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Kuaishou Technology 快手科技

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock Code: 1024)

RESULTS ANNOUNCEMENT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three and six months ended June 30, 2021. These interim results have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “Auditor”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. The interim results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Unaudited Three Months Ended June 30,		Unaudited Three Months Ended June 30,		Year-over- year change
	2021	2020	2021	2020	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
Revenues	19,138,826	100.0	12,862,774	100.0	48.8%
Gross profit	8,384,747	43.8	4,436,010	34.5	89.0%
Operating loss	(7,215,379)	(37.7)	(2,540,095)	(19.7)	184.1%
Loss before income tax	(7,228,282)	(37.7)	(37,892,117)	(294.6)	(80.9%)
Loss for the period	(7,036,411)	(36.7)	(37,599,258)	(292.3)	(81.3%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(4,770,467)	(24.9)	(1,937,724)	(15.1)	146.2%
Adjusted EBITDA ⁽²⁾	(3,314,173)	(17.3)	(1,150,794)	(8.9)	188.0%

Unaudited
Six Months Ended June 30,
2021 **2020**

	Amount	As a percentage of revenues <i>(RMB thousands, except for percentages)</i>	Amount	As a percentage of revenues	Year-over- year change
Revenues	36,158,276	100.0	25,320,906	100.0	42.8%
Gross profit	15,372,542	42.5	8,694,459	34.3	76.8%
Operating loss	(14,507,521)	(40.1)	(7,565,893)	(29.9)	91.7%
Loss before income tax	(65,813,436)	(182.0)	(68,810,174)	(271.8)	(4.4%)
Loss for the period	(64,787,462)	(179.2)	(68,091,207)	(268.9)	(4.9%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(9,688,509)	(26.8)	(6,282,527)	(24.8)	54.2%
Adjusted EBITDA ⁽²⁾	(7,510,798)	(20.8)	(4,869,205)	(19.2)	54.3%

Notes:

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

Operating Metrics

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

	Three Months Ended June 30,	
	2021	2020
Average DAUs <i>(in millions)</i>	293.2	262.1
Average MAUs <i>(in millions)</i>	506.2	474.3
Average daily time spent per DAU <i>(in minutes)</i>	106.9	85.4
Average online marketing services revenue per DAU <i>(in RMB)</i>	34.0	14.8
Total e-commerce GMV ⁽¹⁾ <i>(in RMB millions)</i>	145,397.8	72,524.2

	Six Months Ended June 30,	
	2021	2020
Average DAUs (<i>in millions</i>)	294.3	257.7
Average MAUs (<i>in millions</i>)	513.0	484.6
Average daily time spent per DAU (<i>in minutes</i>)	103.1	85.3
Average online marketing services revenue per DAU (<i>in RMB</i>)	62.9	27.8
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	263,957.2	109,601.7

Note:

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

BUSINESS REVIEW AND OUTLOOK

As a leading content community and social platform with hundreds of millions of daily active users, we, Kuaishou, are well-positioned to continue cultivating a vibrant, trust-based ecosystem, while bolstering our monetization capabilities through better management of our massive traffic, and further strengthening our value proposition for our users and customers.

Amid consistent improvements to the experience for users as well as service capability of advertisers and merchants, and efforts to empower them with our unique content and ecosystem, we achieved total revenues of RMB19.1 billion in the second quarter of 2021, representing a year-over-year increase of 48.8% which outpaced the 36.6% year-over-year increase in the first quarter of 2021. Revenues from online marketing services grew by 156.2% year-over-year to RMB10.0 billion in the second quarter of 2021, contributing over 50% of our total revenues once again. Revenues from other services including e-commerce increased by 212.9% year-over-year to RMB2.0 billion in the second quarter of 2021.

Ecosystem

Driven by our investments to continuously iterate traffic distribution algorithms and to enhance social trust and enrich content ecosystem, we further increased user engagement and user activeness on our platform. This helped propel the average daily time spent per DAU on Kuaishou App to reach 106.9 minutes in the second quarter of 2021, increasing by 7.7% quarter-over-quarter and 25.2% year-over-year. Leveraging the growing public domain traffic on our platform, we have continuously optimized our algorithms by deepening our insights and understanding of user behaviors and preferences in content consumption as well as the evolving user needs, which allows us to continuously improve our distribution algorithms, leading to further optimized user experience.

Besides improvements in user engagement, we also achieved solid results in promoting user activeness. Through the improved efficiency of traditional user acquisition channels and retention measures as well as organic growth driven by strong social trust and diversified content, our DAUs to MAUs ratio reached 57.9% in the second quarter of 2021 on Kuaishou App, expanding by 1.1 percentage point quarter-over-quarter. Our average DAUs on Kuaishou App increased by 11.9% year-over-year to 293.2 million in the second quarter of 2021, while the year-over-year growth rate accelerated every month during the quarter, showing a healthy momentum. The growing user activeness was also driven by our improved user retention rate resulted from our efforts to facilitate full-cycle user management which spans user acquisition, user retention and monetization, as well as providing optimized content recommendation and personalized services. This synergistic user management also allows us to continuously improve our products and address user needs more promptly and effectively.

The strong social trust is the backbone of our ecosystem and differentiates us from other industry players. In the second quarter of 2021, social trust was further strengthened on our platform, as demonstrated by the increasing number of pairs of mutual followers on Kuaishou App, which reached 12.6 billion pairs on a cumulative basis by the end of the second quarter of 2021, increasing by 60% year-over-year.

Continuous expansion in our leading content categories and the scale and diversity of our content ecosystem also contributed to our increasing user engagement and growing user activeness. We have continually strived for differentiated and refined content offerings that cater to diverse user needs. Our featured *Kuaishou Playlet* (快手短劇) delivered excellent results, contributing over 800 series of short plays, each of which received more than 100 million video views accumulatively by June 30, 2021, and including 40 exclusive series produced by our own *Project Astral* (星芒計劃). On new content verticals side, we are proud to have become an industry benchmark in the sports category. In addition to our colorful professionally generated and user generated sports content library, we have recently become the official broadcaster of the Tokyo 2020 Summer Olympics and the Beijing 2022 Winter Olympics, bringing our users a more innovative sports viewing experience and an even more interactive experience in sports content creation through short videos and live streams.

To encourage content creation and optimize content distribution, we have distributed not only short videos, but an increasing amount of premium live streaming and e-commerce content to users through refined algorithms for public domain traffic. By doing so, we have enabled our users to discover a broader variety of more interesting, meaningful and useful content that serve their new needs. This has also allowed our platform to become increasingly attractive and friendly to content creators, as evidenced by the number of high quality content creators growing continuously and healthily on a monthly basis during the second quarter of 2021. These factors further reinforced our strong flywheel effects in content creation and content consumption.

Online marketing services

We achieved strong online marketing services growth in the second quarter of 2021, with revenues increasing 156.2% year-over-year to RMB10.0 billion. In particular, revenues from brand advertisements maintained its high growth, outpacing the year-over-year growth rate of revenues from online marketing services once again, while the number of brand advertisers on our platform increased by nearly four times compared with the same period of last year. These results were driven by our continuous efforts to improve our brand image, marketing efficiency as well as service capabilities, helping brands attract and grow user base, increase popularities and further enhance user stickiness and loyalty through private domain operations.

Brand advertisement has become one of the strategic focuses for us. As we continue to invest in infrastructure and tools to unlock the value of our massive traffic and improve efficiency for advertisers, we endeavor to establish a closed-loop solution offering end-to-end online marketing services to brand advertisers. These marketing services include production of customized short video ads, live streaming marketing support, follower base and private traffic management, as well as e-commerce monetization. From this services tool box, our brand partners can execute their strategies in brand discovery, promotion and product sales all within our platform. This in turn enhances the environment for our content creators to reap rewards from their talents and establishes an all-in-one destination where our users can discover trusted brands and sources and even socialize and make purchases from them.

To bring our solutions and platform-wide benefits to more brands, we have also expanded our sales teams for brand advertisements to cover more industries together with brand advertising agencies that further bolster our market reach. The main industries we focus on include fast moving consumer goods, beauty and cosmetics, and electronics. For each industry, we offer a customized traffic conversion model based on the industry's characteristics, which we continually refine and upgrade.

On feeds advertisement, in order to boost our value proposition and drive strong return on investment for our advertising partners, we have been investing in infrastructure, which includes an iterative intelligent bidding system with improved advertising effectiveness and efficiency across the board. This system is underpinned by optimized algorithms to provide better matching between ad content and target audiences. With AI-based tools, we were able to assess the effectiveness of different ad content and assist in the production of creative content to not only generate higher returns for advertisers, but also maintain the user experience hence growing room for ad loads. These efforts helped drive our online marketing services with better effectiveness and stronger pricing power in the second quarter of 2021.

On the product side, we launched the *Magnetic Taurus* (磁力金牛) platform in the second quarter of 2021, which provides comprehensive closed-loop e-commerce marketing solutions connecting public and private domain traffic. This platform offers multiple options for customization, as well as data visualization and data monitoring, which allows more precise marketing services for merchants. The introduction of Magnetic Taurus has helped improve the efficiency of our algorithms and traffic monetization capabilities and broaden the diversity of advertisers on our platform as well as enhance their engagement. Following the launch of Magnetic Taurus, the number of advertisers served by Magnetic Taurus has continuously increased.

Live streaming

Our live streaming ecosystem remained active and healthy, anchoring a thriving platform for us. The engagement level of our live streaming users improved to a higher level as evidenced by a DAUs penetration rate of over 70% in the second quarter of 2021 on Kuaishou App.

With respect to content creation, we maintained our leadership in terms of number of active streamers and depth and breadth of content offering in various categories catering to different users' interests, setting us apart from other platforms. The number of daily active streamers on our platform stayed elevated at about 1.9 million during the second quarter of 2021, attracting diverse user cohorts and contributing to a rich and healthy live streaming ecosystem.

We have started undertaking initiatives to deepen monetization of live streaming in the public domain. Through extensive cooperation with talent agencies for live streaming, we have provided enhanced exposure to high-quality content in the public domain and had more systematic operations. In the second quarter of 2021, we launched *Project Blue Ocean* (藍海計劃) with the intention to cultivate long-term partnerships with talent agencies nationwide, to collaboratively facilitate healthy development of our live streaming ecosystem and promote high-quality live streaming content leveraging our massive public domain traffic. The drive to cooperate with more talent agencies has brought notable results. By June 30, 2021, the number of talent agencies on our collaboration roster increased by nearly 400% year-over-year comparing with that by June 30, 2020, helping us achieve a 16.9% quarter-over-quarter growth and an 18.2% year-over-year growth in monthly ARPPU for live streaming services on Kuaishou App.

Besides leveraging public domain traffic to promote live streaming, we have also worked on enhancing the governance of live streaming in the private domain, which can inspire more trust and interaction from our users. We believe it will help us create more opportunities for superior content creators. With constant improvements in governance capabilities, traffic efficiency and content offering, we are committed to sustaining the healthy growth and vibrancy of our live streaming ecosystem. This allows content creators with a stickier follower base to further develop, which in turn improves our overall user stickiness and monetization potential of our platform.

Other services including e-commerce

Our other services maintained strong growth momentum in the second quarter of 2021 with revenue increasing by 212.9% year-over-year to RMB2.0 billion, primarily driven by e-commerce, which generated GMV of RMB145.4 billion, doubling from the GMV in the same period of last year. With respect to *Kwai Shop* (快手小店), the closed-loop mode of our e-commerce business, its contribution to the total e-commerce GMV for the second quarter of 2021 increased to 90.7%, compared with 66.4% in the same period of 2020. We have continued to enhance the e-commerce infrastructure, including the introduction of tools to make the account opening and management procedures easier for merchants, operate their stores and utilize multi-dimensional data to analyze product performance and user behavior, facilitating and optimizing their product selection. Our closed-loop e-commerce ecosystem has also been further expanded and reinforced continuously.

We further upgraded our e-commerce strategy, strengthening our advantageous trust-based e-commerce model through private domain, which is more suitable for promoting longtail or non-standardized products, while introducing more products from established brands through public domain. To be specific, we have adopted a two-pronged e-commerce strategy: first, solidify our competitive edge in trust-based e-commerce by leveraging the immersive nature of our content and the trust our merchants and streamers fostered through their private domain operations; second, work to fully unlock the value of the public domain in e-commerce by adding more branded products and gradually building users' trust and confidence in our products and our platform.

Private domain is the bread and butter of our platform. It contributed the majority of our total e-commerce GMV in the second quarter of 2021. As we continually refine our unique business model with content and trust at its core, this will further drive the average repeat purchase rate as well as the conversion rate to e-commerce buyers.

In the public domain, we have strived for a full spectrum of business solutions to support brand self-operated e-commerce live streaming, which include elite distribution, public traffic support, private traffic conversion and operation as well as other brand supporting policies. These efforts have not only broadened our merchants base and merchandise supply, but also expanded users' circle of trust from streamers to products and to our platform itself, which helps incentivize more e-commerce transactions and reinforce our position as a highly trusted one-stop e-commerce platform.

In addition to supporting merchants, during the second quarter of 2021, we also spared no effort to enrich merchandise supply, strengthen platform governance for consumers, and enhance user experience, all aiming at further optimizing our e-commerce ecosystem.

Our efforts on branded products have also effectively contributed to improvements on merchandise supply, as well as e-commerce DAUs penetration rate and average order value for e-commerce on Kuaishou App. In the second quarter of 2021, we have expanded our merchandise offerings beyond the top-selling categories of women’s apparel, jewelry and jade, beauty and cosmetics. Some emerging product categories such as men’s apparel and sportswear, home appliances and digital products, as well as household goods all achieved high growths in terms of e-commerce GMV during the second quarter of 2021, contributing to an increasing percentage of total e-commerce GMV on a quarter-over-quarter basis. Going forward, we will continue to explore more categories with sufficient scale and high e-commerce compatibility to further fuel our e-commerce GMV growth.

Becoming a safe and trusted platform for users has always been our core value proposition. As such, we have continued to focus on quality control and ecosystem governance to safeguard a vibrant and healthy ecosystem. In the second quarter of 2021, we continued the reinforcement of *Kuaishou Selection* (好物聯盟), our official platform of e-commerce product selection, which has improved the e-commerce experience for our users as well as the efficiency of influencers and merchants. First, we introduced more branded products to Kuaishou Selection in the second quarter of 2021. By providing and promoting officially selected branded items, we have enhanced the overall product quality on our marketplace, making the shopping experience more carefree for consumers. In addition, by deepening collaborative partnerships with brands, we have significantly broadened our selection of products for customers. Kuaishou Selection has also lowered the entry barriers for e-commerce streamers to promote merchandise on our platform and improved their activeness and engagement levels. Driven by these factors, total e-commerce GMV of Kuaishou Selection increased by nearly 90% on a quarter-over-quarter basis in the second quarter of 2021.

We also proactively enhanced our ecosystem governance and consumer rights protection. In the second quarter of 2021, we launched a “Trust Card” that offers a series of guarantees provided by merchants to consumers, such as refund without return, compensation for fake goods, 7-day unconditional return, etc. We will continue to strengthen our platform governance to better protect the rights of our users and business partners, and improve overall customer experience.

Overseas

Overseas expansion has become one of our key strategic efforts given the time window and high growth potential in the overseas markets. The overseas short video and live streaming industry is much less mature and still at an earlier stage of development and commercialization. It has low user penetration and is full of opportunities for future growth and development with user needs yet to be fully met, representing significant and diverse monetization potential.

Underpinned by our experience as the pioneer and a leader of the short video and live streaming industry, with deep insights, mature products and strong technological capabilities accumulated through more than a decade's rich experience entrenched in the industry, and outstanding advantages in establishing and improving content ecosystems, we are ready to seize the current window of opportunity in the overseas markets by building interactive content communities and social platforms to encourage more people to create value through creation, communication and interaction.

We strategically focus our overseas development efforts in countries and regions that have high population density, strong cultural acceptance for short videos and good upside monetization potential. In the first half of 2021, we primarily focused on markets in South America, Southeast Asia, and the Middle East. We have been actively investing in user acquisition and user activeness improvement. Simultaneously, we have been working to enrich and deepen our content ecosystem, encouraging localized content creation and growing content in different categories, which improve user engagement and retention, as well as rapidly establish an ecosystem that builds a self-reinforcing virtuous cycle between content community and user community. Besides encouraging user generated content, we have also proactively explored premium localized professionally generated content. In June 2021, we became an official sponsor and the official social media platform of the CONMEBOL Copa America 2021 held in Brazil, with rights to short video production of this event. Our successful operation of CONMEBOL Copa America 2021 events effectively improved the user engagement and activeness in the South America market.

During our initial exploration of overseas markets, we achieved encouraging results that well exceeded our original expectations, further solidifying our resolve to grow our overseas business. In June 2021, we achieved MAUs of more than 180 million in the overseas markets. The growing user base in overseas markets helps us to gain better insights into our users by leveraging our technology and data analysis capabilities, enabling us to provide optimized recommendation algorithms, and continuously refine our products and user experience. All these investments, efforts and accumulated experience will be invaluable assets for our longer-term development in the broad overseas markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2021 Compared to Second Quarter of 2020

The following table sets forth the comparative figures for the second quarter of 2021 and 2020, respectively:

	Unaudited Three Months Ended June 30,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	19,138,826	100.0	12,862,774	100.0
Cost of revenues ⁽¹⁾	(10,754,079)	(56.2)	(8,426,764)	(65.5)
Gross profit	8,384,747	43.8	4,436,010	34.5
Selling and marketing expenses ⁽¹⁾	(11,269,803)	(58.9)	(5,612,802)	(43.6)
Administrative expenses ⁽¹⁾	(864,159)	(4.5)	(346,468)	(2.7)
Research and development expenses ⁽¹⁾	(3,911,339)	(20.4)	(1,312,268)	(10.2)
Other income	175,348	0.9	131,288	1.0
Other gains, net	269,827	1.4	164,145	1.3
Operating loss	(7,215,379)	(37.7)	(2,540,095)	(19.7)
Finance income, net	11,989	0.1	5,629	0.0
Fair value changes of convertible redeemable preferred shares	—	—	(35,357,651)	(274.9)
Share of losses of investments accounted for using the equity method	(24,892)	(0.1)	—	—
Loss before income tax	(7,228,282)	(37.7)	(37,892,117)	(294.6)
Income tax benefits	191,871	1.0	292,859	2.3
Loss for the period	<u>(7,036,411)</u>	<u>(36.7)</u>	<u>(37,599,258)</u>	<u>(292.3)</u>
Non-IFRS Measures:				
Adjusted net loss	(4,770,467)	(24.9)	(1,937,724)	(15.1)
Adjusted EBITDA	(3,314,173)	(17.3)	(1,150,794)	(8.9)

Note:

(1) Included share-based compensation expenses as follows:

	Unaudited			
	Three Months Ended June 30,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Cost of revenues	(286,245)	(1.5)	(27,485)	(0.2)
Selling and marketing expenses	(184,734)	(1.0)	(20,811)	(0.2)
Administrative expenses	(291,771)	(1.5)	(49,026)	(0.4)
Research and development expenses	(1,503,194)	(7.9)	(206,561)	(1.6)
Total	(2,265,944)	(11.9)	(303,883)	(2.4)

If the impact from share-based compensation expenses had been excluded, cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses as a percentage of revenues would have been 54.7%, 57.9%, 3.0% and 12.5%, respectively, for the second quarter of 2021, and 65.3%, 43.4%, 2.3% and 8.6%, respectively, for the second quarter of 2020.

Revenues

Our revenues increased by 48.8% to RMB19.1 billion for the second quarter of 2021 from RMB12.9 billion for the same period of 2020. The increase was primarily attributable to our online marketing services and other services including e-commerce business.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the second quarter of 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	9,962,297	52.1	3,889,201	30.2
Live streaming	7,193,430	37.6	8,339,795	64.8
Other services	1,983,099	10.3	633,778	5.0
Total	19,138,826	100.0	12,862,774	100.0

Online marketing services

Revenue from our online marketing services increased by 156.2% to RMB10.0 billion for the second quarter of 2021 from RMB3.9 billion for the same period of 2020, primarily attributable to the growing traffic in public domain and optimized algorithms, which further attracted more advertising customers, driven by our strong AI and big data analytics capabilities.

Live streaming

Revenue from our live streaming business decreased by 13.7% to RMB7.2 billion for the second quarter of 2021 from RMB8.3 billion for the same period of 2020, primarily attributable to (i) increasing time spent by our users on the content in the public domain due to content optimization of short videos in public domain; and (ii) strict quarantine during the COVID-19 outbreak and more users turning to online social and entertainment activities in second quarter of 2020 compared to the second quarter of 2021 with people returning to their normal routines.

Other services

Revenue from our other services increased by 212.9% to RMB2.0 billion for the second quarter of 2021 from RMB633.8 million for the same period of 2020, primarily due to the growth of our e-commerce business.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter of 2021 and 2020, respectively:

	Unaudited Three Months Ended June 30,			
	2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes ⁽¹⁾	5,371,242	28.1	5,161,944	40.1
Bandwidth expenses and server custody costs ⁽²⁾	1,950,529	10.2	1,250,554	9.7
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽²⁾	1,524,142	8.0	1,029,239	8.0
Employee benefit expenses	898,574	4.7	359,551	2.8
Payment processing costs	372,272	1.9	241,909	1.9
Other cost of revenues	637,320	3.3	383,567	3.0
Total	10,754,079	56.2	8,426,764	65.5

Notes:

- (1) Revenue sharing costs and related taxes included related costs from live streaming, online marketing services and other services.
- (2) 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 27.6% to RMB10.8 billion for the second quarter of 2021, from RMB8.4 billion for the same period of 2020, primarily attributable to (i) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with an increase in user traffic attributable to the enlarged user base and the growth of our business including overseas; and (ii) an increase in employee benefit expenses as a result of an increase in the headcount of employees to support our business growth and the related share-based compensation expenses.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter of 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,384,747	43.8	4,436,010	34.5

As a result of the foregoing, our gross profit increased by 89.0% to RMB8.4 billion for the second quarter of 2021, from RMB4.4 billion for the same period of 2020. Our gross profit margin increased to 43.8% for the second quarter of 2021, from 34.5% in the same period of 2020, mainly due to the expansion and growth of online marketing services and e-commerce business, which further led to the decrease in cost of revenues as a percentage of our total revenues.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 100.8% to RMB11.3 billion for the second quarter of 2021, from RMB5.6 billion for the same period of 2020, and increased to 58.9% from 43.6% as a percentage of our total revenues. The increase was primarily attributable to an increase in promotion and advertising expenses. The increase in promotion and advertising expenses in the second quarter of 2021 was primarily attributable to increased spending for overseas market business development, promotion of our products and our brand marketing campaign expenses.

Administrative Expenses

Our administrative expenses increased by 149.4% to RMB864.2 million for the second quarter of 2021, from RMB346.5 million for the same period of 2020, and increased to 4.5% from 2.7% as a percentage of our total revenues primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel to support our business growth and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, administrative expenses as a percentage of revenues would have been 3.0% and 2.3% respectively for the second quarter of 2021 and 2020.

Research and Development Expenses

Our research and development expenses increased by 198.1% to RMB3.9 billion for the second quarter of 2021, from RMB1.3 billion for the same period of 2020, and increased to 20.4% from 10.2% as a percentage of our total revenues primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel as we continue to invest in big data and other advanced technologies, and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, research and development expenses as a percentage of revenues would have been 12.5% and 8.6% respectively for the second quarter of 2021 and 2020.

Other Income

Our other income increased by 33.6% to RMB175.3 million for the second quarter of 2021, from RMB131.3 million for the same period of 2020, primarily due to more value-added tax subsidies and government grants for the second quarter of 2021 as compared to the same period of 2020.

Other Gains, Net

We had other gains, net of RMB269.8 million in the second quarter of 2021, compared to other gains, net of RMB164.1 million in the same period of 2020. The increase was primarily due to increases in the net fair value gains on financial assets at fair value through profit or loss of investments in listed and unlisted entities.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB7.2 billion and a negative operating margin of 37.7% for the second quarter of 2021, compared to an operating loss of RMB2.5 billion and a negative operating margin of 19.7% for the same period of 2020.

Finance Income, Net

Our finance income, net was RMB12.0 million and RMB5.6 million for the second quarter of 2021 and 2020, respectively, primarily attributable to the increase in interest income from bank deposits, partially offset by interest expense from lease liabilities.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were nil for the second quarter of 2021, as a result of the completion of our initial public offering in February 2021, compared to a loss of RMB35.4 billion in the same period of 2020.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB24.9 million for the second quarter of 2021, compared to nil for the same period of 2020, primarily due to the conversion of the Group's investment in certain investee from financial assets at fair value through profit or loss to investment accounted for using the equity method at the end of March 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB7.2 billion and RMB37.9 billion for the second quarter of 2021 and 2020, respectively.

Income Tax Benefits

Our income tax benefits were RMB191.9 million and RMB292.9 million for the second quarter of 2021 and 2020, respectively, primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries.

Loss for the Period

As a result of the foregoing, our loss was RMB7.0 billion and RMB37.6 billion for the second quarter of 2021 and 2020, respectively.

Second Quarter of 2021 Compared to First Quarter of 2021

The following table sets forth the comparative figures for the second quarter and the first quarter of 2021, respectively:

	Unaudited Three Months Ended			
	June 30, 2021		March 31, 2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	19,138,826	100.0	17,019,450	100.0
Cost of revenues ⁽¹⁾	<u>(10,754,079)</u>	<u>(56.2)</u>	<u>(10,031,655)</u>	<u>(58.9)</u>
Gross profit	8,384,747	43.8	6,987,795	41.1
Selling and marketing expenses ⁽¹⁾	(11,269,803)	(58.9)	(11,659,592)	(68.5)
Administrative expenses ⁽¹⁾	(864,159)	(4.5)	(703,351)	(4.1)
Research and development expenses ⁽¹⁾	(3,911,339)	(20.4)	(2,811,146)	(16.5)
Other income	175,348	0.9	203,344	1.1
Other gains, net	<u>269,827</u>	<u>1.4</u>	<u>690,808</u>	<u>4.1</u>
Operating loss	(7,215,379)	(37.7)	(7,292,142)	(42.8)
Finance income/(expense), net	11,989	0.1	(17,215)	(0.1)
Fair value changes of convertible redeemable preferred shares	—	—	(51,275,797)	(301.3)
Share of losses of investments accounted for using the equity method	<u>(24,892)</u>	<u>(0.1)</u>	<u>—</u>	<u>—</u>
Loss before income tax	(7,228,282)	(37.7)	(58,585,154)	(344.2)
Income tax benefits	<u>191,871</u>	<u>1.0</u>	<u>834,103</u>	<u>4.9</u>
Loss for the period	<u>(7,036,411)</u>	<u>(36.7)</u>	<u>(57,751,051)</u>	<u>(339.3)</u>
Non-IFRS Measures:				
Adjusted net loss	(4,770,467)	(24.9)	(4,918,042)	(28.9)
Adjusted EBITDA	(3,314,173)	(17.3)	(4,196,625)	(24.7)

Note:

(1) Included share-based compensation expenses as follows:

	Unaudited			
	Three Months Ended			
	June 30, 2021		March 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Cost of revenues	(286,245)	(1.5)	(202,165)	(1.1)
Selling and marketing expenses	(184,734)	(1.0)	(131,555)	(0.8)
Administrative expenses	(291,771)	(1.5)	(248,917)	(1.4)
Research and development expenses	(1,503,194)	(7.9)	(974,575)	(5.7)
Total	(2,265,944)	(11.9)	(1,557,212)	(9.0)

If the impact from share-based compensation expenses had been excluded, cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses as a percentage of revenues would have been 54.7%, 57.9%, 3.0% and 12.5%, respectively, for the second quarter of 2021, and 57.8%, 67.7%, 2.7% and 10.8%, respectively, for the first quarter of 2021.

Revenues

Our revenues were RMB19.1 billion for the second quarter of 2021, compared to RMB17.0 billion for the first quarter of 2021.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the second quarter of 2021 and first quarter of 2021, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2021		March 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	9,962,297	52.1	8,557,676	50.3
Live streaming	7,193,430	37.6	7,250,399	42.6
Other services	1,983,099	10.3	1,211,375	7.1
Total	19,138,826	100.0	17,019,450	100.0

Online marketing services

Revenue from our online marketing services increased to RMB10.0 billion for the second quarter of 2021, from RMB8.6 billion for the first quarter of 2021, primarily attributable to the growing traffic in public domain and optimized algorithms, which further attracted more advertising customers, driven by our strong AI and big data analytics capabilities.

Live streaming

Revenue from our live streaming business slightly decreased to RMB7.2 billion for the second quarter of 2021, from RMB7.3 billion for the first quarter of 2021, primarily attributable to the increasing time spent by our users on the content in the public domain due to content optimization of short videos in public domain.

Other services

Revenue from our other services increased by 63.7% to RMB2.0 billion for the second quarter of 2021, from RMB1.2 billion for the first quarter of 2021, primarily due to the increase of revenue from e-commerce business.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter of 2021 and first quarter of 2021, respectively:

	Unaudited Three Months Ended			
	June 30, 2021		March 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes ⁽¹⁾	5,371,242	28.1	5,125,171	30.1
Bandwidth expenses and server custody costs ⁽²⁾	1,950,529	10.2	1,933,174	11.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽²⁾	1,524,142	8.0	1,415,140	8.3
Employee benefit expenses	898,574	4.7	733,294	4.3
Payment processing costs	372,272	1.9	304,582	1.8
Other cost of revenues	637,320	3.3	520,294	3.0
Total	10,754,079	56.2	10,031,655	58.9

Notes:

- (1) Revenue sharing costs and related taxes included related costs from live streaming, online marketing services and other services.
- (2) 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 7.2% to RMB10.8 billion for the second quarter of 2021, from RMB10.0 billion for the first quarter of 2021, primarily attributable to (i) an increase in revenue sharing costs and related taxes in line with our revenue growth; and (ii) an increase in employee benefit expenses as a result of an increase in the headcount of employees to support our business growth and the related share-based compensation expenses.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter of 2021 and first quarter of 2021, respectively:

	Unaudited Three Months Ended			
	June 30, 2021		March 31, 2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,384,747	43.8	6,987,795	41.1

As a result of the foregoing, our gross profit increased by 20.0% to RMB8.4 billion for the second quarter of 2021, from RMB7.0 billion for the first quarter of 2021. Our gross profit margin increased to 43.8% for the second quarter of 2021, from 41.1% for the first quarter of 2021, mainly due to the expansion and growth of online marketing services and e-commerce business, which further led to the decrease in cost of revenues as a percentage of our total revenues.

Selling and Marketing Expenses

Our selling and marketing expenses slightly decreased to RMB11.3 billion for the second quarter of 2021, from RMB11.7 billion for the first quarter of 2021, and decreased to 58.9% from 68.5% as a percentage of our total revenues. The fluctuation was mainly attributable to the marketing campaign during the Chinese New Year for the first quarter of 2021, which was partially offset by the increased spending for overseas market business development for the second quarter of 2021.

Administrative Expenses

Our administrative expenses increased by 22.9% to RMB864.2 million for the second quarter of 2021, from RMB703.4 million for the first quarter of 2021, and increased to 4.5% from 4.1% as a percentage of our total revenues, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel to support our business growth and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, administrative expenses as a percentage of revenues would have been 3.0% for the second quarter of 2021 and 2.7% for the first quarter of 2021, respectively.

Research and Development Expenses

Our research and development expenses increased by 39.1% to RMB3.9 billion for the second quarter of 2021, from RMB2.8 billion for the first quarter of 2021, and increased to 20.4% from 16.5% as a percentage of our total revenues, primarily due to an increase in employee benefit expenses attributable to an increase in the number of research and development personnel as we continue to invest in big data and other advanced technologies, and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, research and development expenses as a percentage of revenues would have been 12.5% for the second quarter of 2021 and 10.8% for the first quarter of 2021.

Other Income

Our other income was RMB175.3 million for the second quarter of 2021, compared to RMB203.3 million for the first quarter of 2021.

Other Gains, Net

We recorded other gains, net of RMB269.8 million for the second quarter of 2021, compared to other gains, net of RMB690.8 million for the first quarter of 2021, primarily due to decreases in the net fair value gains on financial assets at fair value through profit or loss of investments in listed and unlisted entities.

Operating Loss

As a result of the foregoing, we had operating loss of RMB7.2 billion for the second quarter of 2021 and operating loss of RMB7.3 billion for the first quarter of 2021, and our operating margin was negative 37.7% for the second quarter of 2021, compared to negative 42.8% for the first quarter of 2021.

Finance Income/(Expense), Net

We had finance income, net of RMB12.0 million in the second quarter of 2021, compared to finance expense, net of RMB17.2 million in the first quarter of 2021. The change from expense to income was primarily due to increases in interest income from bank deposits.

Fair Value Changes of Convertible Redeemable Preferred Shares

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

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method were RMB24.9 million for the second quarter of 2021, compared to nil for the first quarter of 2021, primarily due to the conversion of the Group's investment in certain investee from financial assets at fair value through profit or loss to investment accounted for using the equity method at the end of March 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB7.2 billion for the second quarter of 2021, compared to a loss before income tax of RMB58.6 billion for the first quarter of 2021.

Income Tax Benefits

We had income tax benefits of RMB191.9 million for the second quarter of 2021, compared to income tax benefits of RMB834.1 million for the first quarter of 2021. The income tax benefits were primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries.

Loss for the Period

As a result of the foregoing, our loss was RMB7.0 billion for the second quarter of 2021, compared to RMB57.8 billion for the first quarter of 2021.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the second quarter of 2021, first quarter of 2021 and the second quarter of 2020, as well as the first half of 2021 and 2020, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	June 30,	March 31,	June 30,
	2021	2021	2020
	<i>(in RMB thousands)</i>		
Loss for the period	(7,036,411)	(57,751,051)	(37,599,258)
Add:			
Share-based compensation expenses	2,265,944	1,557,212	303,883
Fair value changes of convertible redeemable preferred shares	<u>—</u>	<u>51,275,797</u>	<u>35,357,651</u>
Adjusted net loss	<u>(4,770,467)</u>	<u>(4,918,042)</u>	<u>(1,937,724)</u>
Adjusted net loss	(4,770,467)	(4,918,042)	(1,937,724)
Add:			
Income tax benefits	(191,871)	(834,103)	(292,859)
Depreciation of property and equipment	961,892	916,074	699,373
Depreciation of right-of-use assets	656,199	580,536	358,833
Amortization of intangible assets	42,063	41,695	27,212
Finance (income)/expense, net	<u>(11,989)</u>	<u>17,215</u>	<u>(5,629)</u>
Adjusted EBITDA	<u>(3,314,173)</u>	<u>(4,196,625)</u>	<u>(1,150,794)</u>

Unaudited
Six Months Ended June 30,
2021 2020
(in RMB thousands)

Loss for the period	(64,787,462)	(68,091,207)
Add:		
Share-based compensation expenses	3,823,156	565,167
Fair value changes of convertible redeemable preferred shares	51,275,797	61,243,513
	<u>(9,688,509)</u>	<u>(6,282,527)</u>
Adjusted net loss	(9,688,509)	(6,282,527)
Add:		
Income tax benefits	(1,025,974)	(718,967)
Depreciation of property and equipment	1,877,966	1,375,582
Depreciation of right-of-use assets	1,236,735	704,900
Amortization of intangible assets	83,758	51,039
Finance expense, net	5,226	768
	<u>(7,510,798)</u>	<u>(4,869,205)</u>
Adjusted EBITDA	(7,510,798)	(4,869,205)

Liquidity and Capital Resources

Other than the funds raised through our global offering in February 2021, we historically met our working capital and other capital requirements primarily through capital contributions from Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB46.8 billion as of June 30, 2021.

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

	Unaudited Three Months Ended June 30, 2021 <i>(in RMB thousands)</i>	Unaudited Six Months Ended June 30, 2021 <i>(in RMB thousands)</i>
Net cash used in operating activities	(2,740,756)	(4,172,893)
Net cash used in investing activities	(6,313,531)	(7,333,442)
Net cash (used in)/generated from financing activities	<u>(614,536)</u>	<u>38,040,232</u>
Net (decrease)/increase in cash and cash equivalents	(9,668,823)	26,533,897
Cash and cash equivalents at the beginning of the period	57,133,185	20,391,545
Effects of exchange rate changes on cash and cash equivalents	<u>(690,931)</u>	<u>(152,011)</u>
Cash and cash equivalents at the end of the period	<u><u>46,773,431</u></u>	<u><u>46,773,431</u></u>

Net Cash Used in Operating Activities

Net cash used in operating activities primarily consists of our loss before income tax and non-cash items, such as share-based compensation expenses, depreciation of property and equipment, depreciation of right-of-use assets and fair value gains on financial assets at fair value through profit or loss, adjusted by changes in working capital.

For the second quarter of 2021, our net cash used in operating activities was RMB2.7 billion, which was primarily attributable to our loss before income tax of RMB7.2 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB2.3 billion, depreciation of property and equipment of RMB961.9 million and depreciation of right-of-use assets of RMB656.2 million, partially offset by fair value gains on financial assets at fair value through profit or loss of RMB292.4 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in accounts payables of RMB3.6 billion, partially offset by an increase in prepayments, other receivables and other current assets of RMB800.9 million and a decrease in other payables and accruals of RMB712.5 million. We also paid income tax of RMB668.2 million.

Net Cash Used in Investing Activities

For the second quarter of 2021, our net cash used in investing activities was RMB6.3 billion, which was primarily attributable to purchase of investments in financial assets at fair value through profit or loss of RMB7.8 billion, purchase of time deposits with initial terms over three months of RMB2.5 billion, purchase of property, equipment and intangible assets of RMB2.2 billion, partially offset by proceeds from disposal of investments in financial assets at fair value through profit or loss of RMB4.7 billion and proceeds from maturity of time deposits with initial terms over three months of RMB750.3 million.

Net Cash Used in Financing Activities

For the second quarter of 2021, our net cash used in financing activities was RMB614.5 million, which was primarily attributable to payments for principal elements of lease and related interest of RMB577.5 million.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2021	2020	2021	2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenues	2	19,138,826	12,862,774	36,158,276	25,320,906
Cost of revenues	3	(10,754,079)	(8,426,764)	(20,785,734)	(16,626,447)
Gross profit		8,384,747	4,436,010	15,372,542	8,694,459
Selling and marketing expenses	3	(11,269,803)	(5,612,802)	(22,929,395)	(13,709,068)
Administrative expenses	3	(864,159)	(346,468)	(1,567,510)	(654,636)
Research and development expenses	3	(3,911,339)	(1,312,268)	(6,722,485)	(2,251,725)
Other income		175,348	131,288	378,692	191,768
Other gains, net		269,827	164,145	960,635	163,309
Operating loss		(7,215,379)	(2,540,095)	(14,507,521)	(7,565,893)
Finance income/(expense), net		11,989	5,629	(5,226)	(768)
Fair value changes of convertible redeemable preferred shares	10	—	(35,357,651)	(51,275,797)	(61,243,513)
Share of losses of investments accounted for using the equity method		(24,892)	—	(24,892)	—
Loss before income tax		(7,228,282)	(37,892,117)	(65,813,436)	(68,810,174)
Income tax benefits	4	191,871	292,859	1,025,974	718,967
Loss for the period		(7,036,411)	(37,599,258)	(64,787,462)	(68,091,207)
Attributable to:					
— Equity holders of the Company		(7,035,217)	(37,599,258)	(64,785,560)	(68,091,207)
— Non-controlling interests		(1,194)	—	(1,902)	—
		(7,036,411)	(37,599,258)	(64,787,462)	(68,091,207)
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	5				
Basic loss per share		(1.71)	(40.40)	(18.58)	(73.07)
Diluted loss per share		(1.71)	(40.40)	(18.58)	(73.07)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2021	2020	2021	2020
Note		RMB'000	RMB'000	RMB'000	RMB'000
	Loss for the period	<u>(7,036,411)</u>	<u>(37,599,258)</u>	<u>(64,787,462)</u>	<u>(68,091,207)</u>
	Other comprehensive (loss)/income				
	<i>Items that will not be reclassified to profit or loss</i>				
	Fair value change on convertible redeemable preferred shares due to own credit risk	10	—	(2,125)	—
			(783)		
	Currency translation differences	(1,213,382)	26,816	1,207,079	(1,213,269)
	<i>Items that may be reclassified subsequently to profit or loss</i>				
	Currency translation differences	<u>438,258</u>	<u>6,035</u>	<u>198,437</u>	<u>(103,367)</u>
	Other comprehensive (loss)/income for the period, net of taxes	<u>(775,124)</u>	<u>30,726</u>	<u>1,405,516</u>	<u>(1,317,419)</u>
	Total comprehensive loss for the period	<u><u>(7,811,535)</u></u>	<u><u>(37,568,532)</u></u>	<u><u>(63,381,946)</u></u>	<u><u>(69,408,626)</u></u>
	Attributable to:				
	— Equity holders of the Company	(7,810,341)	(37,568,532)	(63,380,044)	(69,408,626)
	— Non-controlling interests	<u>(1,194)</u>	—	<u>(1,902)</u>	—
		<u><u>(7,811,535)</u></u>	<u><u>(37,568,532)</u></u>	<u><u>(63,381,946)</u></u>	<u><u>(69,408,626)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment		8,510,177	7,206,100
Right-of-use assets		12,123,750	5,199,712
Intangible assets		1,241,014	1,247,788
Investments accounted for using the equity method		2,426,821	—
Financial assets at fair value through profit or loss	6	2,891,698	3,843,315
Deferred tax assets		4,149,356	2,313,301
Long-term time deposits		4,500,000	500,000
Other non-current assets		1,180,796	308,982
		<u>37,023,612</u>	<u>20,619,198</u>
Current assets			
Trade receivables	7	3,006,919	2,428,039
Prepayments, other receivables and other current assets		2,926,275	2,285,420
Financial assets at fair value through profit or loss	6	5,854,086	3,690,448
Short-term time deposits		110,000	2,729,095
Restricted cash		3,257	3,698
Cash and cash equivalents		46,773,431	20,391,545
		<u>58,673,968</u>	<u>31,528,245</u>
Total assets		<u>95,697,580</u>	<u>52,147,443</u>

		Unaudited As of June 30, 2021 RMB'000	Audited As of December 31, 2020 RMB'000
	<i>Note</i>		
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		139	30
Share premium		274,367,829	—
Other reserves		17,194,691	12,011,644
Accumulated losses		<u>(236,847,073)</u>	<u>(172,061,513)</u>
		<u>54,715,586</u>	<u>(160,049,839)</u>
Non-controlling interests		<u>5,148</u>	—
Total equity		<u><u>54,720,734</u></u>	<u><u>(160,049,839)</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,710,527	3,608,041
Deferred tax liabilities		31,043	31,601
Convertible redeemable preferred shares	10	—	185,372,816
Other non-current liabilities		<u>70,654</u>	—
		<u>9,812,224</u>	<u>189,012,458</u>
Current liabilities			
Accounts payables	9	18,475,206	11,544,297
Other payables and accruals		5,695,287	5,763,226
Advances from customers		3,324,250	3,290,098
Income tax liabilities		443,769	487,843
Lease liabilities		<u>3,226,110</u>	<u>2,099,360</u>
		<u>31,164,622</u>	<u>23,184,824</u>
Total liabilities		<u><u>40,976,846</u></u>	<u><u>212,197,282</u></u>
Total equity and liabilities		<u><u>95,697,580</u></u>	<u><u>52,147,443</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(4,172,893)	(1,741,936)
Net cash used in investing activities	(7,333,442)	(17,332,465)
Net cash generated from financing activities	38,040,232	20,524,851
	<hr/>	<hr/>
Net increase in cash and cash equivalents	26,533,897	1,450,450
Cash and cash equivalents at the beginning of the period	20,391,545	3,996,236
Effects of exchange rate changes on cash and cash equivalents	(152,011)	221,104
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>46,773,431</u>	<u>5,667,790</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

This condensed consolidated interim financial information for the three months and six months ended June 30, 2021 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“**IASB**”). The Interim Financial Information is presented in renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2020 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2020 annual report of the Company dated March 23, 2021 (the “**2020 Financial Statements**”).

The accounting policies used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2020, as described in the 2020 Financial Statements, except for the adoption of certain new and amended standards which has had no significant impact on the results and the financial position of the Group.

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

2. Revenues

The breakdown of revenues during the three months and six months ended June 30, 2021 and 2020 is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online marketing services	9,962,297	3,889,201	18,519,973	7,162,218
Live streaming	7,193,430	8,339,795	14,443,829	17,349,107
Other services	1,983,099	633,778	3,194,474	809,581
	<u>19,138,826</u>	<u>12,862,774</u>	<u>36,158,276</u>	<u>25,320,906</u>

The breakdown of revenues for timing of revenue recognition is as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue recognized at a point in time	16,302,136	11,746,331	31,158,489	23,346,392
Revenue recognized over time	2,836,690	1,116,443	4,999,787	1,974,514
	<u>19,138,826</u>	<u>12,862,774</u>	<u>36,158,276</u>	<u>25,320,906</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 three months and six months ended June 30, 2021 and 2020.

3. Expenses by nature

	Three months ended		Six months ended	
	June 30, 2021	2020	June 30, 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	5,371,242	5,161,944	10,496,413	10,333,524
Employee benefit expenses	5,703,159	1,965,670	9,917,115	3,501,104
Promotion and advertising expenses	10,554,098	5,367,999	21,711,796	13,284,834
Bandwidth expenses and server custody costs	1,950,529	1,250,554	3,883,703	2,519,088
Depreciation of property and equipment	961,892	699,373	1,877,966	1,375,582
Depreciation of right-of-use assets	656,199	358,833	1,236,735	704,900
Amortization of intangible assets	42,063	27,212	83,758	51,039
Outsourcing and other labor costs	339,097	106,378	613,692	205,600
Payment processing cost	372,272	241,909	676,854	434,807
Professional fees	77,737	27,796	130,911	42,826
Tax surcharges	75,480	121,566	156,115	224,612
Credit loss allowances on financial assets	8,731	5,413	11,757	7,922
Others	686,881	363,655	1,208,309	556,038
	<u>26,799,380</u>	<u>15,698,302</u>	<u>52,005,124</u>	<u>33,241,876</u>

4. Income tax benefits

(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 at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under 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. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the three months and six months ended June 30, 2021 and 2020.

(d) *PRC Enterprise Income Tax (“EIT”)*

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, 2021 and 2020 based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia Internet Information Technology Co., Ltd. (“**Beijing Dajia**”) was accredited as High and New Technology Enterprise enabling it to enjoy a preferential tax rate of 15% from 2020 to 2022. In addition, Beijing Dajia was granted as “Software Enterprise”, which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years from 2017 to 2021. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” which entitled it to a further reduced preferential income tax rate of 10% for the year of 2019.

According to the relevant laws and regulations promulgated by the State Administration of Taxation 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. 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 period.

(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 income tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax benefits of the Group during the three months and six months ended June 30, 2021 and 2020 are analyzed as follows:

	Three months ended		Six months ended	
	June 30, 2021	2020	June 30, 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	(460,246)	(254,625)	(812,914)	(378,436)
Deferred income tax	652,117	547,484	1,838,888	1,097,403
Income tax benefits	<u>191,871</u>	<u>292,859</u>	<u>1,025,974</u>	<u>718,967</u>

5. Loss per share

(a) *Basic loss per share*

Basic loss per share for the period are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period.

	Three months ended		Six months ended	
	June 30, 2021	2020	June 30, 2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss attributable to equity holders of the Company	(7,035,217)	(37,599,258)	(64,785,560)	(68,091,207)
Weighted average number of ordinary shares in issue (thousand shares)	4,122,613	930,672	3,486,332	931,818
Basic loss per share (expressed in RMB per share)	(1.71)	(40.40)	(18.58)	(73.07)

(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 three months and six months ended June 30, 2021 and 2020, the Company had two categories of potential ordinary shares: convertible redeemable preferred shares and share options and restricted share units granted under share incentive plan. As the Company incurred losses for the three months and six months ended June 30, 2021 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of diluted loss per share for the three months and six months ended June 30, 2021 and 2020 were the same as basic loss per share of the respective periods.

6. Financial assets at fair value through profit or loss

	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Non-current assets		
Investments in unlisted entities	2,518,954	3,843,315
Investments in listed entity	372,744	—
	<u>2,891,698</u>	<u>3,843,315</u>
Current assets		
Investments in listed entity	57,740	82,646
Wealth management products	5,796,346	3,607,802
	<u>5,854,086</u>	<u>3,690,448</u>
Total	<u><u>8,745,784</u></u>	<u><u>7,533,763</u></u>

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

	Six months ended June 30, 2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At the beginning of the period	7,533,763	11,160,542
Additions	11,001,357	36,401,535
Disposal	(8,314,001)	(23,791,723)
Transfer to investments accounted for using the equity method	(2,470,647)	—
Change in fair value through profit or loss	1,040,027	263,235
Deemed disposal due to business combination	(6,959)	—
Currency translation differences	(37,756)	155,443
	<u>(37,756)</u>	<u>155,443</u>
At the end of the period	<u><u>8,745,784</u></u>	<u><u>24,189,032</u></u>

7. Trade receivables

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade receivables from contracts with customers	3,033,590	2,444,121
Less: credit loss allowances	(26,671)	(16,082)
	<u>3,006,919</u>	<u>2,428,039</u>

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Up to 3 months	2,886,358	2,339,276
3 to 6 months	147,232	104,845
	<u>3,033,590</u>	<u>2,444,121</u>

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

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
At the beginning of the period	(16,082)	(4,774)
Additional provision	(10,589)	(7,529)
At the end of the period	<u>(26,671)</u>	<u>(12,303)</u>

8. Dividends

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2021 and 2020.

9. Accounts payables

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Up to 3 months	14,731,554	8,745,012
3 to 6 months	2,958,970	1,816,541
6 months to 1 year	675,987	898,262
Over 1 year	108,695	84,482
	<u>18,475,206</u>	<u>11,544,297</u>

10. Convertible redeemable preferred shares

The movements of the convertible redeemable preferred shares are set out as below:

	<i>RMB'000</i> (Unaudited)
At January 1, 2021	185,372,816
Changes in fair value	51,275,797
— Includes: change in fair value due to own credit risk	—
Currency translation differences	(1,564,067)
Conversion into ordinary shares	<u>(235,084,546)</u>
At June 30, 2021	<u>—</u>
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F-1 & F-2 Preferred Shares from ordinary shares	163,809
Changes in fair value	61,244,296
— Includes: change in fair value due to own credit risk	783
Currency translation differences	<u>1,688,708</u>
At June 30, 2020	<u>153,497,518</u>

In February 2021, the Company successfully completed its initial public offering on the Main Board of the Stock Exchange of Hong Kong Limited. Upon listing, all the convertible redeemable preferred shares were automatically converted into ordinary shares and were reclassified from liabilities to equity accordingly.

OTHER INFORMATION

Use of Proceeds

The Class B Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Based on the offer price of HK\$115.00 per offer share, the net proceeds from the Global Offering received by the Company, after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, are approximately HK\$41,218.0 million.

On February 7, 2021, the underwriters of the Global Offering fully exercised the over-allotment option in respect of an aggregate of 54,782,700 Class B Shares, among which 50,737,300 Class B Shares were newly allotted and issued by the Company. The additional net proceeds of approximately HK\$5,746.4 million were received by the Company from the allotment and issue of such 50,737,300 new Class B Shares, after deducting the underwriting commission and related expenses payable by the Company relating to the exercise of the over-allotment option.

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.

As of June 30, 2021, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from the Global Offering (HK\$ million)	Amount of net proceeds utilized as of June 30, 2021 (HK\$ million)	Balance of net proceeds as of June 30, 2021 (HK\$ million)	Expected timeline for balance of net proceeds
Approximately 35% to enhance and grow the ecosystem	16,437.5	6,900.8	9,536.7	Before December 31, 2023
Approximately 30% to strengthen research and development and technological capabilities	14,089.3	4,240.3	9,849.0	Before December 31, 2023

	Allocation of net proceeds from the Global Offering (HK\$ million)	Amount of net proceeds utilized as of June 30, 2021 (HK\$ million)	Balance of net proceeds as of June 30, 2021 (HK\$ million)	Expected timeline for balance of net proceeds
Approximately 25% to selectively acquire or invest in products, services and businesses	11,741.1	—	11,741.1	Before December 31, 2023
Approximately 10% for working capital and general corporate purposes	4,696.5	1,771.6	2,924.9	Before December 31, 2023
Total	<u>46,964.4</u>	<u>12,912.7</u>	<u>34,051.7</u>	

Since the Company is an offshore holding company, it will need to make capital contributions and loans to its PRC subsidiaries or through loans to the Consolidated Affiliated Entities such that the net proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under 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 you 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.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices since the Listing Date.

Save for the deviation from code provision A.2.1, which is explained in the following paragraph, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code since the Listing Date.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Su Hua currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the chairman and the chief executive officer at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code since the Listing Date and up to June 30, 2021.

Purchase, Sale or Redemption of 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 period from the Listing Date to June 30, 2021.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2021.

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited interim financial statements for the three and six months ended June 30, 2021. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited interim financial statements for the three and six months ended June 30, 2021 have been prepared in accordance with IFRS.

Significant Events after June 30, 2021

Save as disclosed in this announcement, there have been no other significant events that might affect the Group after June 30, 2021 and up to the date of this announcement.

Publication of the Interim Results and Interim Report

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

APPRECIATION

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

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

Hong Kong, August 25, 2021

As at the date of this announcement, the Board of Directors comprises Mr. Su Hua and Mr. Cheng Yixiao as executive Directors; Mr. Li Zhaohui, Mr. Zhang Fei, Dr. Shen Dou and Mr. Lin Frank as non-executive Directors; Mr. Wang Huiwen, Mr. Huang Sidney Xuande and Mr. Ma Yin as independent non-executive Directors.

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

DEFINITIONS

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

“AI”	artificial intelligence
“ARPPU”	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 18, 2021 with effect from the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014

“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group”, “our Group” or “the Group”	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps

“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences
“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, GIF Kuaishou (launched in 2011)
“Listing Date”	February 5, 2021, on which the Class B Shares were listed and dealings in the Class B Shares were first permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAUs”	refers to monthly active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the calendar month
“Memorandum”	the memorandum of association of the Company (as amended from time to time), adopted on January 18, 2021, which has become effective since 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
“paying user”	a user account that purchases a particular service at least once during a given period
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated January 26, 2021

“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s Auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“US\$” or “US Dollars”	the lawful currency of the United States of America
“%”	per cent