportion of male employee training (%)	82.1%
	Proportion of female employee training (%)	84.4%

2.3 Business Ethics

Kuaishou adheres to principles of business ethics in its daily operations. It conducts business activities with integrity and self-discipline, resists and investigates corruption, bribery, fraud and other acts that violate business ethics, and improves corporate governance.

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2.3.1 Anti-corruption

Kuaishou not only complies with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *U.S. Foreign Corrupt Practices Act*, the *Bribery Act 2010 of UK* and other laws and regulation, but has also updated its internal rules of procedures, including the *Kuaishou Employee Handbook* and the *Kuaishou Employee Code of Conduct*. To further strengthen its anti-corruption mechanism. In 2022, Kuaishou issued the interpretation of the common terms of the *Kuaishou Interim Rules on Avoidance of Conflict of Interest*. In 2022, one employee of the Company was sentenced in court to 16 months imprisonment for accepting bribes. The Company terminated the employee's labor contract in accordance with the *Kuaishou Employee Code of Conduct*. The case was further reviewed to prevent similar cases from happening, and was found to have had no material impact on the business of the Company.

Kuaishou has established a business ethics governance system, in which the Kuaishou Ethics Committee is the highest decision-making body responsible for the strategies and planning of integrity and compliance management. Several departments have also been set up under this system to further enhance its integrity and management. We have formulated a corruption prevention and control mechanism covering various links to curb the occurrence of corruption from the source.

Kuaishou's Business Ethics Management Structure

Ethics Committee					
(Chairman of Kuaishou's Board as the Chairman, Co-Founder of Kuaishou as the Supervisory Member)					
Compliance Department					
Integrated Business Center of Integrity	International Business Integrity Center	Commercialization Integrity Center	E-commerce Business Integrity Center	Cultural Promotion and Compliance Center	Gaming Business Integrity Center

In 2022, Kuaishou conducted anti-corruption related training for all its employees and directors (including dispatched labor and interns), which had 17,325 participants. In addition, Kuaishou arranged a program for visiting its partners and suppliers during this year to check their integrity, and to jointly build an open, transparent, fair, equal and clean network.

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Training results of Kuaishou's internal compliance system in 2022

General introduction of rules to new employees	<ul style="list-style-type: none"> In 2022, the total number of new employee participants in the online and offline training was 12,161. The training coverage of new employees was 100%
Special training for business departments	<ul style="list-style-type: none"> Conducted special training for the International Business Department, the Commercialization Department, E-Commerce Department, Entertainment Business Department, Data Analysis Department, Community Science Department, and other departments Conducted 131 special offline business training sessions, covering 4,913 participants
Integrity and compliance training for management	<ul style="list-style-type: none"> Covered an addition of 251 management personnel Optimized the <i>Essential Course on Integrity in Management</i> of the "Kuaishou Middle School", and integrated into the management courses — <i>Rules for Leadership</i> of the "Kuaishou Middle School", to enhance the awareness of the management of integrity
Special training for integrity and compliance	<ul style="list-style-type: none"> Attaching great importance to building an ecosystem of integrity, Kuaishou selected trustworthy and honest employees from the business department to participate in its integrity lecturer certification in 2022. At the end of 2022, 120 integrity lecturers were certified. They will promote the importance of integrity in the ordinary course of business, set an example and drive more employees to contribute to the Company's ecosystem of integrity In 2022, as part of its new-partner visit program, Kuaishou visited 134 partners to understand their views. The partners include the Company's agents, merchants, institutions, labor unions and service providers. Through listening to their opinions and reaching a consensus on integrity standards, Kuaishou was able to jointly create an ecosystem of integrity with its partners Special training for typical fraud cases

We constantly strengthen the integrity governance of suppliers, actively carry out anti-corruption publicity and implementation work, and strictly guarantee the integrity and compliance of cooperative suppliers. We conduct anti-corruption publicity through emails and WeChat public accounts during holidays; conduct on-site visits to key suppliers; hold closed-door supplier meetings for specific categories of products. In 2022, we have signed the *Integrity Commitment Letter* with 3,380 suppliers, representing an increase of 87% from 1,804 in 2021. We emphasize a "zero tolerance" attitude towards corruption, encourage suppliers to monitor and report unfair and non-compliant incidences, and have set up communication channels for complaints and feedback.



Closed-door supplier meetings

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Kuaishou places high emphasis on monitoring the positive impact of supervision and whistle-blowing on safeguarding integrity. Our official website features an “Integrity and Whistle-blowing” interface, which displays *Integrity and Whistle-blowing Management Standards*³⁹ along with the reporting email address to encourage our employees, external partners (including but not limited to suppliers, agents and clients) and other third parties to report corruption, bribery and fraud. The Compliance Department reviews the whistle-blowing mechanism on an annual basis, and updates and optimizes the mechanism based on the guidance and supervision of the Ethics Committee and the Audit Committee.

Kuaishou has a well-established complaint and whistleblowers’ protection mechanism. As set out in the *Integrity and Whistle-blowing Management Standards*, cases can either be reported in-person or anonymously through the official reporting website⁴⁰ and the reporting email address (lianzheng@kuaishou.com). It is also undertaken that the whistleblower’s personal information and the reporting information are kept strictly confidential. Disclosure of whistleblowers and case information, and retaliation against whistleblowers, witnesses, and investigators by any means are strictly prohibited. Employees who disclose information of, or retaliate against, a whistleblower will be strictly dealt with in accordance with the *Kuaishou Employee Handbook*. Those who are in violation of laws will be transferred to the judiciary.

2.3.2 Anti-money laundering

To carry out anti-money laundering and compliance operations, Kuaishou strictly abides by the *Anti-Money Laundering Law of the People’s Republic of China* and other anti-money laundering laws and regulations, while cooperating with financial institutions and payment institutions to fulfill anti-money laundering obligations. Kuaishou keeps abreast of the latest regulatory requirements and industry best practices. We will report the money laundering activities to anti-money laundering administrative department or public security organs of the government once we identify them.

2.3.3 Antitrust

Kuaishou attaches great significance to its antitrust compliance. It strictly complies with the *Anti-Monopoly Law of the People’s Republic of China*, the *Antitrust Guidelines of the Antitrust Commission of the State Council on Platform Economy*, the *Interim Provisions on the Concentration Review of Business Operators*, and other laws and regulations. It also has internal policies in place to provide guidance on antitrust compliance in major business segments, including the *Kuaishou Competition Compliance Management System*, the *Kuaishou Antitrust Compliance Handbook* and the *Kuaishou Guidelines on Concentration Compliance for Business Operators*. It is the commitment of Kuaishou to pursue mutual benefits and win-win solutions, participate in competition fairly, maintain competition order, and achieve mutual growth.

³⁹ <https://s2-10971.kwimgs.com/kos/nlav10971/bpm-case-m/standard-v1.pdf>

⁴⁰ <https://jubao.kuaishou.com/#/?channel=KSPC>

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In active response to the *Antitrust Compliance Guidelines for Business Operators* issued by the Antitrust Commission of the State Council, apart from the above-mentioned systems and initiatives, a number of measures have been carried out in various aspects, such as staffing, designated projects and compliance awareness enhancement, to strengthen the antitrust compliance system of the Company. In respect of staffing, we have set up a dedicated antitrust compliance team, which is mainly responsible for identifying, analyzing and assessing possible antitrust compliance risks involved in business activities of the Company. This includes drafting, formulating and amending the antitrust compliance management system and relevant guidelines of the Company, and defining and optimizing its compliance management requirements and procedures; carrying out centralized business reporting; and conducting antitrust compliance training and promotions. In order to improve its antitrust compliance awareness and risk prevention capabilities, Kuaishou has organized antitrust knowledge and skill training programs, and studied and implemented new rules and regulations related to antitrust. Furthermore, Kuaishou has also strengthened its communications with regulatory agencies and interactions with industry peers. Led by the China Association for Standardization, Kuaishou and professional academic research institutions and peers in the field of antitrust participated in the joint drafting and formulation of the organizational standard, the *Fair Competition Compliance Management System for Operators*. This system aims to jointly advocate and promote the orderly innovation and healthy development of market and economic regulations, protect fair competition in the market, and create satisfactory market order and a healthy social ecosystem. Moreover, Kuaishou has actively provided feedback and suggestions during the consultation stage of various antitrust-related laws and regulations, and has given advice on antitrust compliance legislation.

2.4 Supply Chain Management

Kuaishou adheres to sustainable management of the supply chain and embeds ESG concepts into the management of suppliers. It encourages and increases green procurement, regularly evaluates ESG risks of its suppliers, strengthens their clean governance, and promotes a win-win and long-term development of the value chain.

2.4.1 Supplier Compliance Management

In 2022, Kuaishou formulated and implemented regulations, such as the *Kuaishou Supplier Management Rules*, *Kuaishou Supplier Certification Management Process* and *Kuaishou Supplier Selection Management Rules*. We have formed a supplier lifecycle management system, and promoted the construction of supplier ecology and fully guaranteed the compliance of business development and procurement through warehousing certification management, selection management, contract performance management, performance management, portfolio management and daily management. As of December 31, 2022, Kuaishou had included 4,915 suppliers from all over the world on its list of suppliers, including 4,785 suppliers from China (including Hong Kong SAR, Macau SAR and Taiwan) and 130 overseas suppliers.

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Supplier lifecycle management system

Supplier entry	<ul style="list-style-type: none"> • Kuaishou reviews the qualifications of suppliers according to different purchase categories, and requires relevant suppliers to have the ISO 9001 quality management system, ISO 14001 environmental management system, ISO 45001/OHSAS 18001 occupational health and safety management system, ISO 22000 food safety management system or other related certifications, to strictly evaluate the entry qualifications of suppliers; • For key categories such as food and beverage and furniture, we will conduct on-site visits to confirm that suppliers meet our supplier screening requirements in terms of production environment, safety protection measures, environmental protection, and other indicators.
Supplier assessment	<ul style="list-style-type: none"> • When shortlisting for evaluation, we have formulated procurement strategies to fairly and impartially select suppliers who meet the criteria to participate in the selection; • After a supplier completes the agreement, the supplier will be evaluated in all aspects based on the supplier performance management mechanism, to evaluate the suitability between the supplier and the Company. Incentives will be given to suppliers with excellent performance, while underperforming suppliers will be strategically managed.
Supplier ESG Risk Management	<ul style="list-style-type: none"> • We have gradually established a supplier ESG evaluation system, and clarified the basic requirements for suppliers in terms of environmental performance, occupational health and safety, business ethics and social responsibilities during the process of warehouse certification, in order to mitigate ESG-related risks to the supply chain.
Supplier exit	<ul style="list-style-type: none"> • We have strengthened the daily management of suppliers, and would eliminate or suspend suppliers that have acted dishonestly; • Unqualified suppliers will be gradually eliminated, to accelerate the optimization and upgrading of the supply chain.

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2.4.2 Responsible Procurement and Green Procurement

Kuaishou actively adheres to its social responsibilities and insists on responsible procurement. In 2022, we considered suppliers and product procurement from remote areas during the procurement process, and gave priority to suppliers from these areas, and offered them with Kuaishou's holiday gifts and employee welfare-related procurement cooperation.

For the procurement of food and beverage services, workplace construction, furniture, flooring and other physical goods, we refined the supplier assessment system to include EHS⁴¹ indicators, service quality management, delivery efficiency and cost indicators. To enhance construction safety, the environmental friendliness of the materials used, and the environmental health of the construction site, we specify assessment standards based on the frequency of safety accidents, IAQ (Indoor Air Quality) passing rates, and the number of safety rectification notices. From the perspective of quality management, we evaluate the quality of suppliers through an initial on-site visit, ongoing inspections, and governance assessment.

Kuaishou actively responds to the national call to reach "carbon neutrality" and is committed to green, low-carbon and high-quality development. Relying on years of experience and technology accumulation, we have continued to optimize the hardware infrastructure and increase the computing power per unit of energy consumption. We have continued to explore the application of advanced liquid cooling and power supply technologies, and cooperate with business partners to practice the concept of energy saving and sustainable development.

Case: Kuaishou's chosen leased data center to vigorously promote the application of clean energy technology

Kuaishou attaches great importance to green procurement. In the procurement project of Kuaishou's leased data center, in response to the national policy of carbon neutrality among many potential suppliers, we selected a data center with photovoltaic power generation in Miyun as our business partner. We promote the use of clean energy technologies in leased data center and encourage suppliers to reduce carbon emissions. The planned photovoltaic capacity of the leased project park reaches 2,196.72 kW, which can supply 3 million kWh of green electricity every year and reduce carbon emissions by approximately 3,000 tonnes.



Photovoltaic Power Generation Project in Miyun

⁴¹ EHS is the abbreviation of Environment, Health and Safety

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2.5 Social Responsibility

Focusing on the strategic goal of taking social responsibility as the core commitment, Kuaishou actively serves people and community development and conducts public welfare and volunteer activities in order to improve people's living standards, demonstrating the social value and responsibility of the Company.

2.5.1 Community Contribution

Kuaishou is devoted to carrying on the mission of "connecting good faith with technology and realizing shared value of the platform". Adhering to the principle of inclusive technology, we fully leverage the advantages of our products, technology, and community to actively assist rural revitalization, help the underprivileged, and protect the biological environment, initiating public welfare projects with Kuaishou characteristics.

Case: Female Power • Rural Revitalization and Assistance Project

In March 2022, Kuaishou Charity, together with China Women's Development Foundation and Shanxi Women's Federation, initiated "Female Power • Rural Revitalization and Assistance Project." Under the backgrounds of "Rural Revitalization" and "Common Prosperity", the project aims to incubate and train female e-commerce hosts in economically underdeveloped areas through live streaming e-commerce and live streaming sales. On the one hand, the project can expand the sales network of special agricultural by-products with local characteristics and support the development of local special industries. On the other hand, the project also assists rural women in starting their own businesses through the short video platform's promotion and distribution. Additionally, the cross-region communication between the helpers (female entrepreneurial mentor) and recipients (female representatives in rural areas) has promoted the exchange and integration of new women's thoughts in the urban and rural areas.

The "Female Power • Rural Revitalization and Assistance Project" has been actively implemented since its inception. In 2022, four e-commerce training sessions were conducted for women in Linfen, Yuncheng, Changzhi and Yangquan in Shanxi Province, benefiting nearly 400 women in rural areas. Based on expert evaluations and field research, the project has identified six areas for female entrepreneurship in the first phase. The training session in Datong aims to assist 100 women in local towns in acquiring professional e-commerce skills, such as live streaming and short video production. The Female Power project intends to extend its coverage to over 1,000 rural women throughout Shanxi Province.



The training course

Environmental, Social and Governance Report

Case: Kuaishou helped veterans to start high-quality employment

The Advocacy Center of the Ministry of Veterans Affairs and Kuaishou platform, jointly with various local departments of veteran affairs and other enterprises, organized the Spring Recruitment Campaign for Veterans — named the “Army Heroes Collection”. It is an innovative project to help veterans find high-quality employment.

Since April 11, 2022, online recruitment live broadcasts would start at 7:00 pm on every Monday. Previously, nine online recruitment sessions were held for Zhejiang, Henan, Guangdong, Anhui, Shanxi, Hainan, Hubei, Shandong and Guangxi. According to statistics, 8,846 positions were offered by 24 enterprises during the live broadcasts. The number of viewers has exceeded 4.1 million, and 3,538 veterans have submitted resumes. There were 10 online recruitment live broadcasts, offering 20,917 positions from 137 enterprises, helping over 15,000 veterans to find jobs, and attracting 28.55 million viewers.



Live broadcasts of online recruitment under the Spring Recruitment Campaign for Veterans

Environmental, Social and Governance Report

Case: Kuaishou and the Amity Foundation PADI Love Marine Special Fund jointly launched the “Save Coral Action”

In order to arouse people’s awareness of coral conservation and protection of the marine environment, Kuaishou and the Amity Foundation PADI Love Marine Special Fund jointly launched the “Save Coral Action” on December 24, 2021, and built an innovative coral public welfare interactive platform, “Kuaishou Coral”, to call upon users to plant corals online through short videos and multiple forms of live streaming, allowing everyone to participate in the coral protection action.

On February 15, 2022, under the theme of “Don’t be Late for Love”, Kuaishou Coral invited Dr. Yuyang Zhang, an expert from the Chinese Academy of Sciences, Gao Qingchen, a celebrity, and Chang Lin, the host, to conduct a live broadcast of coral planting, which attracted more than 10 million views. By the end of the campaign, there were 15,000 posts with 730 million views.

On March 20, 2022, Kuaishou organized an underwater live broadcast of “Coral Conservation Action”. Li Xian, a young actor, dove to the seafloor near Hainan Island and planted coral to raise awareness of the protection of the marine environment. During the broadcast, coral expert, Peizheng Wang, answered questions online. The activity attracted more than 10 million viewers.



Public welfare activities under Coral Rescue Action

Environmental, Social and Governance Report

Case: Kuaishou Mode, an inclusive technology, was launched at the symposium of the United Nations for the discussion of digital transformation

From November 22 to November 24, 2022, the United Nations Department of Economic and Social Affairs (UN DESA) organized the symposium on “Effective Governance and Digital Transformation for Accelerating Implementation of the 2030 Agenda for Sustainable Development and Addressing Global Challenges” in Incheon, South Korean to explore how to address global challenges through digital transformation.

This is a major annual event of the UN DESA. Ban Ki-moon, the former Secretary-General of the United Nations, Li Junhua, the Under-Secretary-General, Donna Andrews, the person in charge of the World Bank, and the ministers, leaders and experts of the United Kingdom, Singapore, Malaysia, Poland, Portugal, Indonesia, the Philippines, the United Arab Emirates, India, Laos and other countries attended the symposium.

As the only Chinese enterprise being invited, Kuaishou presented a keynote speech on “Leveraging Digital Technology for Promoting Social Inclusion to Realize the SDGs” at the symposium. Striving to build an inclusive digital community, Kuaishou has conducted research to facilitate the development of digital villages, promote the integration of digital model and the real world, care for underprivileged groups and support cultural inheritance. Kuaishou continues to improve algorithm mechanism of data traffic, and strives to bridge the “attention gap” in the Internet age and enable everyone to express themselves and get attention, have better interaction with one another and capture the imagination of more people for greater sense of achievement and happiness. This also aligns closely with the concept of the UN to “Leave No One Behind”. The speech content of Kuaishou was included in the relevant report of the UN.



As the only Chinese enterprise being invited, Kuaishou attended the symposium of the United Nations

Environmental, Social and Governance Report

2.5.2 Public Welfare and Volunteer Services

Kuaishou is committed to charity work as part of its social responsibility. We have initiated various public welfare and volunteer service activities, encouraging employees to offer their love and warmth. Through public welfare actions such as listening to voices of the elderly and bringing hope to children in rural areas, we actively seek to lift the spirit of civilization, harmony, friendship, and mutual help.

In 2022, Kuaishou donated RMB22.70 million through our public welfare projects, and spent 16,319 hours on public welfare projects.

Case: Wish List of the Silver-haired

The “Wish List of the Silver-haired” is an innovative public welfare program of Kuaishou to express our care for the silver-haired. Along with donations and assistance, Kuaishou hopes to carry out a series of charitable activities with organizations that help the elderly, and provide them with personalized assistance by visiting them and listening to their real needs.

As of November 2022, Kuaishou Charity joined hands with users named “Mom is the Blessing”, “Kuaishou Administrator” and “Beijing Jishuitan” to conduct three live streaming activities focused on the “Wish List of the Silver-haired.” Topics included to fulfill the wishes of elderly users who had disabled dependents, safe Internet access for middle-aged and elderly users, and prevention osteoporosis. This campaign aims to create an atmosphere of caring for the elderly and enable more people to join charitable groups to protect the silver-haired.



Public Live Streaming of the “Wish List of the Silver-haired” series

Environmental, Social and Governance Report

Case: Kuaishou Charity visited the “Sun Village” in Yunnan and enabled a “different semester” to children in mountainous areas

Under the guidance of the Information Office of the Supreme People’s Procuratorate and the Education and Sports Bureau of Xichou county, Kuaishou Charity launched the “Kuaishou Charity’s Wish List” jointly with the Party Committee of Kuaishou, government units with accounts on Kuaishou, Kuaishou Middle School, Kuaishou IT and China Guanghua Science and Technology Foundation, and donated extracurricular books worth of RMB150,000, 15 sets of computers, 120 sets of desks and chairs, 1,000 pens, 200 sets of notebooks and one color printer to the Tanggu Minority Primary School in Xichou county, which significantly helped pupils and improved conditions for local education.

On September 15, 2022, led by the corporate social responsibility department, volunteers of Kuaishou participated in the donation ceremony of Tanggu Minority Primary School and visited the library of Tanggu Minority Primary School with viewers using Kuaishou’s live streaming platform. They experienced the benefits of extracurricular reading for rural children, and brought gifts and blessings to the children. The volunteers also visited the “Wish Library” and had an interactive reading class with the children to teach them how to prepare reading notes and cultivate the habit of reading.



Kuaishou’s volunteers at the donation ceremony of Tanggu Minority Primary School

Environmental, Social and Governance Report

In 2022, Kuaishou focused on rural revitalization, child and youth protection, non-obstacle and elderly-friendly environment, caring for veterans, emergency response to disasters, intangible cultural heritage and environmental protection, winning 10 public welfare awards and gaining wide recognition from society.

Honors and awards:



1. In January 2022, the live streaming event titled “Youth China on the Highway — Chinese People’s Case” to help farmers and jointly organized by Kuaishou, China Youth Newspaper and China Youth Network was selected as one of the “Top Ten Outstanding Public Welfare Cases of China New Media in 2021” by the New Media Professional Committee of All-China Journalists Association.
2. On January 28, 2022, Kuaishou received the “Friend of Hope” award by China Youth Development Foundation.
3. In May 2022, “Helping the 50 Elderly”, a public welfare action jointly launched by Kuaishou and Foshan City Radio Station won the “2021 Outstanding Public Welfare Project in Foshan” award, which was jointly granted by the Foshan Civilization Office and Foshan Civil Affairs Bureau.
4. On July 29, 2022, Beijing Radio and Television Administration and the BNU Internet Institute released the “2021 Social Responsibility Monitoring Report of Major Network Audio-Visual Enterprises”, and Kuaishou was granted the award of Enterprise with Excellence in Performing Social Responsibilities Among the Beijing Internet Audio-Visual Industry of 2021 (2021年度北京網絡視聽行業社會責任優秀企業獎).
5. On September 22, 2022, at the Cloud-network Security and Data Governance Forum of 2022 (19th) China Internet Conference in Beijing, Happy Village Leader project of Kuaishou Technology was named as Demonstration Project of Beautiful Digital Village in the Information and Communication Industry of Beijing in 2022.

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6. On November 9, 2022, the Center of Beijing Institute of Technology for Common Prosperity and Human Resource Development Research and the Organizing Committee of China Enterprise Charity Forum released the rankings of China's top 500 enterprises in philanthropy in 2022, and Kuaishou ranked 126th in the 2022 China's top 500 enterprises for philanthropy, 70th among 2022 China's top 500 enterprises in philanthropy in the service industry, 80th among 2022 China's top 500 private enterprises in philanthropy and 50th among 2022 China's private enterprises in philanthropy in the service industry.

7. On November 10, 2022, the Collection of Outstanding CSR Cases of Education Projects and the Sixth Session of China Education Award was officially released, and Kuaishou won the "CSR CHINA TOP100" award, the Happy Village Leader project of Kuaishou won the "Best CSR Project of the Year Award", and the "Kuaishou Charity•Care for Veterans" project won the "Best CSR Impact Award".



8. In November 2022, in recognition of the contributions made by Internet business units in promoting self-discipline, purifying the network environment, protecting the healthy growth of minors, fulfilling social responsibilities, devotion to social welfare, and promoting the healthy and harmonious development of China's Internet industry, the Review Committee of Self-discipline Contribution and Public Welfare Award of China's Internet Industry has nominated 81 units, including Kuaishou, for the "2021–2022 Self-discipline Contribution and Public Welfare Award of China's Internet Industry".

9. In November 2022, Kuaishou was named "Top 10 Annual Public Welfare Enterprises" at the "Action League 2020 Charity Ceremony" of Phoenix New Media.

10. In December 2022, Kuaishou won the "2022 Responsible Enterprise" at the 18th Forum on CSR in China hosted by *China News Weekly* of China News Agency.

Environmental, Social and Governance Report

APPENDIX: INDEX OF ESG INDICATORS OF THE HKEX

Index	Description	Related Sections
A. Environmental		
Aspect A1: Emissions		
	General Disclosure	1.2 Green Operation
A1.1	The types of emissions and respective emissions data	1.2 Green Operation
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.1 Addressing Climate Change
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A1.5	Description of emissions target(s) set and steps taken to achieve them	1.1 Addressing Climate Change
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
Aspect A2: Use of Resources		
	General Disclosure	1.2 Green Operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods and thus no packaging material used

Environmental, Social and Governance Report

Index	Description	Related Sections
Aspect A3: The Environment and Natural Resources		
	General Disclosure	1.2 Green Operation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	1.2 Green Operation
Aspect A4: Climate Change		
	General Disclosure	1.1 Addressing Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	1.1 Addressing Climate Change
B. Social		
Aspect B1: Employment		
	General Disclosure	2.2 Employees' Development
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region	2.2 Employees' Development
B1.2	Employee turnover rate by gender, age group and geographical region	2.2 Employees' Development
Aspect B2: Health and Safety		
	General Disclosure	2.2 Employees' Development
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	2.2 Employees' Development
B2.2	Lost days due to work injury	2.2 Employees' Development
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	2.2 Employees' Development
Aspect B3: Development and Training		
	General Disclosure	2.2 Employees' Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	2.2 Employees' Development
B3.2	The average training hours completed per employee by gender and employee category	2.2 Employees' Development
Aspect B4: Labour Standards		
	General Disclosure	2.2 Employees' Development
B4.1	Description of measures to review employment practices to avoid child and forced labour	2.2 Employees' Development
B4.2	Description of steps taken to eliminate such practices when discovered	2.2 Employees' Development

Environmental, Social and Governance Report

Index	Description	Related Sections
Aspect B5: Supply Chain Management		
	General Disclosure	2.4 Supply Chain Management
B5.1	Number of suppliers by geographical region	2.4 Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	2.4 Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	2.4 Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	2.4 Supply Chain Management
Aspect B6: Product Responsibility		
	General Disclosure	2.1 Platform Responsibilities
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods
B6.2	Number of products and service related complaints received and how they are dealt with	2.1 Platform Responsibilities
B6.3	Description of practices relating to observing and protecting intellectual property rights	2.1 Platform Responsibilities
B6.4	Description of quality assurance process and recall procedures	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	2.1 Platform Responsibilities

Environmental, Social and Governance Report

Index	Description	Related Sections
Aspect B7: Anti-corruption		
	General Disclosure	2.3 Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	2.3 Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	2.3 Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff	2.3 Business Ethics
Aspect B8: Community Investment		
	General Disclosure	2.5 Social Responsibility
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	2.5 Social Responsibility
B8.2	Resources contributed (e.g. money or time) to the focus area	2.5 Social Responsibility

Independent Auditor's Report

To the Shareholders of Kuaishou Technology

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kuaishou Technology (the "**Company**") and its subsidiaries including structured entities (collectively, the "**Group**"), which are set out on pages 199 to 292, comprise:

- the consolidated balance sheet as at December 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Fair value determination of investments in unlisted entities classified as “financial assets at fair value through profit or loss”
- Recognition of deferred tax assets

Independent Auditor's Report

Key Audit Matter

Revenue recognition

Refer to notes 2.18 and 6 to the consolidated financial statements.

The Group mainly generates revenues from provisions of online marketing services, live streaming services and other services including services for e-commerce business through the Group's platform ("**Platform**"). Revenues of RMB94.2 billion were recognised for the year ended December 31, 2022.

Revenues from online marketing services derive primarily from the provision of advertising services and Kuaishou fans headline services in the Platform. The revenue is recognised over the display period or upon the time when the related services were delivered by the Group.

Revenues from live streaming services derive from sales of virtual items to users of the Platform which can be consumed on the Platform. The revenue is recognised when the consumable virtual items are consumed.

Revenues from other services mainly derive from e-commerce related services such as allowing merchants to promote and sell goods on the Platform and charging commissions on the sales of goods. The revenue from e-commerce related services is recognised when sale transaction of goods is completed.

We focused on this area as significant efforts were spent on auditing the revenues recognized from online marketing services, live streaming services and e-commerce related services due to the magnitude of the revenue amount and the significant volume of revenue transactions processed through the information technology systems in which the virtual items were sold and consumed and online marketing services and e-commerce related services were delivered (collectively the "**IT Systems**").

How our audit addressed the Key Audit Matter

We performed the following procedures to address the key audit matter:

- Evaluated the appropriateness of the revenue recognition policies as adopted by the Group;
- Understood and evaluated the key internal controls in relation to recognition of revenue from online marketing services, live streaming services and e-commerce related services;
- Understood and tested the general control environment of the IT Systems;
- Tested the key automated controls of the IT Systems, including checking the top-ups for purchase of virtual items (the "**Top-Ups**"), the consumption of virtual items by the users of the Platform, the delivery of online marketing services and the records of the status of sale transaction of goods in accordance with the pre-set system logics;
- By using computer-assisted audit techniques, tested the mathematic accuracy and the completeness of the system generated reports that summarized the key inputs for the calculation of revenue;
- Performed confirmation procedures for revenues and accounts receivable; and
- Compared the total amount of cash collections recorded in the general ledger against the cash collection amounts as recorded in the IT Systems for the amounts of Top-Ups received from customers. We also tested, on a sample basis, the amount and the timing of cash collections by checking to the supporting documents for the related cash receipts.

Based on the procedures performed, we considered that the revenues from online marketing services, live streaming services and other services including e-commerce related services were supported by the evidence.

Independent Auditor's Report

Key Audit Matter

Fair value determination of investments in unlisted entities classified as "financial assets at fair value through profit or loss"

Refer to note 2.9, 3.3 and 20 to the consolidated financial statements.

The fair value of investments in unlisted entities classified as "financial assets at fair value through profit or loss" as at December 31, 2022 amounted to approximately RMB2.9 billion. These financial assets were measured based on unobservable inputs and are classified as "level 3 financial instruments".

As these entities are unlisted and not traded in an active market, management determined the fair values of these unlisted entities by using applicable valuation techniques with the assistance from an independent external valuer.

The fair value determination required significant management's judgments and estimates, the use of unobservable inputs.

We focused on this area since the determination of fair values for these investments is subject to high degree of estimation uncertainty. The inherent risk in relation to the determination of the fair values for these unlisted entities are considered significant due to the complexity of valuation techniques and significant management assumptions and estimate adopted, such as expected volatility, discount for lack of marketability and risk-free rate, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios, and the selection of data used in the valuation, which are subjective.

How our audit addressed the Key Audit Matter

We performed the following procedures to address the key audit matter:

- Obtained an understanding on the management's internal control process for determining the fair value of investments in unlisted entities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity;
- Examined the relevant legal documents and investment agreements, and assessed the implications of the key terms as set out in these documents/agreements to the valuation of the respective investments;
- Assessed the competence, capabilities and objectivity of the independent external valuer engaged by the Group;
- Involved our internal valuation expert in assessing and challenging the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions and estimate applied (including expected volatility, discount for lack of marketability and risk-free rate, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenario) by comparing with those as adopted by comparable companies in the industry and other external market data;

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

Recognition of deferred tax assets

Refer to notes 2.15 and 31 to the consolidated financial statements.

As at December 31, 2022, the Group had deferred tax assets amounting to approximately RMB5.1 billion. In addition, the unrecognised deferred tax assets for tax losses as of December 31, 2022 amounted to RMB5.7 billion.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available to utilise the deductible temporary differences and tax losses.

We focused on this area because the estimation of future taxable profits is subject to high degree of estimation uncertainty. The recognition of deferred tax assets involves significant judgement and estimates by management as to the likelihood and the period of its realization which is dependent on a number of factors, including whether there will be sufficient future taxable profits and appropriate taxable temporary differences.

- Assessed whether the management's judgements made in selecting the valuation techniques, significant assumptions and data for the valuation would give rise to indicators of possible management bias; and
- Checked the accuracy of selected data used in the fair value determination to supporting documents on a sample basis.

Based on the procedures performed, we considered that the risk assessment of the fair value determination of investments in unlisted entities remained appropriate and the valuation techniques, significant assumptions and data used by management in the assessment of the fair value of the investments in unlisted entities were supported by the available evidence.

We performed the following procedures to address the key audit matter:

- Obtained an understanding of the management's internal control and assessment process of recognition of deferred tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- Obtained management's calculation sheets of deferred tax assets and tested the accuracy of the calculation sheets;
- Tested and agreed available deductible tax losses, including the respective expiry periods, to tax returns of the relevant subsidiaries on a sample basis;

Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

- Evaluated the reasonableness of key assumptions and estimates used by management in estimating future taxable profits, by considering (a) the Group's current and past performances, (b) the consistency with industry and third party data, and (c) whether these assumptions and related estimates were consistent with evidence obtained in other areas of the audit;
- Involved our tax specialists in evaluating the tax situation and the adequacy of management's key assumptions; and
- Evaluated the reasonableness of the deferred tax assets by comparing the estimated future taxable profits to deductible temporary differences and tax losses as at December 31, 2022.

Based on the above procedures performed, we considered that the risk assessment of the recognition of deferred tax assets remained appropriate and the significant assumptions and data used by management in the assessment in relation to the recognition of deferred tax assets were supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 29, 2023

Consolidated Income Statement

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Revenues	6	94,182,522	81,081,513
Cost of revenues	9	<u>(52,051,359)</u>	<u>(47,051,808)</u>
Gross profit		42,131,163	34,029,705
Selling and marketing expenses	9	(37,120,984)	(44,175,898)
Administrative expenses	9	(3,921,001)	(3,400,316)
Research and development expenses	9	(13,784,176)	(14,956,247)
Other income	7	1,547,498	1,026,742
Other losses, net	8	<u>(1,410,452)</u>	<u>(225,251)</u>
Operating loss		(12,557,952)	(27,701,265)
Finance income/(expense), net	11	165,574	(38,536)
Fair value changes of convertible redeemable preferred shares		—	(51,275,797)
Share of losses of investments accounted for using the equity method	19	<u>(138,683)</u>	<u>(86,658)</u>
Loss before income tax		(12,531,061)	(79,102,256)
Income tax (expenses)/benefits	13	<u>(1,158,299)</u>	<u>1,025,155</u>
Loss for the year		<u>(13,689,360)</u>	<u>(78,077,101)</u>
Attributable to:			
— Equity holders of the Company		(13,690,732)	(78,073,643)
— Non-controlling interests		<u>1,372</u>	<u>(3,458)</u>
		<u>(13,689,360)</u>	<u>(78,077,101)</u>
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)	14		
Basic loss per share		<u>(3.22)</u>	<u>(20.37)</u>
Diluted loss per share		<u>(3.22)</u>	<u>(20.37)</u>

The notes on pages 206 to 292 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Loss

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Loss for the year		(13,689,360)	(78,077,101)
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	25	366	—
Currency translation differences		6,359,044	282,560
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(4,290,784)	740,239
Other comprehensive income for the year, net of taxes		2,068,626	1,022,799
Total comprehensive loss for the year		(11,620,734)	(77,054,302)
Attributable to:			
— Equity holders of the Company		(11,622,202)	(77,050,839)
— Non-controlling interests		1,468	(3,463)
		(11,620,734)	(77,054,302)

The notes on pages 206 to 292 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

		As of December 31,	
	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	13,214,811	11,050,654
Right-of-use assets	16	10,805,724	12,561,745
Intangible assets	17	1,122,667	1,171,754
Investments accounted for using the equity method	19	268,355	1,411,141
Financial assets at fair value through profit or loss	20	3,625,743	3,300,623
Other financial assets at amortized cost	20	669,655	—
Deferred tax assets	31	5,095,406	5,405,224
Long-term time deposits	23	7,870,000	4,000,000
Other non-current assets		776,263	603,367
		43,448,624	39,504,508
Current assets			
Trade receivables	21	6,287,770	4,450,092
Prepayments, other receivables and other current assets	22	4,106,202	3,278,318
Financial assets at fair value through profit or loss	20	13,087,444	8,842,203
Other financial assets at amortized cost	20	726,130	—
Short-term time deposits	23	8,318,078	3,825,420
Restricted cash	23	58,771	2,415
Cash and cash equivalents	23	13,274,269	32,612,419
		45,858,664	53,010,867
Total assets		89,307,288	92,515,375

Consolidated Balance Sheet

		As of December 31,	
	Note	2022 RMB'000	2021 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	145	142
Share premium	24	274,473,174	274,407,796
Other reserves	25	29,238,970	20,853,674
Accumulated losses		(263,882,584)	(250,172,236)
		39,829,705	45,089,376
Non-controlling interests		8,063	6,595
Total equity		39,837,768	45,095,971
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	8,720,685	10,079,847
Deferred tax liabilities	31	23,346	28,477
Other non-current liabilities		15,819	55,560
		8,759,850	10,163,884
Current liabilities			
Accounts payables	28	22,868,452	20,021,082
Other payables and accruals	29	10,189,552	9,123,367
Advances from customers	30	3,240,402	3,502,642
Income tax liabilities		936,459	1,079,591
Lease liabilities	16	3,474,805	3,528,838
		40,709,670	37,255,520
Total liabilities		49,469,520	47,419,404
Total equity and liabilities		89,307,288	92,515,375

The notes on pages 206 to 292 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 199 to 292 were approved by the Board of Directors on March 29, 2023 and were signed on its behalf:

SU Hua
Director

CHENG Yixiao
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital	Share premium	Other reserves	Accumulated losses	Subtotal		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022		142	274,407,796	20,853,674	(250,172,236)	45,089,376	6,595	45,095,971
Loss for the year		—	—	—	(13,690,732)	(13,690,732)	1,372	(13,689,360)
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	19,25	—	—	366	—	366	—	366
Currency translation differences	25	—	—	2,068,164	—	2,068,164	96	2,068,260
Total comprehensive loss for the year		—	—	2,068,530	(13,690,732)	(11,622,202)	1,468	(11,620,734)
Share of other changes in net assets of investments accounted for using the equity method	19,25	—	—	48,299	—	48,299	—	48,299
Transactions with owners in their capacity as owners								
Share-based compensation	25	—	—	6,249,115	—	6,249,115	—	6,249,115
Exercise of share options and vesting of restricted share units ("RSUs")	24,25	3	65,378	(264)	—	65,117	—	65,117
Appropriations to statutory reserves	25	—	—	19,616	(19,616)	—	—	—
Total transactions with owners in their capacity as owners		3	65,378	6,268,467	(19,616)	6,314,232	—	6,314,232
Balance at December 31, 2022		145	274,473,174	29,238,970	(263,882,584)	39,829,705	8,063	39,837,768

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						Non-controlling interests	Total
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000		
Balance at January 1, 2021		30	—	12,011,644	(172,061,513)	(160,049,839)	—	(160,049,839)
Loss for the year		—	—	—	(78,073,643)	(78,073,643)	(3,458)	(78,077,101)
Other comprehensive income								
Currency translation differences	25	—	—	1,022,804	—	1,022,804	(5)	1,022,799
Total comprehensive loss for the year		—	—	1,022,804	(78,073,643)	(77,050,839)	(3,463)	(77,054,302)
Transactions with owners in their capacity as owners								
Share-based compensation	25	—	—	7,830,249	—	7,830,249	—	7,830,249
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	24	14	39,220,652	—	—	39,220,666	—	39,220,666
Conversion of convertible redeemable preferred shares to ordinary shares	24	84	235,084,462	—	—	235,084,546	—	235,084,546
Shares issued upon initial public offering from Share Incentive Plan	24,25	12	65,300	(46,105)	—	19,207	—	19,207
Exercise of share options and vesting of RSUs	24	2	37,382	—	—	37,384	—	37,384
Appropriations to statutory reserves	25	—	—	37,080	(37,080)	—	—	—
Non-controlling interests arising from business combination		—	—	—	—	—	7,050	7,050
Transfer of equity interests of a subsidiary to non-controlling interests	25	—	—	(1,998)	—	(1,998)	3,008	1,010
Total transactions with owners in their capacity as owners		112	274,407,796	7,819,226	(37,080)	282,190,054	10,058	282,200,112
Balance at December 31, 2021		142	274,407,796	20,853,674	(250,172,236)	45,089,376	6,595	45,095,971

The notes on pages 206 to 292 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	3,188,476	(4,022,554)
Income tax paid		(990,448)	(1,496,737)
Net cash generated from/(used in) operating activities		2,198,028	(5,519,291)
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(4,619,564)	(7,764,297)
Proceeds from disposal of property, equipment and intangible assets		8,162	6,572
Purchase of investments in financial assets at fair value through profit or loss		(44,081,326)	(73,428,896)
Proceeds from disposal of investments in financial assets at fair value through profit or loss		39,955,116	67,426,383
Purchase of investments in other financial assets at amortized cost		(1,377,973)	—
Proceeds from investments in other financial assets at amortized cost		50,843	—
Loan to a third party		—	(16,933)
Repayment of loan by a third party		16,933	32,355
Purchase of time deposits with initial terms over three months		(17,484,646)	(12,888,996)
Proceeds from maturity of time deposits with initial terms over three months		9,939,325	8,217,416
Interest income received		96,786	54,513
Acquisition of subsidiaries, net of cash acquired		—	261
Dividends received		1,587	287
Placement of restricted cash		(53,172)	—
Net cash used in investing activities		(17,547,929)	(18,361,335)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares relating to the initial public offering		—	39,222,601
Payments for principal elements of lease and related interests		(3,360,129)	(2,747,937)
Proceeds from exercise of share options and vesting of RSUs		53,715	25,523
Capital contribution from non-controlling interests		1,010	—
Settlement to notes payable and related interests		(1,176,979)	—
Net cash (used in)/generated from financing activities		(4,482,383)	36,500,187
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	23(a)	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents		494,134	(398,687)
Cash and cash equivalents at the end of the year	23(a)	13,274,269	32,612,419

The notes on pages 206 to 292 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed the listing on the Main Board of The Stock Exchange of Hong Kong Limited on February 5, 2021.

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.

Mr. SU Hua and Mr. CHENG Yixiao are the ultimate controlling shareholders of the Company as of the date of approval of the consolidated financial statements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of the consolidated financial statements. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) 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 and liabilities measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.1 Change in accounting policy and disclosures

(a) *Amendments and annual improvements adopted by the Group*

The following amendments and annual improvements are mandatory for the first time for the Group's financial year beginning on January 1, 2022 and are applicable for the Group:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to IFRS 3
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37

The adoption of the above amendments and annual improvements did not have any significant financial impact on these consolidated financial statements.

(b) *New standards and amendments not yet adopted*

Certain new standards and amendments as set out below have been issued but are not yet effective for the year beginning on January 1, 2022 and have not been early adopted by the Group. These standards and amendments are not expected to have a material impact on the Group's consolidated financial position and performance.

Standards and amendments	Effective for annual years beginning on or after
Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimates — Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12	January 1, 2023
IFRS 17 Insurance Contracts	January 1, 2023
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2024
Lease Liability in a Sale and Leaseback — Amendment to IFRS 16	January 1, 2024
Non-current Liabilities with Covenants — Amendments to IAS 1	January 1, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.2.1 Subsidiaries controlled through Contractual Arrangements

In order to comply with the People's Republic of China ("PRC") laws and regulations which prohibit or restrict foreign ownership of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, which are held by registered shareholders ("**Nominee Shareholders**"). The Group signed contractual arrangements with the PRC operating entities ("**Contractual Arrangements**"). The Contractual Arrangements include exclusive technical consultation and service agreements, exclusive option agreements, equity pledge agreements and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entities' payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Subsidiaries controlled through Contractual Arrangements (Continued)

Accordingly, the Group has rights to control these entities. As a result, they are presented as entities controlled by the Group.

2.2.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.3 Company's separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in "Other losses, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

Gains or losses on dilution of equity interest in the associate is recognised in the consolidated income statement. If the ownership interest in the associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company and certain of its overseas subsidiaries is USD. The Company’s primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, the RMB is the functional currency. The Group’s presentation currency is RMB.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement on a net basis within “other losses, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in consolidated income statement as part of the “other losses, net”.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

- Buildings 19–49 years
- Servers, computers and equipment 3–4 years
- Office equipment 3–5 years
- Leasehold improvements The shorter of the term of the lease or the estimated useful lives of the assets

Property and equipment arising from business acquisition is depreciated over the remaining useful life.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings and leasehold improvements under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to appropriate categories of property and equipment when completed and ready for use.

A carrying amount of property and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses, net" in the consolidated income statement.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(a) Goodwill (Continued)

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately in profit or loss as an expense and is not subsequently reversed.

(b) Trademarks and domain names, licenses and copyrights, software

Separately acquired trademarks, domain names, internet audio/video program transmission licenses, operating licenses, copyrights and software are initially recognised and measured at historical cost. The assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortization and impairment losses (if any).

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For details, refer to Note 2.7(d).

(c) Other intangible assets

Other intangible assets mainly include customer relationships and non-compete agreements. They are initially recognised and measured at estimated fair value of intangible assets acquired through business combinations.

(d) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(e) Amortization methods and periods

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Licenses and copyrights	2–10 years	Shorter of contractual license and copyrights period or the estimated period during which such intangible assets can bring economic benefits
Trademarks and domain name	2–10 years	The period of effective registration during which such trademark and domain name can bring economic benefits
Software	2–7 years	Shorter of the period of contractual rights or estimated period during which such software can bring economic benefits
Others	3–4 years	Shorter of the period of contractual rights or estimated period during which such assets can bring economic benefits

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through other comprehensive income (“OCI”) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets are included in finance income and other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses, net.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value, except the investment accounted for using equity method. Changes in the fair value of financial assets at FVPL are recognised in other losses, net in the consolidated income statement as applicable.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(d) Impairment

The Group has two types of financial assets that are subject to IFRS 9's expected credit losses (the "ECL") model (Note 3.1(b)):

- Trade receivables; and
- Other receivables.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. While cash and cash equivalents, restricted cash, time deposits and other financial assets at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 21 for further information about the Group's accounting for trade receivables, Note 22 for further information about other receivables and Note 2.9(d) for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank, time deposits with initial terms within three months, deposits held at call with banks and cash held in other financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheet, and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.14 Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and structured entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or the deferred tax liabilities is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in other payables and accruals in the consolidated balance sheet.

(b) Pension obligations

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Contributions to these plans are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.17 Share-based compensation

The Group has operated the Pre-IPO ESOP Plan, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (together, the "**Share Incentive Plan**"), under which the Group receives services from employees, directors and other eligible persons as consideration for equity instruments (including share options and RSUs) of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated income statement.

2.17.1 Share options

For share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Binomial models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Share-based compensation (Continued)

2.17.2 RSUs

For RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, using accelerated method. Under this method, each vesting installment of a graded vesting award is treated as a separate share-based award, and accordingly each vesting installment is separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expenses. At the end of each period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2.18 Revenue recognition

The Group derives revenue from online marketing services, sales of virtual items on its live streaming platform and other services. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, net of value-added taxes ("VAT"), rebates and certain sales incentives. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

2.18.1 The accounting policy for the Group's principal revenue sources

(a) Online marketing services

The Group offers diversified online marketing solutions including advertising services, Kuaishou fans headline services and other marketing services to customers. The Group provides rebates to customers including advertising agencies based on contracted rebate rates and estimated revenue volume, which are accounted for as variable consideration. Revenue is recognised based on the price charged to customers, net of rebates provided to customers.

To fulfill contracts with certain customers, the Group enters into cooperation agreements with third party platforms and places the advertisements of the Group's customers displayed on third party platforms. For above services mentioned, the Group is the principal for fulfilling these marketing service contracts as it has obtained controls over third party platform services through cooperation contracts and, in some cases, integrated with other services before they are transferred to the Group's customers. The Group is also primarily responsible for fulfilling these marketing services as it is the only party that the Group's customers entered agreements with. As such, the Group recognises revenues from contracts with customers on a gross basis and records charges from third party platforms as cost of revenues.

Advertising services

(i) Performance-based advertising services

The Group provides performance-based advertising services which allow advertising customers to place links on the Group's mobile platforms and third parties' internet properties. Performance-based advertising services are primarily presented and delivered in the way of short video with clickable thumbnails together with other recommended short videos or displayed between other short videos at varying frequency. Revenue from performance-based advertising services is recognised when relevant specific performance measures are fulfilled.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

2.18.1 The accounting policy for the Group's principal revenue sources (Continued)

(a) *Online marketing services (Continued)*

Advertising services (Continued)

(ii) Display-based advertising services

Displayed advertisements appear in the form of opening-page splash advertisements, traditional banner ads, logos and sponsored filters, etc. on various interfaces of the platform. The revenue is recognised ratably over the period that the advertising is displayed. Generally, the terms of these display-based advertisements are short term.

Kuaishou fans headline services

The Group also provides Kuaishou fans headline services where the customers pay for exposure of their short video or live show to a targeted number of viewers for a specified period of time on Kuaishou's App. The Group has determined that each exposure to a target viewer represents one performance obligation. Revenue from each performance obligation is recognised when the short video or live show is exposed.

(b) *Live streaming*

The Group operates and maintains mobile platforms whereby users can enjoy live stream performances provided by the live streamers (the "**streamers**") and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognized as revenues when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as advances from customers.

In order to attract streamers to the platforms, the Group shares revenues with the streamers in accordance with the agreements between the Group and streamers.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

2.18.1 The accounting policy for the Group's principal revenue sources (Continued)

(b) Live streaming (Continued)

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognised as "cost of revenues" in the consolidated income statement.

(c) Other services

Other services revenues primarily include revenues from E-commerce business, online games and other value-added services. For the E-commerce business, the Group allows merchants to promote and sell goods on its platform and charges commissions on the sales of goods completed through its platform based on agreed commission rates. The Group does not take controls of goods sold through its platform. Commission revenues related to E-commerce business are recognised at a point in time when the underlying transaction is completed. For online games and other value-added services, revenues are recognized when the Group satisfied the performance obligations under the service contracts.

2.18.2 Incentives and coupons

In order to promote its platform and attract more users, the Group at its own discretion provides various types of incentives offered to users in the form of cash incentives, red packets, coupons, etc. Evaluations of the varying features of different incentive programs are made to determine whether incentives offered represent consideration payable to customers. Such evaluations include the consideration of whether the users would be considered as customers of the Group.

The incentives are awarded to users upon their completion of certain tasks. The incentives are recorded as reduction of revenue if there is no distinct service identified and the incentives are related to past, current or future revenues, such as reward to customers, and coupons to be used in future transactions, etc. Incentives for distinct services received from the users such as inviting friends to download or log into Kuaishou's platforms, publishing or watching short videos which have advertising contents, etc., are recorded as selling and marketing expenses.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

2.18.3 Contract balances

When either party to a customer contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Contract balances include trade receivables and advances from customers.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2.18.4 Practical expedients and exemptions

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

The revenue standard requires the Group to recognise an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the definition of incremental costs of obtaining a contract. However, the Group applies a practical expedient to expense the costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

2.18.5 Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group has applied the practical expedient of not to adjust any of the transaction prices for the time value of money.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Loss per share

Basic loss per share is calculated by dividing:

- (a) the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- (b) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- (a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- (b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.20 Leases

The Group, as a lessee, leases internet data centers, office buildings and land. Lease contracts other than land are typically made for fixed periods of several months to ten years. Lease is recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise of lease of certain office spaces.

2.21 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 Finance income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 8 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the group entities.

For the year ended December 31, 2022, most transactions of the Group were settled in RMB and USD. Management considers that the business is not exposed to significant foreign exchange risk as the Group has no significant financial assets or liabilities denominated in the currencies other than the functional currencies of the respective group entities.

The Group has not engaged in hedging activities designed or intended to manage foreign exchange rate risk during the year ended December 31, 2022. However, the Group will continue to monitor foreign exchange risk from time to time based on its business development requirements to best preserve the Group's cash value, and may enter into forward foreign exchange contracts or engage in other hedging activities when necessary.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from time deposits, cash and cash equivalents and investments measured at amortized cost. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents, and time deposits had been 50 basis points higher/lower, the loss before income tax for the year ended December 31, 2022 would have been RMB147.3 million (2021: RMB202.2 million) lower/higher.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(iii) Price risk

The Group is exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in listed and unlisted entities, and wealth management products and others. The Group is generally not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The sensitivity analysis is performed by management, see Note 3.3 for details.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, time deposits, restricted cash, trade receivables, other receivables and other financial assets at amortised cost. The carrying amount of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analysing the credit risk for each new customer/debtor before standard credit payment terms are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, time deposits, restricted cash and other financial assets at amortised cost are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

(ii) Impairment of financial assets

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Products ("GDP") of the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowances of trade receivables as of December 31, 2022 and 2021 were determined as follows:

	As of December 31,	
	2022	2021
	RMB	RMB
	<i>in thousands, except for percentages</i>	
Expected loss rate	0.72%	0.58%
Gross carrying amount	6,333,247	4,476,135
Loss allowance provision	45,477	26,043

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade receivables are presented as “administrative expenses” within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

On that basis, the loss allowances of other receivables as of December 31, 2022 and 2021 were determined as follows:

	As of December 31,	
	2022	2021
	RMB	RMB
	<i>in thousands, except for percentages</i>	
Expected loss rate	3.03%	4.72%
Gross carrying amount	1,742,701	790,236
Loss allowance provision	52,752	37,269

(c) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets or to retain adequate financing arrangements to meet the Group's liquidity requirements.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As of December 31, 2022					
Accounts payables	22,868,452	—	—	—	22,868,452
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,965,245	—	—	—	5,965,245
Lease liabilities	3,739,587	3,059,304	5,364,495	1,807,424	13,970,810
Total	32,573,284	3,059,304	5,364,495	1,807,424	42,804,507
As of December 31, 2021					
Accounts payables	20,021,082	—	—	—	20,021,082
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,381,932	—	—	—	5,381,932
Lease liabilities	3,622,472	3,595,784	7,736,338	182,236	15,136,830
Total	29,025,486	3,595,784	7,736,338	182,236	40,539,844

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	93,680	—	—	93,680
— Investments in unlisted entities	—	—	2,876,372	2,876,372
— Wealth management products and others	—	430,062	13,313,073	13,743,135
	<u>93,680</u>	<u>430,062</u>	<u>16,189,445</u>	<u>16,713,187</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	176,903	—	—	176,903
— Investments in unlisted entities	—	—	2,844,187	2,844,187
— Wealth management products and others	—	382,495	8,739,241	9,121,736
	<u>176,903</u>	<u>382,495</u>	<u>11,583,428</u>	<u>12,142,826</u>

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

Level 2 instruments of the Group's assets were perpetual bonds measured at fair value through profit or loss in wealth management products and others.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets mainly include investments measured at fair value through profit or loss in unlisted entities (Note 20) and investments in wealth management products and others (excluding investments in perpetual bonds) (Note 20). As these level 3 instruments are not traded in an active market, their fair values have been determined by using various application valuation techniques, including market approach, etc.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended December 31, 2022 and 2021.

	Financial assets at fair value through profit or loss RMB'000
At January 1, 2022	11,583,428
Additions	43,934,382
Disposals	(39,771,343)
Change in fair value through profit or loss*	(214,773)
Currency translation differences	657,751
At December 31, 2022	16,189,445
*Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the year	(446,968)

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss RMB'000
At January 1, 2021	7,451,117
Additions	73,183,406
Disposals	(67,426,383)
Change in fair value through profit or loss*	1,295,915
Transfer to investments accounted for using the equity method (Note 19)	(2,470,647)
Deemed disposal due to business combination	(6,959)
Transfer from level 3 to level 1	(349,714)
Currency translation differences	(93,307)
At December 31, 2021	<u>11,583,428</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year	357,026

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As of December 31,			As of December 31,		
	2022 RMB'000	2021 RMB'000		2022	2021	
Investments in unlisted entities	2,876,372	2,844,187	Expected volatility	37%–106%	40%–87%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	5%–15%	5%–25%	The higher the DLOM, the lower the fair value
			Risk-free rate	2.10%–4.16%	0.13%–2.7%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	13,313,073	8,739,241	Expected rate of return	0.15%–6.05%	0.92%–4.82%	The higher the expected rate of return, the higher the fair value

Investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the PRC and international financial institutions outside of the PRC with floating rates. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are determined based on the expected rate of return (based on management judgment) and are within level 3 of the fair value hierarchy. From the perspective of cash management and risk control, the Group diversifies its investment portfolios and mainly purchases low-risk products from reputable financial institutions and prefers those products with high-liquidity.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the lower/(higher) of the loss before income tax for the years ended December 31, 2022 and 2021 if the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower.

% changes of fair values of financial assets at fair value through profit or loss	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
10% higher	1,671,319	1,214,283
10% lower	(1,671,319)	(1,214,283)

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2022 and 2021, except that one investment was transferred out of level 3 of fair value hierarchy to level 1 classification due to the conversion to ordinary shares upon the initial public offering of the investee company in 2021.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, time deposits, trade receivables, other receivables, other current and non-current assets and other financial assets at amortized cost and the Group's financial liabilities that are not measured at fair value, including accounts payables, other payables and accruals, approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the Share Incentive Plan and granted options and RSUs to employees, directors, and other eligible persons. The fair value of the options is determined by the binomial model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Group (Note 27).

4.2 Estimation of the fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions including expected volatility, discount for lack of marketability, risk-free rate associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

4.3 Credit loss allowances for trade receivables, other receivables and other assets

By reference to IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including property and equipment, investments accounted for using the equity method, right-of-use assets and intangible assets other than the goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amount of CGUs has been determined based on the higher amount of fair value less disposal cost model and value-in-use model. Under the fair value less disposal cost model, the management makes estimates based on quoted prices of active markets based on observable inputs. Under the value-in-use model, calculations require the use of assumptions and use cash flow projections based on financial forecast with an estimation of terminal value.

4.5 Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax asset in relation to (i) temporary differences (including but not limited to provisions and changes in fair values of financial asset); and (ii) unused tax losses had been recognised in the consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future taxable profit or taxable temporary differences will be available in the future. The outcome of their actual utilisation may be different from management's estimation.

4.6 Revenue recognition

Determining whether the Group is acting as a principal or as an agent when a third-party is in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or services before they transferred to the customer include, but are not limited to the following: (a) who is primarily responsible for fulfilling the contract, (b) who is subject to inventory risk, and (c) who has discretion in establishing prices. Refer to Note 2.18 for details.

Notes to the Consolidated Financial Statements

4 CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

4.7 Useful lives and depreciation of property and equipment

The Group's management determines the estimated useful lives and related depreciation for the Group's property and equipment based on the asset's expected utility to the Group. The asset management policy of the Group may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its physical life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the Group with similar assets.

Management reviewed and extended the useful lives of servers and equipment from 3 years to 4 years with effect from January 1, 2022 based on the Group's historical usage pattern for the past 4 years. The effect of the changes in the current financial year was a decrease in depreciation expense of RMB1.4 billion.

4.8 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

5 SEGMENT INFORMATION

5.1 Description of segments and principal activities

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.

Different businesses require different operations and marketing strategies. The Company, therefore, separately manages the operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. Since 2022, the Group started to operate and manage its businesses in two operating segments. The comparative figures have been restated to conform with the current year's presentation.

- Domestic
- Overseas

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

5.1 Description of segments and principal activities (Continued)

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, 2022 and 2021.

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

The segment results for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31, 2022			Total RMB'000
	Domestic RMB'000	Overseas RMB'000	Unallocated items RMB'000	
Revenues	93,557,462	625,060	—	94,182,522
Cost of revenues and operating expenses	(93,365,352)	(7,263,053)	—	(100,628,405)
Unallocated items	—	—	(6,112,069)	(6,112,069)
Operating profit/(loss)	192,110	(6,637,993)	(6,112,069)	(12,557,952)

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (CONTINUED)

5.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2021			Total RMB'000
	Domestic RMB'000	Overseas RMB'000	Unallocated items RMB'000	
Revenues	81,006,397	75,116	—	81,081,513
Cost of revenues and operating expenses	(89,683,786)	(12,070,234)	—	(101,754,020)
Unallocated items	—	—	(7,028,758)	(7,028,758)
Operating loss	<u>(8,677,389)</u>	<u>(11,995,118)</u>	<u>(7,028,758)</u>	<u>(27,701,265)</u>

5.2 Segment assets

As of December 31, 2022 and 2021, substantially all of the Group's non-current assets other than certain financial instruments and investments accounted for using the equity method were located in the PRC.

6 REVENUES

The breakdown of revenues for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Online marketing services	49,041,552	42,665,483
Live streaming	35,387,952	30,995,152
Other services	9,753,018	7,420,878
	<u>94,182,522</u>	<u>81,081,513</u>

Notes to the Consolidated Financial Statements

6 REVENUES (CONTINUED)

The breakdown of revenues for timing of revenue recognition is as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue recognized at a point in time	91,229,651	73,996,005
Revenue recognized over time	2,952,871	7,085,508
	<u>94,182,522</u>	<u>81,081,513</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the years ended December 31, 2022 and 2021.

7 OTHER INCOME

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Government grants and value-added tax preferences	1,526,666	990,839
Others	20,832	35,903
	<u>1,547,498</u>	<u>1,026,742</u>

Notes to the Consolidated Financial Statements

8 OTHER LOSSES, NET

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Impairment provision for investments (Note 19)	(1,005,891)	(922,033)
Net fair value (losses)/gains on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	(586,019)	802,747
— Wealth management products and others	285,392	242,978
Net losses on disposal of property and equipment, intangible assets and right-of-use assets	(8,301)	(43,373)
Dilution loss (Note 19)	(96,901)	—
Net foreign exchange gains/(losses)	32,794	(90,773)
Others	(31,526)	(214,797)
	(1,410,452)	(225,251)

9 EXPENSES BY NATURE

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue sharing costs and related taxes	30,924,481	24,792,937
Employee benefit expenses (Note 10)	20,259,920	21,870,107
Promotion and advertising expenses	34,346,787	41,216,431
Bandwidth expenses and server custody costs	6,623,693	7,638,475
Depreciation of property and equipment	3,212,104	3,985,910
Depreciation of right-of-use assets (Note a)	3,221,589	2,735,442
Amortization of intangible assets	139,734	163,665
Outsourcing and other labor costs	1,376,869	1,498,304
Payment processing costs	1,946,439	1,602,030
Auditor's remuneration		
— Audit services	30,000	30,000
— Non-audit services	13,201	23,126
Other professional fees	255,373	284,508
Tax surcharges	982,617	378,263
Credit loss allowances on financial assets	34,917	27,550
Others (Note b)	3,509,796	3,337,521
	106,877,520	109,584,269

Notes to the Consolidated Financial Statements

9 EXPENSES BY NATURE (CONTINUED)

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

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

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	11,467,341	11,440,494
Share-based compensation expenses	6,249,115	7,830,249
Pension costs-defined contribution plans (Note a)	907,371	832,389
Other social security costs, housing benefits and other employee benefits	1,636,093	1,766,975
	20,259,920	21,870,107

Note a: Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. No forfeited contributions were utilised by the Group to reduce its contributions to these schemes for the years ended December 31, 2022 and 2021.

(a) Five highest paid individuals

None of the five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2022 and 2021 were directors of the Group. The emoluments to the five highest paid individuals for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Wages and salaries	19,735	25,645
Discretionary bonuses	19,768	18,680
Share-based compensation expenses	719,258	505,054
Pension costs-defined contribution plans	219	180
Other social security costs, housing benefits and other employee benefits	368	283
	759,348	549,842

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2022	2021
HK\$110,000,001 to HK\$110,500,000	—	1
HK\$114,500,001 to HK\$115,000,000	—	1
HK\$123,000,001 to HK\$123,500,000	—	1
HK\$128,000,001 to HK\$128,500,000	—	1
HK\$145,000,001 to HK\$145,500,000	1	—
HK\$148,500,001 to HK\$149,000,000	1	—
HK\$173,000,001 to HK\$173,500,000	1	—
HK\$185,000,001 to HK\$185,500,000	—	1
HK\$206,000,001 to HK\$206,500,000	1	—
HK\$210,500,001 to HK\$211,000,000	1	—
	<u>5</u>	<u>5</u>

All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group, and have not received any compensation for loss of office for the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2022:

Name	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs-defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<i>Chairman</i>							
SU Hua (Note a)	—	4,310	750	—	58	81	5,199
<i>Executive Director</i>							
CHENG Yixiao	—	4,114	4,125	39,841	58	81	48,219
<i>Non-executive Directors</i>							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
SHEN Dou	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
<i>Independent non-executive Directors</i>							
WANG Huiwen	417	—	—	—	—	—	417
HUANG Sidney Xuande	417	—	—	—	—	—	417
MA Yin	417	—	—	—	—	—	417
Total	1,251	8,424	4,875	39,841	116	162	54,669

Note a: Mr. SU Hua waived a substantial portion of his discretionary bonus for the year ended December 31, 2022, and agreed to waive his discretionary bonus entitlement from the Company for the year ending December 31, 2023.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

For the year ended December 31, 2021:

Name	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Pension costs-defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
<i>Chairman</i>							
SU Hua	—	2,671	3,250	—	53	77	6,051
<i>Executive Director</i>							
CHENG Yixiao	—	2,473	3,250	—	53	77	5,853
<i>Non-executive Directors</i>							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
SHEN Dou	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
<i>Independent non-executive Directors</i>							
WANG Huiwen	377	—	—	—	—	—	377
HUANG Sidney Xuande	377	—	—	—	—	—	377
MA Yin	377	—	—	—	—	—	377
Total	1,131	5,144	6,500	—	106	154	13,035

(i) Benefits and interests of directors

There is no other benefits and interests offered to directors except above.

(ii) Directors' retirement and termination benefits

No director's retirement and termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2022 and 2021.

(iii) Consideration provided to or receivable by third parties for making available directors' services

No consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the years ended December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

(iv) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors was subsisted at the end of the year or at any time during the years ended December 31, 2022 and 2021.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2022 and 2021.

(vi) Inducement to join the Group and compensation for loss of office

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office for the years ended December 31, 2022 and 2021.

11 FINANCE INCOME/(EXPENSE), NET

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Finance income:		
Interest income from bank deposits	731,813	520,833
Others	3,000	2,975
	<u>734,813</u>	<u>523,808</u>
Finance expense:		
Interest expense from lease liabilities	(549,020)	(562,344)
Others	(20,219)	—
	<u>(569,239)</u>	<u>(562,344)</u>
Finance income/(expense), net	<u>165,574</u>	<u>(38,536)</u>

Notes to the Consolidated Financial Statements

12 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of operation.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held as of December 31, 2022	Principal activities
Subsidiaries					
Directly held:					
Fortune Ever Global Limited	Hong Kong, limited liability company	March 25, 2014	HKD10,000	100%	Investment holding and investment
Cosmic Blue Investments Limited	British Virgin Islands, limited liability company	March 16, 2017	—	100%	Investment holding and investment
Indirectly held:					
Joyo Technology PTE. LTD.	Singapore, limited liability company	August 3, 2016	USD1	100%	Development of software, provision of programming and advertising services
Beijing Dajia Internet Information Technology Co., Ltd.*	Beijing, China, limited liability company	July 2, 2014	RMB32,462,238,241	100%	Development of software, hardware and network technology
Beijing Kuaishou Ads Co., Ltd.	Beijing, China, limited liability company	September 23, 2016	RMB60,000	100%	Provision of online marketing and other services
Chengdu Magnetic Engine Media Co., Ltd.	Sichuan, China, limited liability company	September 25, 2020	—	100%	Provision of online marketing services
Hainan Kuaishou Kuailian Information Technology Co., Ltd.	Hainan, China, limited liability company	May 12, 2021	—	100%	Provision of online marketing services
Huai'an Kuaishou Kuailian Information Technology Co., Ltd.	Jiangsu, China, limited liability company	July 13, 2022	—	100%	Provision of online marketing services

Notes to the Consolidated Financial Statements

12 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held as of December 31, 2022	Principal activities
Structured entities (Note a)					
Beijing Kuaishou Technology Co., Ltd.	Beijing, China, limited liability company	March 20, 2015	RMB10,101,010	99%	Provision of live-streaming and online marketing services
Yooeee Xingji (Beijing) Technology Co., Ltd.	Beijing, China, limited liability company	November 3, 2006	RMB25,600,000	100%	Provision of technology development, promotion and other services
Huai'an Kangxiangfu Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	January 9, 2017	—	100%	Provision of internet information services
Beijing Chenzhong Technology Co., Ltd.	Beijing, China, limited liability company	July 6, 2017	RMB2,015,000	100%	Provision of online marketing and other services
Guizhou Fankuai Culture Communication Co., Ltd.	Guizhou, China, limited liability company	March 5, 2019	—	100%	Provision of multimedia information technology services
Chengdu Kuaigou Technology Co., Ltd.	Sichuan, China, limited liability company	October 31, 2019	—	100%	Provision of e-commerce and other services
Beijing Shunjie Zhongheng Technology Co., Ltd.	Beijing, China, limited liability company	July 5, 2021	—	100%	Provision of technology development and other services
Kuaishou Smart Cloud (Ulanqabu) Technology Co., Ltd.	Inner Mongolia, China, limited liability company	May 29, 2020	RMB50,000,000	100%	Provision of internet data services
Huai'an Shuangxin Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	August 7, 2020	—	100%	Provision of internet information services
Shandong Yixiang Culture Communication Co., Ltd.	Shandong, China, limited liability company	February 20, 2021	—	100%	Provision of internet information services

* Registered as wholly foreign-owned enterprise under PRC law.

Note a: As described in Note 2.2, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from their involvement in these structured entities, and have the ability to affect those returns through their power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

Notes to the Consolidated Financial Statements

13 INCOME TAX

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) British Virgin Islands (“BVI”)

The Group’s entities established under the International Business Companies Acts of the BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

(d) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended December 31, 2022 and 2021 based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia Internet Information Technology Co., Ltd. was accredited as High and New Technology Enterprises enabling it to enjoy a preferential tax rate of 15% from 2020 to 2022.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expense so incurred as tax deductible expense when determining their assessable profit for that year (“**Super Deduction**”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 onwards. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

Notes to the Consolidated Financial Statements

13 INCOME TAX (CONTINUED)

(e) Withholding tax in mainland China (“WHT”)

According to the New Corporate Income Tax Law, beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax (expenses)/benefits of the Group during the years ended December 31, 2022 and 2021 are analysed as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Current income tax	(853,612)	(2,072,167)
Deferred income tax (Note 31)	(304,687)	3,097,322
Income tax (expenses)/benefits	<u>(1,158,299)</u>	<u>1,025,155</u>

Notes to the Consolidated Financial Statements

13 INCOME TAX (CONTINUED)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(12,531,061)	(79,102,256)
Tax calculated at statutory income tax rate of 25% in mainland China	3,132,765	19,775,564
Tax effects of:		
— Effect of different tax rates in other jurisdictions	(691,266)	(13,579,537)
— Effect of preferential income tax rates of certain subsidiaries	107,482	(886,815)
— Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(3,678,499)	(3,864,390)
— Expenses not deductible for income tax purposes	(594,662)	(803,684)
— Utilization of previously unrecognised deductible tax losses and temporary differences	13,228	43,898
— Super deduction for research and development expenses	544,031	332,278
— Income not subject to tax	8,622	7,841
	<u>(1,158,299)</u>	<u>1,025,155</u>

Notes to the Consolidated Financial Statements

14 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the 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,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	<u>(13,690,732)</u>	<u>(78,073,643)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,253,878</u>	<u>3,833,009</u>
Basic loss per share (expressed in RMB per share)	<u><u>(3.22)</u></u>	<u><u>(20.37)</u></u>

(b) Diluted loss per share

Diluted 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 year ended December 31, 2022, the Company had two categories of potential ordinary shares: share options and RSUs (during the year ended December 31, 2021, the Company had three categories of potential ordinary shares: convertible redeemable preferred shares, share options and RSUs). As the Company incurred losses for the years ended December 31, 2022 and 2021, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2022 and 2021 were the same as basic loss per share for the respective years.

Notes to the Consolidated Financial Statements

15 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during the years ended December 31, 2022 and 2021 is as below:

	Buildings RMB'000	Servers, computers and equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2022						
Cost	2,541,793	16,851,672	65,172	488,604	467,041	20,414,282
Accumulated depreciation	—	(9,108,242)	(20,810)	(234,576)	—	(9,363,628)
Net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
Year ended December 31, 2022						
Opening net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
Currency translation differences	—	47,450	81	4,957	—	52,488
Additions	75,847	4,635,613	11,673	42,357	616,524	5,382,014
Transfers	123,408	—	—	125,529	(248,937)	—
Disposals	—	(4,271)	(854)	(42,570)	(10,546)	(58,241)
Depreciation charge	(138,195)	(2,890,946)	(18,759)	(164,204)	—	(3,212,104)
Closing net book amount	2,602,853	9,531,276	36,503	220,097	824,082	13,214,811
At December 31, 2022						
Cost	2,741,048	21,487,170	75,080	574,331	824,082	25,701,711
Accumulated depreciation	(138,195)	(11,955,894)	(38,577)	(354,234)	—	(12,486,900)
Net book amount	2,602,853	9,531,276	36,503	220,097	824,082	13,214,811
At January 1, 2021						
Cost	—	12,315,894	29,566	253,481	25,173	12,624,114
Accumulated depreciation	—	(5,311,475)	(10,199)	(96,340)	—	(5,418,014)
Net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Year ended December 31, 2021						
Opening net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Currency translation differences	—	(4,537)	(10)	(564)	—	(5,111)
Additions	2,541,793	4,576,165	36,424	103,445	636,205	7,894,032
Transfers	—	—	—	141,666	(141,666)	—
Disposals	—	(5,176)	(125)	(609)	(52,671)	(58,581)
Depreciation charge	—	(3,827,465)	(11,295)	(147,150)	—	(3,985,910)
Business combination	—	24	1	99	—	124
Closing net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
At December 31, 2021						
Cost	2,541,793	16,851,672	65,172	488,604	467,041	20,414,282
Accumulated depreciation	—	(9,108,242)	(20,810)	(234,576)	—	(9,363,628)
Net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654

Notes to the Consolidated Financial Statements

15 PROPERTY AND EQUIPMENT (CONTINUED)

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Cost of revenues	2,869,112	3,790,217
Selling and marketing expenses	41,446	21,347
Administrative expenses	100,199	61,178
Research and development expenses	201,347	113,168
	<u>3,212,104</u>	<u>3,985,910</u>

16 LEASE

(a) Items recognised in the consolidated balance sheet

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Right-of-use assets		
Internet data centers	8,103,946	10,101,628
Office buildings	2,673,867	2,431,689
Land use rights	27,911	28,428
	<u>10,805,724</u>	<u>12,561,745</u>

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Lease liabilities		
Current	3,474,805	3,528,838
Non-current	8,720,685	10,079,847
	<u>12,195,490</u>	<u>13,608,685</u>

Additions and modifications to the right-of-use assets for the year ended December 31, 2022 was approximately RMB2.3 billion (2021: RMB10.1 billion). Refer to Note 32(c) for details.

Notes to the Consolidated Financial Statements

16 LEASE (CONTINUED)

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
— Internet data centers	2,495,633	2,220,689
— Office buildings	725,375	514,262
— Land use rights	581	491
Interest expense (included in finance expense)	549,020	562,344
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)	170,384	118,065
	3,940,993	3,415,851

The total cash outflows for leases (not including those for short-term leases which has been included as cash outflows from operating activities) in 2022 was approximately RMB3.4 billion (2021: RMB2.7 billion).

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS

The detailed information of intangible assets during the years ended December 31, 2022 and 2021 is as below:

	Goodwill (Note a) RMB'000	Licenses and copyrights RMB'000	Trademarks and domain name RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022						
Cost	844,957	589,432	9,840	111,734	10,370	1,566,333
Accumulated amortization and impairment	—	(320,042)	(5,386)	(60,560)	(8,591)	(394,579)
Net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754
Year ended December 31, 2022						
Opening net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754
Currency translation differences	—	150	375	—	—	525
Additions	—	71,931	6,075	12,116	—	90,122
Amortization charge	—	(111,025)	(2,216)	(25,584)	(909)	(139,734)
Closing net book amount	844,957	230,446	8,688	37,706	870	1,122,667
At December 31, 2022						
Cost	844,957	661,657	16,322	123,850	10,370	1,657,156
Accumulated amortization and impairment	—	(431,211)	(7,634)	(86,144)	(9,500)	(534,489)
Net book amount	844,957	230,446	8,688	37,706	870	1,122,667
At January 1, 2021						
Cost	836,972	535,043	6,515	88,150	8,670	1,475,350
Accumulated amortization and impairment	—	(178,089)	(3,368)	(39,593)	(6,512)	(227,562)
Net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788
Year ended December 31, 2021						
Opening net book amount	836,972	356,954	3,147	48,557	2,158	1,247,788
Additions	—	57,513	225	19,284	—	77,022
Disposals	—	(1,963)	—	—	—	(1,963)
Impairment charge	—	(4,499)	—	—	—	(4,499)
Amortization charge	—	(138,601)	(2,018)	(20,967)	(2,079)	(163,665)
Currency translation differences	—	(14)	—	—	—	(14)
Business combination	7,985	—	3,100	4,300	1,700	17,085
Closing net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754
At December 31, 2021						
Cost	844,957	589,432	9,840	111,734	10,370	1,566,333
Accumulated amortization and impairment	—	(320,042)	(5,386)	(60,560)	(8,591)	(394,579)
Net book amount	844,957	269,390	4,454	51,174	1,779	1,171,754

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (CONTINUED)

Note a: For the purpose of impairment test of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose. The Group has only one CGU according to its business operation during the year ended December 31, 2021. Since 2022, the Company started to operate and manage its businesses in two CGUs. Therefore, the Group has two CGUs for the year ended December 31, 2022. The management allocated all goodwill to its domestic CGU as the goodwill is only attributable to the domestic business.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2022 and 2021 according to IAS 36 "Impairment of assets". The Group conducted the annual impairment test on goodwill by comparing the recoverable amount to the carrying amount as of December 31, 2022 and 2021. The recoverable amount is determined based on the higher amount of value-in-use calculations and fair value less costs of disposal. As the recoverable amount was higher than the carrying amount, no impairment for the CGU was recorded.

Amortization expenses have been charged to the consolidated income statement as follow:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Cost of revenues	94,830	124,036
Selling and marketing expenses	694	275
Administrative expenses	28,463	28,997
Research and development expenses	15,747	10,357
	<u>139,734</u>	<u>163,665</u>

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

The detailed information of financial instruments by category as of December 31, 2022 and 2021 is as below:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Assets as per consolidated balance sheet		
Financial assets measured at fair value through profit or loss:		
— Investments in listed entities	93,680	176,903
— Investments in unlisted entities	2,876,372	2,844,187
— Wealth management products and others	13,743,135	9,121,736
Financial assets measured at amortized cost:		
— Trade receivables	6,287,770	4,450,092
— Prepayments, other receivables and other current assets (excluding prepaid promotion and advertising fees, recoverable VAT and other tax prepayments, rental prepayments, prepaid content cost and license fee and other prepayments)	1,234,239	524,831
— Other financial assets at amortized cost	1,395,785	—
— Other non-current assets	455,710	228,136
— Time deposits	16,188,078	7,825,420
— Restricted cash	58,771	2,415
— Cash and cash equivalents	13,274,269	32,612,419
Total	55,607,809	57,786,139
As of December 31,		
	2022	2021
	RMB'000	RMB'000
Liabilities as per consolidated balance sheet		
Financial liabilities measured at amortized cost:		
— Accounts payables	22,868,452	20,021,082
— Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,965,245	5,381,932
— Lease liabilities	12,195,490	13,608,685
Total	41,029,187	39,011,699

Notes to the Consolidated Financial Statements

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Investments in an associate accounted for using the equity method — Listed entity	268,355	1,411,141
	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	1,411,141	—
Addition	—	2,470,647
Share of loss	(138,683)	(86,658)
Other reserves (Note 25)	48,665	—
Currency translation differences	50,024	(50,815)
Dilution loss (Note 8)	(96,901)	—
Impairment provision (Note 8)	(1,005,891)	(922,033)
At the end of the year	268,355	1,411,141

An investment previously accounted as a financial asset at fair value through profit or loss completed initial public offering on the New York Stock Exchange at the end of March 2021, following which the investment was converted into investments accounted for using the equity method due to (i) the conversion of the Group's investment in its convertible redeemable preferred shares into ordinary shares upon its initial public offering, (ii) the Group exercises significant influence over the investment through the board representation.

The Group performed impairment testing on the investment with impairment indicators, including but not limited to market capitalization, financial position and business performance. The recoverable amount of the investment is determined with reference to the higher of fair value less cost of disposal and value in use. In respect of the amount using value in use, significant estimates on assumptions, such as the forecast of the investment's future performance and the discount rate are made. In respect of amount based on fair value less cost of disposal, it was calculated by observable prices in the active market, which is level 1 in the valuation methods. For the year ended December 31, 2022, the Group has recognized an aggregate impairment provision of approximately RMB1.0 billion (2021: RMB922.0 million), where the recoverable amount was determined using fair value less costs of disposal.

Notes to the Consolidated Financial Statements

20 INVESTMENTS

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,876,372	2,844,187
— Investment in a listed entity	77,683	146,165
— Wealth management products and others	671,688	310,271
	<u>3,625,743</u>	<u>3,300,623</u>
Other financial assets at amortized cost (Note a)	669,655	—
	<u>4,295,398</u>	<u>3,300,623</u>
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	15,997	30,738
— Wealth management products and others	13,071,447	8,811,465
	<u>13,087,444</u>	<u>8,842,203</u>
Other financial assets at amortized cost (Note a)	726,130	—
	<u>13,813,574</u>	<u>8,842,203</u>
Total	<u><u>18,108,972</u></u>	<u><u>12,142,826</u></u>

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	12,142,826	7,533,763
Additions	44,111,326	73,569,288
Disposals	(39,956,116)	(67,426,383)
Transfer to investments accounted for using the equity method (Note 19)	—	(2,470,647)
Change in fair value through profit or loss	(300,627)	1,045,725
Deemed disposal due to business combination	—	(6,959)
Currency translation differences	715,778	(101,961)
	<u>16,713,187</u>	<u>12,142,826</u>
At the end of the year	<u><u>16,713,187</u></u>	<u><u>12,142,826</u></u>

Notes to the Consolidated Financial Statements

20 INVESTMENTS (CONTINUED)

Note a: Investments measured at amortized cost are mainly debt securities in USD, which are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is recorded in other income using the effective interest rate method. None of these investments are past due.

21 TRADE RECEIVABLES

The detailed information of trade receivables as of December 31, 2022 and 2021 is as below:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers	6,333,247	4,476,135
Less: credit loss allowances	(45,477)	(26,043)
	<u>6,287,770</u>	<u>4,450,092</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,	
	2022 RMB'000	2021 RMB'000
Up to 3 months	5,790,707	4,358,887
3 to 6 months	542,540	117,248
	<u>6,333,247</u>	<u>4,476,135</u>

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	(26,043)	(16,082)
Additional provision	(19,434)	(9,961)
At the end of the year	<u>(45,477)</u>	<u>(26,043)</u>

Notes to the Consolidated Financial Statements

22 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The detailed information of prepayments, other receivables and other current assets as of December 31, 2022 and 2021 is as below:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Recoverable VAT and other tax prepayments	2,045,958	1,347,416
Receivables from third parties	825,561	179,515
Prepaid promotion and advertising fees	458,061	591,975
Deposit	215,334	177,095
Prepaid content cost and license fee	163,713	660,407
Rental prepayments	49,902	55,905
Loan receivables	—	16,933
Others	369,211	272,870
	4,127,740	3,302,116
Less: credit loss allowances	(21,538)	(23,798)
	4,106,202	3,278,318

23 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Cash at bank and held in other financial institutions	10,830,533	27,511,859
Time deposits with initial terms within three months	2,443,736	5,100,560
	13,274,269	32,612,419

Notes to the Consolidated Financial Statements

23 CASH AND BANK BALANCES (CONTINUED)

(a) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
RMB	8,889,432	15,441,937
USD	3,745,692	15,377,699
HKD	559,775	1,761,064
Others	79,370	31,719
	13,274,269	32,612,419

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2022 was 4.89% (2021: 0.57%) per annum.

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
RMB	56,199	—
USD	2,572	2,415
	58,771	2,415

Notes to the Consolidated Financial Statements

23 CASH AND BANK BALANCES (CONTINUED)

(c) Time deposits

Time deposits are denominated in the following currencies:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
RMB	7,870,000	4,000,000
USD	7,754,137	3,825,420
HKD	563,941	—
	16,188,078	7,825,420

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2022 were in the range of 1.30% to 5.58% (2021: 0.78% to 3.85%) per annum.

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL

Authorized:

As of December 31, 2022 and 2021, the authorized share capital of the Company comprises 9,433,962,264 ordinary shares with par value of US\$0.0000053 per share.

Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
At January 1, 2021	930,672	5	30	—
Issuance relating to initial public offering (Note a)	415,956	2	14	39,220,652
Conversion of preferred shares to ordinary shares	2,449,157	12	84	235,084,462
Shares issued upon initial public offering from Share Incentive Plan	341,694	2	12	65,300
Exercise of share options and vesting of RSUs	67,789	—	2	37,382
At December 31, 2021	4,205,268	21	142	274,407,796
Exercise of share options and vesting of RSUs	88,981	—	3	65,378
At December 31, 2022	4,294,249	21	145	274,473,174

Note a: In February 2021, the Company completed its IPO of 365,218,600 shares at HK\$115 per share on the Main Board of The Stock Exchange of Hong Kong Limited and the underwriters of the Global Offering fully exercised the over-allotment option of an aggregate of 54,782,700 shares, among which 50,737,300 shares were newly allotted and issued by the Company. The issuance of ordinary shares relating to IPO, net of underwriting commissions and other issuance costs amounting to RMB681.8 million, led to an increase of share capital and share premium by RMB14.0 thousand and RMB39,220.7 million, respectively.

Notes to the Consolidated Financial Statements

25 OTHER RESERVES

The following table shows a breakdown of the balance sheet line item “other reserves” and the movements in these reserves during the years.

	Capital reserve RMB'000	Share- based compensation RMB'000	Currency translation differences (Note a) RMB'000	Statutory surplus reserve (Note b) RMB'000	Investments in associates RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	(364,069)	11,538,214	9,532,388	240,051	—	(92,910)	20,853,674
Share-based compensation	—	6,249,115	—	—	—	—	6,249,115
Exercise of share options and vesting of RSUs	(264)	—	—	—	—	—	(264)
Currency translation differences	—	—	2,068,164	—	—	—	2,068,164
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	366	—	366
Share of other changes in net assets of investments accounted for using the equity method	—	—	—	—	48,299	—	48,299
Appropriations to statutory reserves	—	—	—	19,616	—	—	19,616
At December 31, 2022	(364,333)	17,787,329	11,600,552	259,667	48,665	(92,910)	29,238,970
At January 1, 2021	(315,966)	3,707,965	8,509,584	202,971	—	(92,910)	12,011,644
Share-based compensation	—	7,830,249	—	—	—	—	7,830,249
Shares issued upon initial public offering from Share Incentive Plan	(46,105)	—	—	—	—	—	(46,105)
Currency translation differences	—	—	1,022,804	—	—	—	1,022,804
Appropriations to statutory reserves	—	—	—	37,080	—	—	37,080
Transfer of equity interests of a subsidiary to non-controlling interests	(1,998)	—	—	—	—	—	(1,998)
At December 31, 2021	(364,069)	11,538,214	9,532,388	240,051	—	(92,910)	20,853,674

Note a: Currency translation differences represent the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.

Note b: In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserve fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

Notes to the Consolidated Financial Statements

26 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2022 (2021: Nil).

27 SHARE-BASED COMPENSATION

On December 22, 2014, the board of directors of the Company approved the establishment of Pre-IPO ESOP Plan with the purpose of attracting, motivating, retaining and rewarding certain employees, directors and other eligible persons. Pre-IPO ESOP Plan is valid and effective for 10 years from the approval of the board of directors. The maximum number of shares that may be issued under Pre-IPO ESOP Plan shall be 312,661,648 of ordinary shares. In February 2015, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 509,616,655 ordinary shares. In February 2018, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 711,946,697 ordinary shares. Pre-IPO ESOP Plan permits the awards of options.

The Post-IPO Share Option Scheme and RSU Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021 to recognize and reward eligible persons for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them. The Post-IPO Share Option Scheme and RSU Scheme commenced on February 5, 2021. Post-IPO Share Option Scheme will be expired on the tenth anniversary of the commencement date. Subject to any early termination as may be determined by the Board and Shareholders pursuant to the Post-IPO RSU Scheme, the Post-IPO RSU Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption.

Pre-IPO ESOP Plan

Share options granted to employees

The majority of share options have graded vesting terms, and will be vested from the grant date over 4 years on the condition that employees remain in service without any performance requirements.

The options may be exercised at any time after the IPO of the Company provided the options have vested and subject to the terms of the award agreement. The options are exercisable for a maximum period of 10 years after the date of grant.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Share options granted to employees (Continued)

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2022	180,750,210	2.63
Forfeited during the year	(37,296,860)	9.28
Exercised during the year	(55,332,598)	0.06
Outstanding as of December 31, 2022	<u>88,120,752</u>	<u>1.43</u>
Exercisable as of December 31, 2022	<u>50,193,544</u>	<u>2.21</u>
	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2021	204,769,081	0.16
Granted during the year	58,271,509	8.34
Forfeited during the year	(15,669,192)	2.36
Exercised during the year	(66,621,188)	0.09
Outstanding as of December 31, 2021	<u>180,750,210</u>	<u>2.63</u>
Exercisable as of December 31, 2021	<u>68,553,626</u>	<u>0.13</u>

The weighted average remaining contract life for outstanding share options was 6.95 years as of December 31, 2022 (2021: 7.80 years). The weighted average price of the shares at the time these options were exercised was HKD72.89 per share during the year ended December 31, 2022.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Fair value of share options

Before the IPO, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31, 2021
Fair value of ordinary shares (<i>USD</i>)	14.83
Exercise price (<i>USD</i>)	0.04-16.66
Risk-free interest rate	0.81%-0.82%
Dividend yield	0.00%
Expected volatility	58.10%-58.20%
Expected terms	10 years

The risk-free interest rate is based on the yield to maturity of Hong Kong government bond with a term commensurate with the maturity of the share options as of the grant date. The expected volatility is estimated based on the historical daily share price volatility of comparable companies with a time horizon close to the life to expiration of the share options. Dividend yield is based on management's estimation at the grant date.

The weighted average grant date fair value of granted share options was US\$10.81 per share for the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme

Share options granted to employees

The share options have graded vesting terms, and will be vested from the grant date up to 4 years on the condition that employees remain in service without any performance requirements.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2022	—	—
Granted during the year	87,009,787	8.61
Forfeited during the year	(2,866,723)	7.94
Exercised during the year	(711,506)	7.94
Outstanding as of December 31, 2022	<u>83,431,558</u>	<u>8.64</u>
Exercisable as of December 31, 2022	<u>11,457,210</u>	<u>8.25</u>

The weighted average remaining contract life for outstanding share options was 4.74 years as of December 31, 2022. The weighted average price of the shares at the time these options were exercised was HKD75.52 per share during the year ended December 31, 2022.

Fair value of share options

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31, 2022
Fair value of ordinary shares (USD)	5.55-10.95
Exercise price (USD)	6.22-11.15
Risk-free interest rate	1.63%-4.07%
Dividend yield	0.00%
Expected volatility	59.2%-69.3%
Expected terms	4-7 years

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme (Continued)

Fair value of share options (Continued)

The risk-free interest rate is based on the yield to maturity of Hong Kong government bond with a term commensurate with the maturity of the share options as of the grant date. Given the limited trading period of the Company as of the grant date, the expected volatility is estimated based on the historical daily share price volatility of comparable companies and the Company itself with a time horizon close to the life to expiration of the share options. Dividend yield is based on management's estimation at the grant date.

The weighted average grant date fair value of granted share options was US\$4.10 per share for the year ended December 31, 2022.

Post-IPO RSU Scheme

RSUs granted to employees

Movements in the number of RSUs granted to the Company's employees under the Post-IPO RSU Scheme and the respective weighted average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU USD
Outstanding as of January 1, 2022	87,006,507	19.41
Granted during the year	80,389,196	7.52
Forfeited during the year	(13,903,817)	17.53
Vested during the year	(24,931,669)	20.35
Outstanding as of December 31, 2022	128,560,217	12.00

Notes to the Consolidated Financial Statements

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO RSU Scheme (Continued)

RSUs granted to employees (Continued)

	Number of RSUs	Weighted average grant date fair value per RSU USD
Outstanding as of January 1, 2021	—	—
Granted during the year	94,610,922	20.08
Forfeited during the year	(6,435,090)	24.39
Vested during the year	<u>(1,169,325)</u>	<u>45.87</u>
Outstanding as of December 31, 2021	<u><u>87,006,507</u></u>	<u><u>19.41</u></u>

The fair value of each RSU was determined by reference to the market price of the Company's shares at the respective grant date.

The share-based compensation expenses of RMB6.2 billion and RMB7.8 billion were recognised in the consolidated income statement for the years ended December 31, 2022 and 2021, respectively.

28 ACCOUNTS PAYABLES

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

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Up to 3 months	17,311,817	16,173,978
3 to 6 months	1,457,563	2,347,408
6 months to 1 year	3,358,136	1,145,454
Over 1 year	<u>740,936</u>	<u>354,242</u>
	<u><u>22,868,452</u></u>	<u><u>20,021,082</u></u>

Notes to the Consolidated Financial Statements

29 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals are as follows:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Refundable deposits from customers	4,542,309	3,251,069
Employee benefit payables	3,354,749	2,993,926
Collection on behalf of others	615,045	1,873,310
Notes payable (Note a)	738,454	—
Other taxes payable	869,558	747,509
Others	69,437	257,553
	10,189,552	9,123,367

Note a: The notes payable are issued to settle part of trade payables, repayable within one year, without collateral.

30 ADVANCES FROM CUSTOMERS

The breakdown of advances from customers are as follows:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Advances from online marketing services customers	1,623,294	1,795,887
Advances from live streaming customers	1,589,729	1,683,750
Others	27,379	23,005
	3,240,402	3,502,642

The above mentioned advances from customers mainly represented the contract liability in connection with the advanced cash receipts for online marketing services and advances for purchase of virtual items and other services. Revenue recognized from the advances from customers balance as of January 1, 2022 in the year of 2022 was RMB1.9 billion (2021: RMB2.3 billion was recognized from the advances from customers balance as of January 1, 2021).

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities before offsetting, the offsetting amount, as well as the deferred tax assets and liabilities after offsetting are as follows:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Deferred tax assets:		
To be recovered after 12 months	3,448,745	3,076,056
To be recovered within 12 months	1,673,205	2,364,813
	<u>5,121,950</u>	<u>5,440,869</u>
Deferred tax liabilities:		
To be settled after 12 months	44,780	58,991
To be settled within 12 months	5,110	5,131
	<u>49,890</u>	<u>64,122</u>
Offsetting amounts	26,544	35,645
Deferred tax assets after offsetting	<u>5,095,406</u>	<u>5,405,224</u>
Deferred tax liabilities after offsetting	<u>23,346</u>	<u>28,477</u>

The amounts of the deferred tax assets before offsetting are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	5,440,869	2,342,071
(Debited)/credited to the consolidated income statement	(318,919)	3,098,798
At the end of the year	<u>5,121,950</u>	<u>5,440,869</u>

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX (CONTINUED)

The amounts of the deferred tax liabilities before offsetting are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	64,122	60,371
Business combination	—	2,275
(Credited)/debited to the consolidated income statement	(14,232)	1,476
At the end of the year	49,890	64,122

Deferred tax assets:

	Accrued liabilities and provisions RMB'000	Tax losses RMB'000	Fair value changes of financial assets RMB'000	Credit loss allowance RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	3,989,248	1,296,142	59,867	12,866	82,746	5,440,869
(Debited)/credited to the consolidated income statement	(630,045)	251,804	25,095	7,355	26,872	(318,919)
At December 31, 2022	3,359,203	1,547,946	84,962	20,221	109,618	5,121,950
At January 1, 2021	1,926,170	334,951	48,413	6,462	26,075	2,342,071
Credited to the consolidated income statement	<u>2,063,078</u>	<u>961,191</u>	<u>11,454</u>	<u>6,404</u>	<u>56,671</u>	<u>3,098,798</u>
At December 31, 2021	3,989,248	1,296,142	59,867	12,866	82,746	5,440,869

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX (CONTINUED)

The unrecognized deferred tax assets for tax losses as of December 31, 2022 and 2021 are as the table below:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Deductible cumulative tax losses		
— To be carried forward indefinitely	17,975,052	14,095,524
— To be expired within following years*	15,850,642	3,191,005
	<u>33,825,694</u>	<u>17,286,529</u>
Unrecognized deferred tax assets:	<u>5,658,982</u>	<u>3,009,670</u>

Note*: As of December 31, 2022, the deductible cumulative tax losses will expire within 15 years (2021: 15 years).

Deferred tax liabilities:

	Fair value changes of financial assets RMB'000	Business combination RMB'000	Others RMB'000	Total RMB'000
At January 1, 2022	34,306	28,477	1,339	64,122
Credited to the consolidated income statement	(9,093)	(5,131)	(8)	(14,232)
At December 31, 2022	<u>25,213</u>	<u>23,346</u>	<u>1,331</u>	<u>49,890</u>
At January 1, 2021	27,713	31,602	1,056	60,371
Business combination	—	2,275	—	2,275
Debited/(credited) to the consolidated income statement	6,593	(5,400)	283	1,476
At December 31, 2021	<u>34,306</u>	<u>28,477</u>	<u>1,339</u>	<u>64,122</u>

Notes to the Consolidated Financial Statements

32 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Loss before income tax	(12,531,061)	(79,102,256)
Adjustments for:		
Depreciation of property and equipment	3,212,104	3,985,910
Depreciation of right-of-use assets	3,221,589	2,735,442
Amortization of intangible assets	139,734	163,665
Credit loss allowances on financial assets	34,917	27,550
Impairment provision for investments	1,005,891	922,033
Dilution loss on investments accounted for using the equity method	96,901	—
Impairment charge on intangible assets	—	4,499
Share-based compensation expenses	6,249,115	7,830,249
Net losses on disposal of property and equipment, intangible assets and right-of-use assets	8,301	43,373
Fair value changes of convertible redeemable preferred shares	—	51,275,797
Net fair value losses/(gains) on financial assets at fair value through profit or loss	300,627	(1,045,725)
Share of losses of investments accounted for using the equity method	138,683	86,658
Dividends received	(1,587)	(287)
Interest income from financial assets measured at amortized cost	(20,199)	—
Finance expense, net	132,308	428,581
Net foreign exchange (gains)/losses	(32,794)	90,773
Changes in working capital:		
— Increase in trade receivables	(1,852,865)	(2,032,014)
— Increase in prepayments, other receivables and other assets	(557,305)	(907,220)
— (Increase)/decrease in restricted cash	(2,960)	1,366
— Increase in accounts payables	2,246,214	7,964,398
— (Decrease)/increase in advances from customers	(338,058)	125,216
— Increase in other payables and accruals	1,736,490	3,376,942
— Increase in other non-current liabilities	2,431	2,496
Cash generated from/(used in) operations	3,188,476	(4,022,554)

Notes to the Consolidated Financial Statements

32 CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in accounts payable related to property and equipment and intangible assets addition described in Note 15 and Note 17, the additions as well as modifications of right-of-use assets and lease liabilities described in Note 16, the share-based compensation described in Note 27, the payments with notes payable described in Note 29 and Note 32(c). Other than these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2022 and 2021.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities		
	Notes payable RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2022	—	13,608,685	13,608,685
Financing cash flows			
— Payments for principal elements of lease and related interests	—	(3,360,129)	(3,360,129)
— Settlement to notes payable	(1,171,044)	—	(1,171,044)
Other changes			
— Payment with notes payable	1,909,498	(25,873)	1,883,625
— Increase in lease liabilities from entering into new leases	—	1,233,972	1,233,972
— Decrease in lease liabilities from disposal of right-of-use assets	—	(874,922)	(874,922)
— Lease modification	—	1,064,737	1,064,737
— Interest on lease liabilities	—	549,020	549,020
Liabilities from financing activities as of December 31, 2022	738,454	12,195,490	12,933,944

Notes to the Consolidated Financial Statements

32 CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities		Total RMB'000
	Convertible redeemable preferred shares RMB'000	Lease liabilities RMB'000	
Liabilities from financing activities as of January 1, 2021	185,372,816	5,707,401	191,080,217
Financing cash flows			
— Payments for principal elements of lease and related interests	—	(2,747,937)	(2,747,937)
Other changes			
— Conversion into ordinary shares	(235,084,546)	—	(235,084,546)
— Fair value changes of convertible redeemable preferred shares	51,275,797	—	51,275,797
— Currency translation differences	(1,564,067)	—	(1,564,067)
— Increase in lease liabilities from entering into new leases	—	10,405,676	10,405,676
— Lease modification	—	(318,799)	(318,799)
— Interest on lease liabilities	—	562,344	562,344
	<u>—</u>	<u>13,608,685</u>	<u>13,608,685</u>
Liabilities from financing activities as of December 31, 2021	<u>—</u>	<u>13,608,685</u>	<u>13,608,685</u>

Notes to the Consolidated Financial Statements

33 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Intangible assets	13,651	41,448
Property and equipment	542,662	420,156
Investments	222,938	326,779
	779,251	788,383

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions with the Group during the years ended December 31, 2022 and 2021, and/or balances with the Group as of December 31, 2022 and 2021, respectively.

Company	Relationship
Tencent Holdings Limited and its subsidiaries	One of the Company's shareholders
Hangzhou Mockuai Technology Co., Ltd. and its subsidiaries	Investee of the Group
Zhihu Technology Limited and its subsidiaries	Investee of the Group
SHAREit Technology Holdings Inc. and its subsidiaries	Investee of the Group
Yixin Youxuan Information Technology (Shandong) Group Co., Ltd. and its subsidiaries	Investee of the Group

Notes to the Consolidated Financial Statements

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
(i) Sales of services		
Investees of the Group	195,780	204,720
One of the Company's shareholders	56,108	88,047
	<u>251,888</u>	<u>292,767</u>
	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
(ii) Purchases of services		
Investees of the Group	52,670	34,921
One of the Company's shareholders	4,145,509	5,238,205
	<u>4,198,179</u>	<u>5,273,126</u>

(c) Balances with related parties

	As of December 31,	
	2022 RMB'000	2021 RMB'000
(i) Prepayments and other receivables from related parties		
One of the Company's shareholders	153,977	273,999
	<u>153,977</u>	<u>273,999</u>

Notes to the Consolidated Financial Statements

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

	As of December 31,	
	2022 RMB'000	2021 RMB'000
(ii) Trade receivables from related parties		
Investees of the Group	21,874	3,109
One of the Company's shareholders	21,146	13,188
	<u>43,020</u>	<u>16,297</u>
	As of December 31,	
	2022 RMB'000	2021 RMB'000
(iii) Accounts payables to related parties		
Investees of the Group	7,043	9,606
One of the Company's shareholders	1,017,409	1,791,286
	<u>1,024,452</u>	<u>1,800,892</u>
	As of December 31,	
	2022 RMB'000	2021 RMB'000
(iv) Advances from related parties		
Investees of the Group	23,369	9,173
One of the Company's shareholders	9,745	9,009
	<u>33,114</u>	<u>18,182</u>

All the balances with related parties above were business operation related and were considered as trade in nature as of December 31, 2022 and 2021. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Wages and salaries	17,674	12,302
Discretionary bonuses	14,718	11,525
Share-based compensation expenses (Note a)	223,532	17,486
Pension costs-defined contribution plans	238	210
Other social security costs, housing benefits and other employee benefits	333	308
	<u>256,495</u>	<u>41,831</u>

Note a: Under IFRS 2, the accelerated method is required to recognize compensation expenses for equity awards. For the share-based compensation expenses of key management personnel in 2022, RMB148.0 million were related to share options, of which approximately 70% was attributable to share options with the exercise price above HK\$75.

35 CONTINGENCIES

As of December 31, 2022 and 2021, the Group did not have any material contingent liabilities.

36 SUBSEQUENT EVENTS

There was no material subsequent events during the period from December 31, 2022 to the approval date of these consolidated financial statements by the Board on March 29, 2023.

Notes to the Consolidated Financial Statements

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	As of December 31,	
		2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		18,001,572	11,538,221
Prepayments, other receivables and other non-current assets		23,628,914	—
		<u>41,630,486</u>	<u>11,538,221</u>
Current assets			
Prepayments, other receivables and other current assets		50,594,712	63,830,123
Cash and cash equivalents		7,879	6,158,772
		<u>50,602,591</u>	<u>69,988,895</u>
Total assets		<u><u>92,233,077</u></u>	<u><u>81,527,116</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	145	142
Share premium	24,37(b)	274,473,174	274,407,796
Other reserves	37(b)	31,988,849	19,380,954
Accumulated losses	37(b)	(214,242,603)	(212,278,843)
Total equity		<u><u>92,219,565</u></u>	<u><u>81,510,049</u></u>
LIABILITIES			
Current liabilities			
Accounts payables		10,039	11,894
Other payables and accruals		3,473	5,173
		<u>13,512</u>	<u>17,067</u>
Total liabilities		<u><u>13,512</u></u>	<u><u>17,067</u></u>
Total equity and liabilities		<u><u>92,233,077</u></u>	<u><u>81,527,116</u></u>

SU Hua
Director

CHENG Yixiao
Director

Notes to the Consolidated Financial Statements

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based compensation RMB'000	Currency translation differences RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022	274,407,796	11,538,214	8,297,721	(362,071)	(212,278,843)	(92,910)	81,509,907
Share-based compensation	—	6,249,115	—	—	—	—	6,249,115
Exercise of share options and vesting of RSUs	65,378	—	—	(264)	—	—	65,114
Currency translation differences	—	—	6,359,044	—	—	—	6,359,044
Loss for the year	—	—	—	—	(1,963,760)	—	(1,963,760)
As of December 31, 2022	274,473,174	17,787,329	14,656,765	(362,335)	(214,242,603)	(92,910)	92,219,420
As of January 1, 2021	—	3,707,965	8,015,161	(315,966)	(161,389,396)	(92,910)	(150,075,146)
Share-based compensation	—	7,830,249	—	—	—	—	7,830,249
Issuance relating to initial public offering	39,220,652	—	—	—	—	—	39,220,652
Shares issued upon initial public offering from Share Incentive Plan	65,300	—	—	(46,105)	—	—	19,195
Exercise of share options and vesting of RSUs	37,382	—	—	—	—	—	37,382
Conversion of preferred shares to ordinary shares	235,084,462	—	—	—	—	—	235,084,462
Currency translation differences	—	—	282,560	—	—	—	282,560
Loss for the year	—	—	—	—	(50,889,447)	—	(50,889,447)
As of December 31, 2021	274,407,796	11,538,214	8,297,721	(362,071)	(212,278,843)	(92,910)	81,509,907

Definitions

In this annual report, unless the context otherwise requires the following expressions have the following meanings.

“AI”	artificial intelligence
“AGM”	the 2023 annual general meeting of the Company to be held on Friday, June 16, 2023 at 3:00 p.m. or any adjournment thereof
“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 18, 2021, which has become effective on the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Beijing Hanyu”	Beijing Hanyu Internet Technology Co., Ltd. (北京瀚宇互聯科技有限公司), a limited liability company incorporated under the laws of the PRC on December 12, 2017 and our Consolidated Affiliated Entity
“Beijing Kuaishou”	Beijing Kuaishou Technology Co., Ltd. (北京快手科技有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2015 and our Consolidated Affiliated Entity
“Beijing Kuaishou Ads”	Beijing Kuaishou Ads Co., Ltd. (北京快手廣告有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2016 and an indirect wholly-owned subsidiary of the Company
“Beijing Mufei”	Beijing Mufei Technology Co., Ltd. (北京慕飛科技有限公司), a limited liability company incorporated under the laws of the PRC on November 7, 2019 and our Consolidated Affiliated Entity
“Beijing Murong”	Beijing Murong Technology Co., Ltd. (北京沐榕科技有限責任公司), a limited liability company incorporated under the laws of the PRC on May 8, 2019 and our Consolidated Affiliated Entity
“Beijing One Smile”	Beijing One Smile Technology and Development Co., Ltd. (北京一笑科技發展有限公司), a limited liability company incorporated under the laws of the PRC on November 29, 2011 and our Consolidated Affiliated Entity
“Beijing Qingque”	Beijing Qingque Technology Co., Ltd. (北京輕雀科技有限公司), a limited liability company incorporated under the laws of the PRC on August 5, 2020 and our Consolidated Affiliated Entity

Definitions

“Beijing Zhongbo Keyuan”	Beijing Zhongbo Keyuan Technology Co., Ltd. (北京中博科遠科技有限公司), a limited liability company incorporated under the laws of the PRC on June 20, 2017 and our Consolidated Affiliated Entity
“Board” or “Board of Directors”	our board of Directors
“BVI”	the British Virgin Islands
“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 Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the PRC Holdcos and their respective subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into between WFOE, PRC Holdcos and the Registered Shareholders (as applicable)
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua, Mr. CHENG Yixiao, Reach Best and Ke Yong
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

Definitions

“Corporate Governance Committee”	the corporate governance committee of the Board
“COVID-19”	coronavirus disease 2019
“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
“ESG Reporting Guide”	the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules
“Fortune One”	Fortune One Ventures Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. YIN Xin
“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 the 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
“Guizhou Fankuai”	Guizhou Fankuai Culture Communication Co., Ltd. (貴州省梵快文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on March 5, 2019 and our Consolidated Affiliated Entity
“Guizhou Fanxin Lingzhi”	Guizhou Fanxin Lingzhi Information Technology Co., Ltd. (貴州省梵心靈指信息技術有限公司), a limited liability company incorporated under the laws of the PRC on March 5, 2019 and our Consolidated Affiliated Entity
“Hangzhou Youqu”	Hangzhou Youqu Network Co., Ltd. (杭州遊趣網絡有限公司), a limited liability company incorporated under the laws of the PRC on July 7, 2008 and our Consolidated Affiliated Entity

Definitions

“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange” or “HKEX”	The Stock Exchange of Hong Kong Limited
“Huai’an Shuangxin”	Huai’an Shuangxin Culture Communication Co., Ltd. (淮安雙馨文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on August 7, 2020 and our Consolidated Affiliated Entity
“Huankuai Technology”	Beijing Huankuai Technology Co., Ltd. (北京歡快科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
“Huayi Huilong”	Beijing Huayi Huilong Network Technology Co., Ltd. (北京華藝匯龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2006 and our Consolidated Affiliated Entity
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Group or its connected persons
“Jovial Star”	Jovial Star Global Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. YANG Yuanxi
“Ke Yong”	Ke Yong Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. CHENG Yixiao
“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

Definitions

“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”	April 14, 2023, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
“Listing”	the listing of our Class B Shares on the Main Board of the Stock Exchange
“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” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on January 18, 2021, which has become effective on the Listing Date
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which refers to the number of user accounts that purchase a particular service at least once in a given month
“Nomination Committee”	the nomination committee of the Board
“paying user”	a user account that purchases a particular service at least once during a given period
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by our Company on January 18, 2021

Definitions

“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by our Company on January 18, 2021
“PRC” or “China”	the People’s Republic of China, but for the purposes of this annual report only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Holdcos”	(i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, (iv) Beijing Mufei, (v) Beijing Hanyu, (vi) Beijing Murong, (vii) Guizhou Fankuai, (viii) Beijing Zhongbo Keyuan, (ix) Guizhou Fanxin Lingzhi, (x) Huai’an Shuangxin, (xi) Beijing Qingque, (xii) Yunshitai Beijing, and (xiii) Shandong Yixiang
“Pre-IPO ESOP”	the pre-IPO employee incentive scheme adopted by the Company dated February 6, 2018 as amended from time to time
“Prospectus”	the prospectus of the Company dated January 26, 2021
“Reach Best”	Reach Best Developments Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. SU Hua
“Remuneration Committee”	the remuneration committee of the Board
“repeat purchase rate”	the percentage of purchasing users in a given month that also make a purchase in the following month
“Reporting Period”	the year ended December 31, 2022
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of our 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 our auditors, and (iv) the voluntary liquidation or winding-up of our Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“ROI”	return on investment
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

Definitions

“Shandong Yixiang”	Shandong Yixiang Culture Communication Co., Ltd. (山東翼想文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on February 20, 2021 and our Consolidated Affiliated Entity
“Shareholder(s)”	holder(s) of our Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of our Company, as the context so requires
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VIE” or “VIEs”	variable interest entity or variable interest entities
“WFOE” or “Beijing Dajia”	Beijing Dajia Internet Information Technology Co., Ltd. (北京達佳互聯信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 2, 2014 and our indirect wholly-owned subsidiary
“WVR” or “weighted voting right”	has the meaning ascribed to it in the Listing Rules
“WVR Beneficiaries”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua and Mr. CHENG Yixiao, being the holders of the Class A Shares, entitling each to weighted voting rights
“Yunshitai Beijing”	Yunshitai (Beijing) Network Technology Co., Ltd. (雲什泰(北京)網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on May 27, 2016 and our Consolidated Affiliated Entity
“%”	per cent

Definitions

Notes:

1. In this annual report, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.
2. Certain amounts and percentage figures included in this annual report have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.
3. Unless otherwise indicated, DAUs and MAUs refer to Kuaishou App’s DAUs and MAUs respectively.
4. This annual report is printed in both Chinese and English languages. Should there be any discrepancy between the English language and the Chinese language, the English language shall prevail.
5. Certain statements included in this annual report, 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 were based on information currently available to the Group and were stated herein on the basis of the outlook at the time of this annual report. 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 annual report 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 annual report or those that might reflect the occurrence of unanticipated events.



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