



Kuaishou Technology

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

Stock code : 1024

INTERIM 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. JIA Hongyi (賈弘毅)
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
Central
Hong Kong

REGISTERED OFFICE

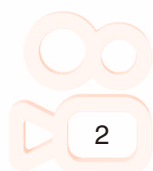
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348 Kwun Tong Road
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Corporate Information

LEGAL ADVISORS

As to Hong Kong law:

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183 Queen's Road East, Wan Chai
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the PRC

STOCK CODE

1024

COMPANY'S WEBSITE

www.kuaishou.com



Key Highlights

FINANCIAL SUMMARY

	Unaudited Three Months Ended June 30,		2021		Year-over- year change
	2022		2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB thousands, except for percentages)</i>					
Revenues	21,695,148	100.0	19,138,826	100.0	13.4%
Gross profit	9,769,768	45.0	8,384,747	43.8	16.5%
Operating loss	(3,059,098)	(14.1)	(7,215,379)	(37.7)	(57.6%)
Loss for the period	(3,176,049)	(14.6)	(7,036,411)	(36.7)	(54.9%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(1,311,901)	(6.0)	(5,016,052)	(26.2)	(73.8%)
Adjusted EBITDA ⁽²⁾	407,224	1.9	(3,559,758)	(18.6)	N/A

	Unaudited Six Months Ended June 30,		2021		Year-over- year change
	2022		2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB thousands, except for percentages)</i>					
Revenues	42,761,825	100.0	36,158,276	100.0	18.3%
Gross profit	18,551,592	43.4	15,372,542	42.5	20.7%
Operating loss	(8,702,467)	(20.4)	(14,507,521)	(40.1)	(40.0%)
Loss for the period	(9,429,945)	(22.1)	(64,787,462)	(179.2)	(85.4%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(5,034,166)	(11.8)	(10,666,739)	(29.5)	(52.8%)
Adjusted EBITDA ⁽²⁾	(1,144,484)	(2.7)	(8,489,028)	(23.5)	(86.5%)

Notes:

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



Key Highlights

FINANCIAL INFORMATION BY SEGMENT

	Unaudited Three Months Ended June 30, 2022			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(RMB thousands)</i>			
Revenues	21,591,796	103,352	—	21,695,148
Operating profit/(loss)	93,623	(1,606,075)	(1,546,646)	(3,059,098)
	Unaudited Three Months Ended June 30, 2021			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(RMB thousands)</i>			
Revenues	19,131,591	7,235	—	19,138,826
Operating loss	(1,026,375)	(4,368,235)	(1,820,769)	(7,215,379)
	Year-over-year change			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(Percentages %)</i>			
Revenues	12.9	1,328.5	—	13.4
Operating loss	N/A	(63.2)	(15.1)	(57.6)

Key Highlights

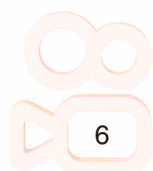
	Unaudited Six Months Ended June 30, 2022			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
<i>(RMB thousands)</i>				
Revenues	42,610,821	151,004	—	42,761,825
Operating loss	(1,450,165)	(3,451,948)	(3,800,354)	(8,702,467)

	Unaudited Six Months Ended June 30, 2021			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
<i>(RMB thousands)</i>				
Revenues	36,149,072	9,204	—	36,158,276
Operating loss	(5,309,747)	(6,713,945)	(2,483,829)	(14,507,521)

	Year-over-year change			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
<i>(Percentages %)</i>				
Revenues	17.9	1,540.6	—	18.3
Operating loss	(72.7)	(48.6)	53.0	(40.0)

Note:

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



Key Highlights

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,	
	2022	2021
Average DAUs (<i>in millions</i>)	347.3	293.2
Average MAUs (<i>in millions</i>)	586.7	506.2
Average daily time spent per DAU (<i>in minutes</i>)	125.2	106.9
Average online marketing services revenue per DAU (<i>in RMB</i>)	31.7	34.0
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	191,174.1	145,397.8

	Six Months Ended June 30,	
	2022	2021
Average DAUs (<i>in millions</i>)	346.4	294.3
Average MAUs (<i>in millions</i>)	592.3	513.0
Average daily time spent per DAU (<i>in minutes</i>)	126.6	103.1
Average online marketing services revenue per DAU (<i>in RMB</i>)	64.5	62.9
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	366,249.7	263,957.2

Note:

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



Chairman's Statement

Dear Shareholders.

In the first half of 2022, facing macroeconomic uncertainties and challenges, we remained unwavering in our core tenants to embrace all lifestyles and create value for users and society. As our content, products and services become increasingly well-recognized, the growing number of users, merchants, advertisers, creators and partners with deepening bonds amongst them contributed to the flywheel effect on our platform and empowered success for a broad range of participants. Their success is our success!

We achieved significant breakthroughs in our business as we continued to serve more industries through our video-based medium and iterate our technological services, while simultaneously improving our operating efficiency. Meanwhile, with trust deeply embedded in our DNA, we consistently enhanced our ecosystem governance to ensure the fair, orderly and sustainable operations on our platform. With all these solid grounding and efforts, we will continue to take our business to new heights.

BUSINESS REVIEW AND OUTLOOK

Business Review

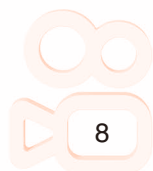
The second quarter of 2022 was marked by a breakthrough performance for Kuaishou. Most notably, we achieved a significant profitability milestone in our domestic business with robust growth in our revenue streams. Our efforts to improve operating efficiency continued to prove effective, despite the challenging macro environment.

Our domestic business delivered operating profit by segment in the second quarter of 2022, ahead of our expected timeline and it represented an important progress we made in profitability by segment since we began significantly scaling up user growth investments. This demonstrates the resilience and sustainability of our business model and the fruitful reward of our strategic initiatives to streamline cost structure and enhance operating efficiency. The profitability of our domestic business brought our adjusted EBITDA back to positive territory for the second quarter of 2022, also the first time since the fourth quarter of 2020. In the second quarter of 2022, our adjusted net loss margin reached single digit status at 6.0%, having substantially narrowed by 20.2 percentage points year-over-year and 11.7 percentage points quarter-over-quarter.

Even with much more disciplined cost control, our user base and traffic sustained strong growth momentum in the second quarter of 2022, and once again reached record highs. Our total traffic continued to grow at a strong pace, increasing by 38.7% year-over-year on Kuaishou App in the second quarter of 2022.

Ecosystem

In the second quarter of 2022, we continued to improve our user acquisition and retention efficiency, deepen the trust-based ecosystem and build our characteristic content verticals. These efforts successfully drove average DAUs on Kuaishou App to a record 347.3 million, up 18.5% year-over-year. The ratio of average DAUs to average MAUs on Kuaishou App also hit a record high, expanding to 59.2% in the second quarter of 2022, reflecting our ability to grow user engagement and increase the vibrancy of our user base at scale.



Chairman's Statement

In terms of user acquisition and retention, first, we improved our user acquisition efficiency by strategically expanding our efficient user acquisition channels while upgrading our operation capabilities for user conversion. Second, we continued to refine our user retention model, aiming to optimize both the retention rate and the maintenance cost per DAU. We also iterated and adjusted our traffic allocation algorithms, so as to leverage our traffic to support our content creators while optimizing user experience more effectively. These consistent measures help increase user time spent on Kuaishou App and improve our users' long-term retention rate. The average daily time spent per DAU on Kuaishou App reached 125.2 minutes in the second quarter of 2022, up 17.1% year-over-year.

Giving rise to stronger network effects and fostering a trust-based ecosystem, social attributes and interactions have always been a paramount focus and one of the most efficient user growth strategies for us. As we aim to cultivate a social environment that “embraces all lifestyles,” and growing bonds among users, pairs of mutual followers on Kuaishou App grew by 65.9% year-over-year, reaching more than 20 billion, cumulatively, by the end of June 2022.

We continued to bring more varieties to our users and enhance the quality of content verticals while strengthening our operation capabilities. Leveraging our sharp insights in market trends and user preferences, we continuously rolled out potential blockbuster content of short plays. ***Our Kwai Playlet Astral (快手星芒短剧)***, which provides all-around assistance for outstanding short play creators, continued to produce various genres and themes of blockbusters such as “***Love Bravely***” and “***Tale of an Ancient Snake***” to further enrich the content supply and consumption ecosystem on our platform, contributing to our organic user growth and increasing user stickiness. In-depth operation of blockbuster content also contributed positively to user acquisition and the vigor of our ecosystem. Our recent live streaming debut of famous artists such as Jackie Chan and Jay Chou sparked viral interactions online, adding another source of blockbuster content on our platform.

Online marketing services

Amidst the challenging macro environment, we expanded our online marketing services business by leveraging our strong traffic growth, robust development of closed-loop ecosystem, continuous technology iterations and improved quality of services. Our total revenue from online marketing services in the second quarter of 2022 was RMB11.0 billion, representing a 10.5% year-over-year increase, further gaining market share in the online marketing sector.

We continued to extend our advertiser coverage through a wide range of channels and provided them with differentiated supporting policies. In the second quarter of 2022, the number of advertisers on our platform increased by over 90% year-over-year. Advertiser retention rates were also boosted during the period driven by our consistent improvements in our services, products capabilities and ads performances.

The online marketing services provided to our e-commerce merchants demonstrated healthy expansion trends and strong resilience along with the signs of e-commerce recovery after the slowdown in the recent pandemic outbreak, significantly contributing to the growth of our online marketing services in the second quarter of 2022. In addition to traditional live streaming e-commerce advertisements, we further unlocked the commercial value of our combined public and private domain traffic through short video e-commerce advertisements integrated with our closed-loop transaction system, which further improved the matching efficiency and brought incremental advertising business from merchants on our platform.

Chairman's Statement

We also continued to win more brand advertisers by enabling them to establish meaningful connections with consumers. The growth of our brand advertising in the second quarter of 2022 outpaced that of our overall online marketing services driven by our growing ad spaces, customized solutions that address diverse marketing needs, and our ability to combine brand advertising with performance advertising.

Live streaming

In the second quarter of 2022, revenue from live streaming reached RMB8.6 billion, increasing by 19.1% year-over-year, and average MPUs for live streaming increased by 21.8% year-over-year to 54.2 million on Kuaishou App. The revenue and paying user growth were primarily due to our improved live streaming content quality and enhanced efficiency in matching user and content, as well as the flourishing user base and the powerful traffic expansion on our platform.

On the supply side, we continually empowered our existing streamers and added new streamers by bolstering our collaboration with talent agencies. As a result, the quality of our live streaming content has significantly improved, along with our content operation capabilities.

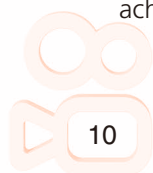
At the same time, we launched more innovative interactive features and contextualized content consumption scenarios to invigorate consumption and demand. With algorithm iterations, we improved the timeliness and accuracy of content matching and recommendation. The combination of these initiatives supported growth of our monthly paying ratio for live streaming year-over-year in the second quarter of 2022.

Kwai Recruitment (快招工) is a prime example of the extension of use case in our live streaming ecosystem. Leveraging the advantages of our platform traffic and conversion efficiency, we facilitated the expansion of recruitment channels for many enterprises, improving industry-wide hiring efficiency while fulfilling the previously unmet user needs. In the second quarter, monthly active users of **Kwai Recruitment** on Kuaishou App reached 250 million, increasing by 90% compared with first quarter of 2022.

Other services including e-commerce

In the second quarter of 2022, our total e-commerce GMV increased by 31.5% year-over-year to reach RMB191.2 billion, driven by our continuous construction of the vibrant ecommerce ecosystem. On the supply side, in addition to non-standard products such as apparel and cosmetics in which live streaming e-commerce holds a significant advantage in display and sales conversion, food and beverage, home appliance and digital products also continued to grow in product breadth and depth on our platform, primarily driven by strong active merchant growth. This further enriched users' purchase choices and fostered their mindsets to shop through our live-streaming e-commerce platform.

At the same time, we continued exploring users' interests and needs, upgrading e-commerce content and optimizing algorithms to improve matching efficiency, which in turn boosted the e-commerce penetration and conversion on our platform. Our monthly active e-commerce paying users continued to increase in the second quarter of 2022. **Kwai Partners (快手服務商)**, which provides comprehensive and targeted services for merchants, empowered merchants to improve their operations and boost their growth in our e-commerce ecosystem, especially those in the start-up phase. In the second quarter of 2022, over 2,000 merchants achieved a quantum leap in e-commerce GMV, empowered by **Kwai Partners**.



Chairman's Statement

Our flourishing e-commerce ecosystem and the rapid growth of our GMV is underpinned by our unique trust-based e-commerce model. To foster more trustworthy e-commerce experience, we launched the **Repeat Customer Recommendation Index (回頭客推薦指數)** and **Repeat Customer Word of Mouth (回頭客說)** so that our users can quantitatively and qualitatively assess merchants' operations through customer feedback and word of mouth. By doing so, we enable an easier decision-making process for consumers while guiding merchants to improve the quality of their goods and services. Our efforts and measures in building the trust on Kuaishou platform contributed to repeat purchase rate expansion year-over-year and quarter-over-quarter in the second quarter of 2022.

In terms of brand e-commerce, both well-known brands and **Kwai Brands (快品牌)**, continued to grow and flourish in our e-commerce ecosystem. **Kwai Brands** achieved particularly rapid development as we connected them with a massive base of target users, and empowered them with an effective environment to nourish their brand images, optimize users' value-experience ratio, and scale and strengthen their private domains. In the second quarter of 2022, the number of monthly active **Kwai Brands** merchants doubled quarter-over-quarter and the number of monthly active brand merchants increased by over two times year-over-year, significantly contributing to higher GMV growth of our brand e-commerce relative to our overall e-commerce GMV growth in the second quarter of 2022.

Overseas

In the overseas markets, we continued to focus on strategically building up our unique ecosystem and exploring monetization in the key markets.

Our high-quality user growth in the overseas market is the best testament of our differentiated product strategy, in particular our content strategy. Along with our continuous advancements in algorithms and products, we optimized user experience, leading to an improved user retention and higher user engagement. By the end of June 2022, our average daily time spent per DAU in the overseas markets reached a new record of over 60 minutes.

On the monetization side, we delivered positive results in the construction of our overseas live streaming ecosystem by working with more talent agencies, and further strengthened our advertising service capabilities to attract more advertisers. As we move forward with our ROI-based global strategy, we are committed to driving high-quality user growth and strengthening monetization while simultaneously building the path to profitability in the overseas markets. In the second quarter of 2022, our revenue in the overseas market achieved RMB103.4 million, more than doubled quarter-over-quarter. Operating loss in the overseas market narrowed significantly to RMB1,606.1 million in the second quarter of 2022, from RMB4,368.2 million in the second quarter of 2021, and further narrowed from the first quarter of 2022.

Chairman's Statement

BUSINESS OUTLOOK

As we look to the second half of 2022, we will continue to strengthen our dynamic, trust-based ecosystem to provide an efficient and convenient digital platform for more users and industry participants. We believe there is significant potential yet to be unlocked in our integrated private and public domains through ongoing optimizations in our operating capabilities, algorithms and the depth and breadth of our monetization avenues. At the same time, we will continue to drive efficiencies through technology iteration and disciplined cost control throughout our organization in the second half of 2022.

Going forward, underpinned by our compelling differentiated content, thriving ecosystem and effective operating strategies, we are confident in capturing new growth opportunities that will further propel our sustainable development, promote industry prosperity and be a force for the betterment of society.

Mr. SU Hua
Chairman



Management Discussion and Analysis

SECOND QUARTER OF 2022 COMPARED TO SECOND QUARTER OF 2021

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

	Unaudited			
	Three Months Ended June 30,			
	2022		2021	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenues	21,695,148	100.0	19,138,826	100.0
Cost of revenues	(11,925,380)	(55.0)	(10,754,079)	(56.2)
Gross profit	9,769,768	45.0	8,384,747	43.8
Selling and marketing expenses	(8,762,445)	(40.4)	(11,269,803)	(58.9)
Administrative expenses	(955,717)	(4.4)	(864,159)	(4.5)
Research and development expenses	(3,282,353)	(15.1)	(3,911,339)	(20.4)
Other income	147,020	0.7	175,348	0.9
Other gains, net	24,629	0.1	269,827	1.4
Operating loss	(3,059,098)	(14.1)	(7,215,379)	(37.7)
Finance income, net	2,009	0.0	11,989	0.1
Share of losses of investments accounted for using the equity method	(44,789)	(0.2)	(24,892)	(0.1)
Loss before income tax	(3,101,878)	(14.3)	(7,228,282)	(37.7)
Income tax (expenses)/benefits	(74,171)	(0.3)	191,871	1.0
Loss for the period	(3,176,049)	(14.6)	(7,036,411)	(36.7)
Non-IFRS Measures:				
Adjusted net loss	(1,311,901)	(6.0)	(5,016,052)	(26.2)
Adjusted EBITDA	407,224	1.9	(3,559,758)	(18.6)

Management Discussion and Analysis

Revenues

Our total revenues, which were mainly attributable to the domestic business, increased by 13.4% to RMB21.7 billion for the second quarter of 2022 from RMB19.1 billion for the same period of 2021. The increase was primarily attributable to the growth of our live streaming business, online marketing services and e-commerce business.

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

	Unaudited Three Months Ended June 30,			
	2022		2021	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Online marketing services	11,006,398	50.7	9,962,297	52.1
Live streaming	8,565,099	39.5	7,193,430	37.6
Other services	2,123,651	9.8	1,983,099	10.3
Total	21,695,148	100.0	19,138,826	100.0

Online marketing services

Revenue from our online marketing services increased by 10.5% to RMB11.0 billion for the second quarter of 2022 from RMB10.0 billion for the same period of 2021, primarily attributable to the growing number of advertisers driven by our consistent improvements in our services, products capabilities and ads performances. In addition, revenue from online marketing services provided to our e-commerce merchants maintained healthy expansion trends and strong resilience.

Live streaming

Revenue from our live streaming business increased by 19.1% to RMB8.6 billion for the second quarter of 2022 from RMB7.2 billion for the same period of 2021, as a result of 21.8% year-over-year growth in average MPUs, which was further supported by improved live streaming content quality and enhanced efficiency in matching user and content.

Other services

Revenue from our other services increased by 7.1% to RMB2.1 billion for the second quarter of 2022 from RMB2.0 billion for the same period of 2021, primarily due to the growth of our e-commerce business, as a result of our efforts to reinforce our trust-based e-commerce model, expand brand e-commerce and strengthen the cooperation with our **Kwai Partners**.



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 second quarter of 2022 and 2021, respectively:

	Unaudited		Three Months Ended June 30,	
	2022		2021	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenue sharing costs and related taxes	6,724,134	31.0	5,371,242	28.1
Bandwidth expenses and server custody costs ⁽¹⁾	1,521,207	7.0	1,950,529	10.2
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,396,522	6.4	1,524,142	8.0
Employee benefit expenses	711,112	3.3	898,574	4.7
Payment processing costs	431,656	2.0	372,272	1.9
Other cost of revenues	1,140,749	5.3	637,320	3.3
Total	11,925,380	55.0	10,754,079	56.2

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 10.9% to RMB11.9 billion for the second quarter of 2022, from RMB10.8 billion for the same period of 2021, primarily attributable to (i) the increase in revenue sharing costs and related taxes in line with our revenue growth; and (ii) the increase in content costs as part of other cost of revenues, as a result of our continuous efforts to diversify content verticals and enrich content ecosystem, partially offset by decreases in bandwidth expenses and server custody costs driven by optimized efficiency in usage.

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 second quarter of 2022 and 2021, respectively:

	Unaudited Three Months Ended June 30,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	9,769,768	45.0	8,384,747	43.8

As a result of the foregoing, our gross profit increased by 16.5% to RMB9.8 billion for the second quarter of 2022, from RMB8.4 billion for the same period of 2021. Our gross profit margin increased to 45.0% for the second quarter of 2022, from 43.8% for the same period of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 22.2% to RMB8.8 billion for the second quarter of 2022, from RMB11.3 billion for the same period of 2021, and decreased to 40.4% from 58.9% 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

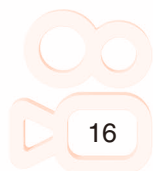
Our administrative expenses increased by 10.6% to RMB955.7 million for the second quarter of 2022, from RMB864.2 million for the same period of 2021, primarily due to an increase in share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 16.1% to RMB3.3 billion for the second quarter of 2022, from RMB3.9 billion for the same period of 2021, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income was RMB147.0 million for the second quarter of 2022, compared to RMB175.3 million for the same period of 2021.



Management Discussion and Analysis

Other Gains, Net

We had other gains, net of RMB24.6 million in the second quarter of 2022, compared to other gains, net of RMB269.8 million in the same period of 2021. The change was primarily due to the net fair value losses on financial assets at fair value through profit or loss of investments in listed and unlisted entities for the second quarter of 2022, compared to the net fair value gains for the same period of 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB3.1 billion and a negative operating margin of 14.1% for the second quarter of 2022, compared to an operating loss of RMB7.2 billion and a negative operating margin of 37.7% for the same period of 2021.

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

	Unaudited Three Months Ended June 30,		Year-over- year change
	2022	2021	
<i>(RMB thousands, except for percentages)</i>			
Operating profit/(loss):			
Domestic	93,623	(1,026,375)	N/A
Overseas	(1,606,075)	(4,368,235)	(63.2%)
Unallocated items	(1,546,646)	(1,820,769)	(15.1%)
Total	(3,059,098)	(7,215,379)	(57.6%)

We had an operating profit from the domestic segment of RMB93.6 million for the second quarter of 2022, compared to an operating loss of RMB1.0 billion for the same period of 2021, mainly due to 12.9% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB1.6 billion for the second quarter of 2022 from RMB4.4 billion for the same period of 2021. The decrease was primarily attributable to continually improved efficiency of marketing spending under ROI-based global strategy.

Management Discussion and Analysis

Finance Income, Net

Our finance income, net was RMB2.0 million and RMB12.0 million for the second quarter of 2022 and 2021, respectively, primarily attributable to interest income from bank deposits, which was partially offset by 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 RMB44.8 million for the second quarter of 2022, compared to RMB24.9 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 RMB3.1 billion and RMB7.2 billion for the second quarter of 2022 and 2021, respectively.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB74.2 million for the second quarter of 2022, compared to income tax benefits of RMB191.9 million for the same period of 2021, as we incurred deferred income tax expenses for the second quarter of 2022, compared to deferred income tax benefits for the same period of 2021.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB3.2 billion and RMB7.0 billion for the second quarter of 2022 and 2021, respectively.



Management Discussion and Analysis

SECOND QUARTER OF 2022 COMPARED TO FIRST QUARTER OF 2022

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

	Unaudited Three Months Ended			
	June 30, 2022		March 31, 2022	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenues	21,695,148	100.0	21,066,677	100.0
Cost of revenues	(11,925,380)	(55.0)	(12,284,853)	(58.3)
Gross profit	9,769,768	45.0	8,781,824	41.7
Selling and marketing expenses	(8,762,445)	(40.4)	(9,488,359)	(45.0)
Administrative expenses	(955,717)	(4.4)	(871,446)	(4.1)
Research and development expenses	(3,282,353)	(15.1)	(3,522,781)	(16.7)
Other income	147,020	0.7	262,678	1.2
Other gains/(losses), net	24,629	0.1	(805,285)	(3.9)
Operating loss	(3,059,098)	(14.1)	(5,643,369)	(26.8)
Finance income/(expense), net	2,009	0.0	(11,465)	(0.1)
Share of losses of investments accounted for using the equity method	(44,789)	(0.2)	(35,923)	(0.1)
Loss before income tax	(3,101,878)	(14.3)	(5,690,757)	(27.0)
Income tax expenses	(74,171)	(0.3)	(563,139)	(2.7)
Loss for the period	(3,176,049)	(14.6)	(6,253,896)	(29.7)
Non-IFRS Measures:				
Adjusted net loss	(1,311,901)	(6.0)	(3,722,265)	(17.7)
Adjusted EBITDA	407,224	1.9	(1,551,708)	(7.4)

Management Discussion and Analysis

Revenues

Our total revenues, which were mainly attributable to the domestic business, increased by 3.0% to RMB21.7 billion for the second quarter of 2022, from RMB21.1 billion for the first quarter of 2022, primarily attributable to the growth of our 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 second quarter and the first quarter of 2022, respectively:

	Unaudited Three Months Ended			
	June 30, 2022		March 31, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	11,006,398	50.7	11,351,470	53.9
Live streaming	8,565,099	39.5	7,841,970	37.2
Other services	2,123,651	9.8	1,873,237	8.9
Total	21,695,148	100.0	21,066,677	100.0

Online marketing services

Revenue from our online marketing services slightly decreased to RMB11.0 billion for the second quarter of 2022, from RMB11.4 billion for the first quarter of 2022, primarily due to the challenging macro environment which impacted advertising spending of advertisers to some extent.

Live streaming

Revenue from our live streaming business increased by 9.2% to RMB8.6 billion for the second quarter of 2022, from RMB7.8 billion for the first quarter of 2022, primarily attributable to the improved live streaming content quality and enhanced efficiency in matching user and content.

Other services

Revenue from our other services increased by 13.4% to RMB2.1 billion for the second quarter of 2022, from RMB1.9 billion for the first quarter of 2022, primarily due to the growth of our e-commerce business, as a result of our efforts to reinforce our trust-based e-commerce model, expand brand e-commerce and strengthen the cooperation with our **Kwai Partners**.



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 second quarter and the first quarter of 2022, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2022		March 31, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	6,724,134	31.0	7,049,261	33.5
Bandwidth expenses and server custody costs ⁽¹⁾	1,521,207	7.0	1,605,247	7.6
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,396,522	6.4	1,318,163	6.3
Employee benefit expenses	711,112	3.3	782,087	3.7
Payment processing costs	431,656	2.0	407,720	1.9
Other cost of revenues	1,140,749	5.3	1,122,375	5.3
Total	<u>11,925,380</u>	<u>55.0</u>	<u>12,284,853</u>	<u>58.3</u>

Note:

⁽¹⁾ Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under 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 decreased by 2.9% to RMB11.9 billion for the second quarter of 2022, from RMB12.3 billion for the first quarter of 2022, primarily attributable to the decrease in revenue sharing costs and related taxes.

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 second quarter and the first quarter of 2022, respectively:

	Unaudited Three Months Ended			
	June 30, 2022		March 31, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	9,769,768	45.0	8,781,824	41.7

As a result of the foregoing, our gross profit increased by 11.2% to RMB9.8 billion for the second quarter of 2022, from RMB8.8 billion for the first quarter of 2022. Our gross profit margin increased to 45.0% for the second quarter of 2022, from 41.7% for the first quarter of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased to RMB8.8 billion for the second quarter of 2022, from RMB9.5 billion for the first quarter of 2022. The decrease was primarily attributable to additional marketing spending during the Chinese New Year Holiday and optimized spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 9.7% to RMB955.7 million for the second quarter of 2022, from RMB871.4 million for the first quarter of 2022, primarily due to an increase in share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 6.8% to RMB3.3 billion for the second quarter of 2022, from RMB3.5 billion for the first quarter of 2022, primarily due to a decrease in employee benefit expenses, including related share-based compensation expenses.

Other Income

Our other income decreased by 44.0% to RMB147.0 million for the second quarter of 2022, from RMB262.7 million for the first quarter of 2022, primarily due to less tax subsidies in the second quarter of 2022 as compared to the first quarter of 2022.



Management Discussion and Analysis

Other Gains/(Losses), Net

We recorded other gains, net of RMB24.6 million for the second quarter of 2022, compared to other losses, net of RMB805.3 million for the first quarter of 2022. The change from losses to gains was primarily due to impairment provision for investments recorded in the first quarter of 2022.

Operating Loss

As a result of the foregoing, we had operating loss of RMB3.1 billion for the second quarter of 2022 and RMB5.6 billion for the first quarter of 2022, and our operating margin was negative 14.1% for the second quarter of 2022, compared to negative 26.8% for the first quarter of 2022.

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

	Unaudited Three Months Ended		Quarter-over- quarter change
	June 30, 2022	March 31, 2022	
	<i>(RMB thousands, except for percentages)</i>		
Operating profit/(loss):			
Domestic	93,623	(1,543,788)	N/A
Overseas	(1,606,075)	(1,845,873)	(13.0%)
Unallocated items	(1,546,646)	(2,253,708)	(31.4%)
Total	(3,059,098)	(5,643,369)	(45.8%)

We had an operating profit from the domestic segment of RMB93.6 million for the second quarter of 2022, compared to an operating loss of RMB1.5 billion for the first quarter of 2022, mainly due to quarter-over-quarter growth in domestic revenues, and disciplined and more efficient spending on user acquisition and retention.

Our operating loss from the overseas segment decreased to RMB1.6 billion for the second quarter of 2022 from RMB1.8 billion for the first quarter of 2022. The decrease was primarily attributable to progress in monetization and more efficient and optimized expenditure spending under ROI-based global strategy.

Management Discussion and Analysis

Finance Income/(Expense), Net

We had finance income, net of RMB2.0 million in the second quarter of 2022, compared to finance expense, net of RMB11.5 million in the first quarter of 2022. The change from expense to income was primarily due to increases 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 were RMB44.8 million for the second quarter of 2022, compared to RMB35.9 million for the first quarter of 2022.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB3.1 billion for the second quarter of 2022, compared to a loss before income tax of RMB5.7 billion for the first quarter of 2022.

Income Tax Expenses

We had income tax expenses of RMB74.2 million for the second quarter of 2022, compared to income tax expenses of RMB563.1 million for the first quarter of 2022. The change was primarily due to the prior year tax return true-up adjustments during the second quarter of 2022 and decrease of deferred income tax expense as a result of change of estimate on deferred tax assets.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB3.2 billion for the second quarter of 2022, compared to RMB6.3 billion for the first 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, 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 2022, first quarter of 2022 and the second quarter of 2021, as well as the first half of 2022 and 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
	<i>(RMB thousands)</i>		
Loss for the period	(3,176,049)	(6,253,896)	(7,036,411)
Add:			
Share-based compensation expenses	1,718,295	1,711,101	2,265,944
Net fair value changes on investments ⁽¹⁾	145,853	820,530	(245,585)
Adjusted net loss	<u>(1,311,901)</u>	<u>(3,722,265)</u>	<u>(5,016,052)</u>
Adjusted net loss	(1,311,901)	(3,722,265)	(5,016,052)
Add:			
Income tax expenses/(benefits)	74,171	563,139	(191,871)
Depreciation of property and equipment	777,846	732,912	961,892
Depreciation of right-of-use assets	837,611	828,088	656,199
Amortization of intangible assets	31,506	34,953	42,063
Finance (income)/expense, net	(2,009)	11,465	(11,989)
Adjusted EBITDA	<u>407,224</u>	<u>(1,551,708)</u>	<u>(3,559,758)</u>

Management Discussion and Analysis

	Unaudited	
	Six Months Ended June 30,	
	2022	2021
	(RMB thousands)	
Loss for the period	(9,429,945)	(64,787,462)
Add:		
Share-based compensation expenses	3,429,396	3,823,156
Fair value changes of convertible redeemable preferred shares	—	51,275,797
Net fair value changes on investments ⁽¹⁾	966,383	(978,230)
Adjusted net loss	<u>(5,034,166)</u>	<u>(10,666,739)</u>
Adjusted net loss	(5,034,166)	(10,666,739)
Add:		
Income tax expenses/(benefits)	637,310	(1,025,974)
Depreciation of property and equipment	1,510,758	1,877,966
Depreciation of right-of-use assets	1,665,699	1,236,735
Amortization of intangible assets	66,459	83,758
Finance expense, net	9,456	5,226
Adjusted EBITDA	<u>(1,144,484)</u>	<u>(8,489,028)</u>

Note:

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

LIQUIDITY AND FINANCIAL RESOURCES

Other than the funds raised through our Global Offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB14.4 billion as of June 30, 2022.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, restricted cash, time deposit and financial assets. Financial assets mainly included wealth management products and others. As of June 30, 2022, the aggregate amount of our available funds was RMB41.3 billion.



Management Discussion and Analysis

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

	Unaudited Three Months Ended June 30, 2022	Unaudited Six Months Ended June 30, 2022
	<i>(RMB thousands)</i>	
Net cash used in operating activities	(2,290,605)	(5,477,478)
Net cash generated from/(used in) investing activities	1,789,213	(11,443,280)
Net cash used in financing activities	(778,231)	(1,548,774)
Net decrease in cash and cash equivalents	(1,279,623)	(18,469,532)
Cash and cash equivalents at the beginning of the period	15,330,488	32,612,419
Effects of exchange rate changes on cash and cash equivalents	340,396	248,374
Cash and cash equivalents at the end of the period	14,391,261	14,391,261

Net Cash Used in Operating Activities

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

For the second quarter of 2022, our net cash used in operating activities was RMB2.3 billion, which was primarily attributable to our loss before income tax of RMB3.1 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB1.7 billion, depreciation of right-of-use assets of RMB837.6 million and depreciation of property and equipment of RMB777.8 million. The amount was further adjusted by changes in working capital, which primarily comprised decreases in other payables and accruals of RMB1.6 billion and accounts payables of RMB637.5 million. We also paid income tax of RMB619.4 million.

Net Cash Generated from Investing Activities

For the second quarter of 2022, our net cash generated from investing activities was RMB1.8 billion, which was primarily attributable to the net change of investments in financial assets at fair value through profit or loss of RMB3.5 billion and purchase of property, equipment and intangible assets of RMB1.4 billion.

Net Cash Used in Financing Activities

For the second quarter of 2022, our net cash used in financing activities was RMB778.2 million, which was primarily attributable to payments for principal elements of lease and the related interest of RMB782.3 million.

Management Discussion and Analysis

BORROWINGS

We did not have any borrowings as of June 30, 2022.

GEARING RATIO

As of June 30, 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 June 30, 2022.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 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.

PLEDGE OF ASSETS

As of June 30, 2022, we had not pledged any assets of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as otherwise disclosed in this interim report, as of June 30, 2022, we have no specific plan for material investments or acquisition of capital assets. However, we will continue to identify new opportunities for business development and investments.



Management Discussion and Analysis

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.

EMPLOYEE AND REMUNERATION POLICY

The Group had 24,876 full-time employees as of June 30, 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.

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.

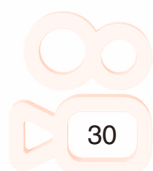
Other Information

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 June 30, 2022, the interests or short positions of the Director 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:

(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%	10.00%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	427,469,521 Class A Shares	55.79%	10.00%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust ⁽²⁾	427,469,521 Class A Shares	55.79%	10.28%
Class A Shares — Mr. CHENG Yixiao				
Ke Yong ⁽³⁾	Beneficial interest	338,767,480 Class A Shares	44.21%	7.92%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	338,767,480 Class A Shares	44.21%	7.92%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾	338,767,480 Class A Shares	44.21%	7.92%
Class B Shares — Mr. SU Hua				
Reach Best ⁽²⁾	Beneficial interest	54,713,783 Class B Shares	1.56%	1.28%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	54,713,783 Class B Shares	1.56%	1.28%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust and other ⁽²⁾	60,412,886 Class B Shares	1.72%	1.41%



Other Information

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 — Mr. CHENG Yixiao				
Ke Yong ⁽³⁾	Beneficial interest	43,770,873 Class B Shares	1.25%	1.02%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	43,770,873 Class B Shares	1.25%	1.02%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾	43,770,873 Class B Shares	1.25%	1.02%
	Founder of a trust ⁽³⁾	3,246,770 Class B Shares	0.09%	0.08%
	Beneficial interest ⁽³⁾			
Class B Shares — Mr. ZHANG Fei				
Mr. ZHANG Fei	Founder of a trust ⁽⁴⁾	14,468,738 Class B Shares	0.41%	0.34%

Notes:

(1) As of June 30, 2022, the Company had 4,275,647,480 issued and outstanding share capital in total, comprising 766,237,001 Class A Shares and 3,509,410,479 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 June 30, 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 June 30, 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 14,468,738 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.

Other Information

(b) Interest in associated corporations

Name of director or chief executive	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.

Save as disclosed above, as far as the Directors are aware and as of June 30, 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 June 30, 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 of substantial shareholder	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⁾
<i>Class B Shares — Tencent Shareholders</i>				
Tencent Mobility Limited ⁽²⁾	Beneficial interest	506,143,854 Class B Shares	14.42%	11.84%
Morespark Limited ⁽²⁾	Beneficial interest	53,619,657 Class B Shares	1.53%	1.25%
Parallel Nebula Investment Limited ⁽²⁾	Beneficial interest	83,127,760 Class B Shares	2.37%	1.94%
Image Frame Investment (HK) Limited ⁽²⁾	Beneficial interest	80,048,189 Class B Shares	2.28%	1.87%
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	0.014%	0.012%
THL A6 Limited ⁽²⁾	Beneficial interest	104,033 Class B Shares	0.003%	0.002%
<i>Class B Shares — DCM Shareholders</i>				
DCM Ventures China Fund (DCM VII), L.P. ⁽³⁾	Beneficial interest	252,697,830 Class B Shares	7.20%	5.91%
DCM VII, L.P. ⁽³⁾	Beneficial interest	24,346,324 Class B Shares	0.69%	0.57%

Other Information

Notes:

- (1) As of June 30, 2022, the Company had 4,275,647,480 issued and outstanding share capital in total, comprising 766,237,001 Class A Shares and 3,509,410,479 Class B Shares.
- (2) Tencent Mobility Limited, Morespark Limited, Image Frame Investment (HK) Limited, Parallel Nebula Investment Limited, TPP Follow-on I Holding F Limited, THL A25 Limited and THL A6 Limited are ultimately controlled by Tencent Holdings Ltd, 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 June 30, 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

Pre-IPO ESOP was 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. 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 in the form of options (“**Options**”) and restricted share awards 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 Company’s Shareholders generally.

Outstanding Share Options Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted share 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.

Up to the Listing Date, the Company has not issued any restricted shares under the Pre-IPO ESOP.



Other Information

The Company had not granted further share options or restricted shares under the Pre-IPO ESOP after the Listing Date. The table below shows the details of movements of share options granted to the Director and other employees under the Pre-IPO ESOP:

Name	Date of Grant	Vesting period	Exercise Price (US\$)	Number of Shares underlying options outstanding as of January 1, 2022	Number of options exercised during the Reporting Period	Number of options lapsed/ cancelled during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2022
Mr. SU Hua	June 30, 2017 to April 1, 2020	4 years	0.0422	5,699,103	0	0	5,699,103
Other grantees	December 22, 2014 to January 7, 2021	0–4 years	0.0422–16.66	175,200,038	(38,374,255)	(23,963,127)	112,862,656
Total				<u>180,899,141</u>	<u>(38,374,255)</u>	<u>(23,963,127)</u>	<u>118,561,759</u>

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 terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. 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 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.

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

During the Reporting Period, 3,246,770 share options had been granted to Mr. CHENG Yixiao (co-founder, executive Director, chief executive officer and substantial shareholder of the Company), and 76,240,515 share options had been granted to an aggregate of 2,140 other grantees (none of which is a Director, chief executive or substantial shareholder of the Company or an associate of any of them) of the Group.

Other Information

The table below shows the details of movement of share options granted to the Director and other employees under the Post-IPO Share Option Scheme during the Reporting Period:

Name	Date of Grant	Vesting period	Exercise Price (HK\$)	Closing price of the Shares immediately before the date on which the options were granted (HK\$)	Number of Shares underlying options outstanding as of January 1, 2022	Number of Shares underlying options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options lapsed/ cancelled during the Reporting Period	Number of Shares underlying options outstanding as of June 30, 2022	Exercise period
Director										
Mr. CHENG Yixiao	April 14, 2022	4 years	66.46	64.00	0	3,246,770	0	0	3,246,770	April 13, 2023 to April 13, 2029
Other employees										
Other grantees	January 24, 2022	4 years	86.85	88.35	0	6,244,884	0	0	6,244,884	January 23, 2023 to January 23, 2029
Other grantees	March 30, 2022	2-4 years	76.29	78.50	0	16,239,976	0	0	16,239,976	June 29, 2022 to March 29, 2029
Other grantees	April 21, 2022	2-4 years	62.30	61.35	0	53,749,404	0	(519,526)	53,229,878	July 20, 2022 to April 20, 2029
Other grantees	June 23, 2022	1 year	83.55	82.35	0	6,251	0	0	6,251	June 22, 2023 to June 22, 2026
Total					0	79,487,285	0	(519,526)	78,967,759	

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 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.

The terms of the Post-IPO RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares. The Company may appoint a trustee to administer the Post-IPO RSU Scheme with respect to the grant of an award of restricted share units under the Post-IPO RSU Scheme 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.

Other Information

The purposes of the Post-IPO RSU Scheme are to recognize and reward individuals, being employees, Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers 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**”) 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.

RSUs Granted under the Post-IPO RSU Scheme

During the Reporting Period, 29,598,496 RSUs had been granted to an aggregate of 684 employees (who are not our Directors) of the Group, among which 7,697,542 RSUs had been vested and 6,910,566 RSUs had been lapsed or cancelled in accordance with the terms of the Post-IPO RSU Scheme. No RSUs had been granted to our Directors under the Post-IPO RSU Scheme as of June 30, 2022.

As such, the total number of Class B Shares available for grant under the Post-IPO RSU Scheme is 94,545,974 Class B Shares, representing approximately 2.21% of the issued share capital of the Company as of June 30, 2022.

The table below shows the details of movement of RSUs granted under the Post-IPO RSU Scheme during the Reporting Period:

Name	Date of Grant	Vesting period	Number	Number	RSUs			Number
			of Shares underlying RSUs outstanding as of January 1, 2022	of Shares underlying RSUs granted during the Reporting Period	RSUs vested during the Reporting Period	cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	of Shares underlying RSUs outstanding as of June 30, 2022
Other grantees	January 24, 2022 to June 23, 2022	0-4 years	87,006,507	29,598,496	(7,697,542)	0	(6,910,566)	101,996,895
Total			87,006,507	29,598,496	(7,697,542)	0	(6,910,566)	101,996,895

Other Information

WEIGHTED VOTING RIGHTS

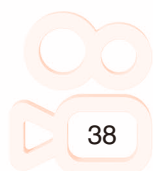
The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's weighted voting rights structure 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 our 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.

- (a) Mr. SU Hua is interested in and controls, through Reach Best, 427,469,521 Class A Shares and 54,713,783 Class B Shares, representing approximately 11.22% of the Company's total issued share capital, approximately 11.22% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 38.68% with respect to matters other than the Reserved Matters.
- (b) 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 8.90% of the Company's total issued share capital, approximately 8.90% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 30.65% 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 21.70% of the total number of issued and outstanding Class B Shares as of the Latest Practicable Date.



Other Information

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:

- (a) 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 our 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;
- (b) 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;
- (c) 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
- (d) when all of the Class A Shares have been converted to Class B Shares.

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

At the annual general meeting of the Company held on Friday, June 17, 2022, Mr. LI Zhaohui, Mr. LIN Frank (*alia* LIN Frank Hurst) and Dr. SHEN Dou were re-elected as non-executive 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 39, is our co-founder, executive Director and chairman of the Board. He is also a member of the Remuneration Committee. Mr. SU currently holds directorship in certain subsidiaries of the Group. Since October 2021, Mr. SU has ceased to act as the Chief Executive Officer of the Group, while he continued to serve in the Group as an executive Director and chairman of the Board, and 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.

Other Information

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 38, is our co-founder, executive Director and Chief Executive Officer. He is also a member of the Nomination Committee. Mr. CHENG currently holds directorship in certain subsidiaries of the Group and he has been appointed as the Chief Executive Officer of the Group since October 2021. 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.

Non-executive Directors

Mr. LI Zhaohui (李朝暉先生)

Mr. LI Zhaohui, aged 46, 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.

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.



The Company was recently notified by Mr. LI that:

- (a) he was named as one of the defendants in his capacity as a director of KE Holdings Inc. in ongoing securities class action lawsuits (the “**BEKE Lawsuit**”) against BEKE in the United States, alleging its disclosure contained misrepresentation. The Board has been informed by Mr. LI that the BEKE Lawsuit is in its early stage, and BEKE, Mr. LI and the other defendants will defend the BEKE Lawsuit vigorously;
- (b) he was named as one of the defendants in his capacity as a director of Missfresh Limited in ongoing securities class action lawsuits (the “**MF Lawsuit**”, together with the BEKE Lawsuit, the “**Lawsuits**”) against MF in the United States, alleging its disclosure contained misrepresentation. The Board has been informed by Mr. LI that the MF Lawsuit is in its early stage, and MF, Mr. LI and the other defendants will defend the MF Lawsuit vigorously.

Securities class action lawsuit is not uncommon among companies listed in the United States. The Lawsuits do not involve the Group and the Board does not consider that the Lawsuits will have any material adverse impact on the business and/or operations of any member of the Group.

Mr. ZHANG Fei (張斐先生)

Mr. ZHANG Fei, aged 49, 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.

Other Information

Dr. SHEN Dou (沈抖博士)

Dr. SHEN Dou, aged 42, is a non-executive Director. As a board member, Dr. SHEN is primarily responsible for strategic planning, major business decisions, and corporate governance for the Group.

Dr. SHEN has served 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) since May 2019. Dr. SHEN currently serves as the head of Baidu AI Cloud Group, overseeing the development of AI Cloud. Dr. SHEN joined Baidu in 2012 and has served in management roles in several business lines, including web search, display advertising, Financial Services Group and Mobile Ecosystem Group. Prior to joining Baidu, Dr. SHEN worked in the adCenter group at Microsoft. He also co-founded BuzzLabs, Inc., a company engaged in social media monitoring and analysis, which was subsequently acquired by CityGrid Media.

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 57, 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 as a member of the Board.

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.

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, and Tuniu Corporation (a company listed on Nasdaq with stock symbol TOUR) since December 2009. 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 43, 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 judgement 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 has been serving as its executive director since October 2015.

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

Other Information

Mr. HUANG Sidney Xuande (黃宣德先生)

Mr. HUANG Sidney Xuande, aged 56, 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 judgement 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.

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 has been an Academic Visitor at St Antony's College of Oxford University in the United Kingdom since October 2021. 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 48, 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 judgement to the Board.

Mr. MA founded Tianxing Jiuzhou Holdings Co., Ltd. (天行九州控股有限公司, subsequently renamed Aranya (阿那亞控股集團有限公司)) in January 1999, and has been the general manager 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 assistant to the general manager, vice president, and executive vice 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 and the president from October 2011 to September 2013.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 of Directors to all Shareholders.

Throughout Reporting Period, the Company has complied with all applicable code provisions.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as 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.

Other Information

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 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 June 30, 2022 (RMB million)	Balance of net proceeds as of June 30, 2022 (RMB million)	Expected timeline of full utilization of net proceeds
20,956.5	Business operations and other general corporate purposes	9,584.4	6,919.0	Before December 31, 2024
	Capital expenditure	4,453.1		Before December 31, 2024



Use of Proceeds from the Global Offering

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, were 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, 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 June 30, 2022 <i>(HK\$ million)</i>	Balance of net proceeds as of June 30, 2022 <i>(HK\$ million)</i>	Expected timeline of full utilization of net proceeds
Approximately 35% to enhance and grow the ecosystem	16,437.5	12,885.2	3,552.3	Before December 31, 2023
Approximately 30% to strengthen research and development and technological capabilities	14,089.3	11,906.8	2,182.5	Before December 31, 2023
Approximately 25% to selectively acquire or invest in products, services and businesses	11,741.1	405.8	11,335.3	Before December 31, 2023
Approximately 10% for working capital and general corporate purposes	4,696.5	3,564.8	1,131.7	Before December 31, 2023
Total	46,964.4	28,762.6	18,201.8	

Other Information

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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2022.

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 control 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.

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited Interim Financial Information for the three and six months ended June 30, 2022. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited Interim Financial Information for the three and six months ended June 30, 2022 has been prepared in accordance with IFRS.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a Corporate Governance Committee, a Nomination Committee and a Remuneration Committee.



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 had held two 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 period from the Listing Date and up to the date of the committee meeting; and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules during the period from the Listing Date and up to the date of the committee meeting.
- Reviewed and monitored the management of conflicts of interests between the Company, its subsidiary or Consolidated Affiliated Entity (defined in the Prospectus) and/or Shareholder 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.
- Sought to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules.
- Reviewed and approved the statement of the Board regarding Environmental, Social and Governance ("ESG") matters of the Group.
- Reviewed and approved the 2021 ESG Report.
- Reported on the work of the Corporate Governance Committee covering all areas of its terms of reference.

Other Information

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.

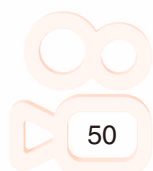
CONTINUING CONNECTED TRANSACTION — GAME CO-OPERATION FRAMEWORK AGREEMENT

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 Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (for itself and on behalf of group members of Tencent, but excluding China Literature Limited and TME Group and their respective subsidiaries, the “**Represented Tencent Group**”). 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.

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.



Other Information

The term of the Game Co-operation Framework Agreement commenced on the Listing Date and 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.

During the Reporting Period, our game co-operation with the Represented Tencent Group under the Game Co-operation Framework Agreement involved 85 games and the actual transaction amounts thereunder were approximately RMB8.2 million.

SIGNIFICANT EVENTS AFTER THE END OF JUNE 30, 2022

Save as otherwise disclosed in this interim report, there were no other significant events affecting the Group which occurred after June 30, 2022 and up to the Latest Practicable Date.

Report on Review of Interim Financial Information

To the Board of Directors of Kuaishou Technology
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 53 to 96, which comprises the condensed consolidated balance sheet of Kuaishou Technology (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2022 and the condensed consolidated income statement and the condensed consolidated statement of comprehensive loss for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 23, 2022



Condensed Consolidated Income Statement

	Note	Unaudited		Unaudited	
		Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Revenues	7	21,695,148	19,138,826	42,761,825	36,158,276
Cost of revenues	9	(11,925,380)	(10,754,079)	(24,210,233)	(20,785,734)
Gross profit		9,769,768	8,384,747	18,551,592	15,372,542
Selling and marketing expenses	9	(8,762,445)	(11,269,803)	(18,250,804)	(22,929,395)
Administrative expenses	9	(955,717)	(864,159)	(1,827,163)	(1,567,510)
Research and development expenses	9	(3,282,353)	(3,911,339)	(6,805,134)	(6,722,485)
Other income		147,020	175,348	409,698	378,692
Other gains/(losses), net	8	24,629	269,827	(780,656)	960,635
Operating loss		(3,059,098)	(7,215,379)	(8,702,467)	(14,507,521)
Finance income/(expense), net		2,009	11,989	(9,456)	(5,226)
Fair value changes of convertible redeemable preferred shares		—	—	—	(51,275,797)
Share of losses of investments accounted for using the equity method	14	(44,789)	(24,892)	(80,712)	(24,892)
Loss before income tax		(3,101,878)	(7,228,282)	(8,792,635)	(65,813,436)
Income tax (expenses)/benefits	10	(74,171)	191,871	(637,310)	1,025,974
Loss for the period		(3,176,049)	(7,036,411)	(9,429,945)	(64,787,462)
Attributable to:					
— Equity holders of the Company		(3,176,012)	(7,035,217)	(9,430,391)	(64,785,560)
— Non-controlling interests		(37)	(1,194)	446)	(1,902)
		(3,176,049)	(7,036,411)	(9,429,945)	(64,787,462)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)	11				
Basic loss per share		(0.75)	(1.71)	(2.23)	(18.58)
Diluted loss per share		(0.75)	(1.71)	(2.23)	(18.58)

The accompanying notes on pages 60 to 96 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Loss

	Note	Unaudited		Unaudited	
		Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
		RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period		(3,176,049)	(7,036,411)	(9,429,945)	(64,787,462)
Other comprehensive income/(loss)					
<i>Items that will not be reclassified to profit or loss</i>					
Share of other comprehensive loss of associates		—	—	(10,083)	—
Currency translation differences		3,947,986	(1,213,382)	3,645,999	1,207,079
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		(2,616,527)	438,258	(2,424,777)	198,437
Other comprehensive income/(loss) for the period, net of taxes		1,331,459	(775,124)	1,211,139	1,405,516
Total comprehensive loss for the period		(1,844,590)	(7,811,535)	(8,218,806)	(63,381,946)
Attributable to:					
— Equity holders of the Company		(1,844,612)	(7,810,341)	(8,219,306)	(63,380,044)
— Non-controlling interests		22	(1,194)	500	(1,902)
		(1,844,590)	(7,811,535)	(8,218,806)	(63,381,946)

The accompanying notes on pages 60 to 96 form an integral part of this interim financial information

Condensed Consolidated Balance Sheet

	<i>Note</i>	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	12	11,654,419	11,050,654
Right-of-use assets	13	10,286,001	12,561,745
Intangible assets		1,128,771	1,171,754
Investments accounted for using the equity method	14	581,968	1,411,141
Financial assets at fair value through profit or loss	15	4,682,971	3,300,623
Other financial assets at amortized cost	15	670,246	—
Deferred tax assets	23	4,872,081	5,405,224
Long-term time deposits		6,620,000	4,000,000
Other non-current assets		574,951	603,367
		41,071,408	39,504,508
Current assets			
Trade receivables	16	3,935,800	4,450,092
Prepayments, other receivables and other current assets	17	3,371,758	3,278,318
Financial assets at fair value through profit or loss	15	9,203,338	8,842,203
Other financial assets at amortized cost	15	187,304	—
Short-term time deposits		8,609,497	3,825,420
Restricted cash		45,888	2,415
Cash and cash equivalents		14,391,261	32,612,419
		39,744,846	53,010,867
Total assets		80,816,254	92,515,375

Condensed Consolidated Balance Sheet

	Note	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	144	142
Share premium	18	274,426,425	274,407,796
Other reserves		25,523,588	20,853,674
Accumulated losses		(259,602,627)	(250,172,236)
		<u>40,347,530</u>	<u>45,089,376</u>
Non-controlling interests		<u>7,095</u>	<u>6,595</u>
Total equity		<u><u>40,354,625</u></u>	<u><u>45,095,971</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	8,128,027	10,079,847
Deferred tax liabilities	23	25,912	28,477
Other non-current liabilities		43,145	55,560
		<u>8,197,084</u>	<u>10,163,884</u>
Current liabilities			
Accounts payables	21	17,427,368	20,021,082
Other payables and accruals	22	7,615,096	9,123,367
Advances from customers		3,214,930	3,502,642
Income tax liabilities		476,077	1,079,591
Lease liabilities	13	3,531,074	3,528,838
		<u>32,264,545</u>	<u>37,255,520</u>
Total liabilities		<u><u>40,461,629</u></u>	<u><u>47,419,404</u></u>
Total equity and liabilities		<u><u>80,816,254</u></u>	<u><u>92,515,375</u></u>

The accompanying notes on pages 60 to 96 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

Note	Unaudited Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	Total 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 period	—	—	—	(9,430,391)	(9,430,391)	446	(9,429,945)
Other comprehensive income							
Share of other comprehensive loss of associates	—	—	(10,083)	—	(10,083)	—	(10,083)
Currency translation differences	—	—	1,221,168	—	1,221,168	54	1,221,222
Total comprehensive loss for the period	—	—	1,211,085	(9,430,391)	(8,219,306)	500	(8,218,806)
Share of other changes in net assets of associates	—	—	29,693	—	29,693	—	29,693
Transactions with owners in their capacity as owners							
Share-based compensation	—	—	3,429,396	—	3,429,396	—	3,429,396
Exercise of share options and vesting of restricted share units ("RSU")	2	18,629	(260)	—	18,371	—	18,371
Total transactions with owners in their capacity as owners	2	18,629	3,429,136	—	3,447,767	—	3,447,767
Balance at June 30, 2022	144	274,426,425	25,523,588	(259,602,627)	40,347,530	7,095	40,354,625

Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2021		30	—	12,011,644	(172,061,513)	(160,049,839)	—	(160,049,839)
Loss for the period		—	—	—	(64,785,560)	(64,785,560)	(1,902)	(64,787,462)
Other comprehensive income								
Currency translation differences		—	—	1,405,516	—	1,405,516	—	1,405,516
Total comprehensive loss for the period		—	—	1,405,516	(64,785,560)	(63,380,044)	(1,902)	(63,381,946)
Transactions with owners in their capacity as owners								
Share-based compensation		—	—	3,823,156	—	3,823,156	—	3,823,156
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	18	14	39,220,652	—	—	39,220,666	—	39,220,666
Shares issued upon initial public offering from Share Incentive Plan	18	11	62,715	(45,625)	—	17,101	—	17,101
Conversion of convertible redeemable preferred shares to ordinary shares	18	84	235,084,462	—	—	235,084,546	—	235,084,546
Non-controlling interests arising from business combination		—	—	—	—	—	7,050	7,050
Total transactions with owners in their capacity as owners		109	274,367,829	3,777,531	—	278,145,469	7,050	278,152,519
Balance at June 30, 2021		139	274,367,829	17,194,691	(236,847,073)	54,715,586	5,148	54,720,734

The accompanying notes on pages 60 to 96 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Cash used in operations	(4,718,572)	(3,315,455)
Income tax paid	(758,906)	(857,438)
Net cash used in operating activities	(5,477,478)	(4,172,893)
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(2,332,274)	(3,449,377)
Proceeds from disposal of property, equipment and intangible assets	6,697	1,716
Purchase of investments in financial assets at fair value through profit or loss	(25,392,379)	(10,859,235)
Proceeds from disposal of investments in financial assets at fair value through profit or loss	24,050,359	8,314,001
Purchase of investments in other financial assets at amortized cost	(814,317)	—
Loan to a third party	—	(16,933)
Repayment of loan by a third party	—	32,355
Purchase of time deposits with initial terms over three months	(10,584,330)	(4,500,000)
Proceeds from maturity of time deposits with initial terms over three months	3,651,632	3,099,575
Interest income received	13,176	44,195
Acquisition of subsidiaries, net of cash acquired	—	261
Dividends received	1,587	—
Placement of restricted cash	(43,431)	—
Net cash used in investing activities	(11,443,280)	(7,333,442)
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 interest	(1,577,348)	(1,182,369)
Proceeds from exercise of share option and RSU vesting	27,564	—
Capital contribution from non-controlling interests	1,010	—
Net cash (used in)/generated from financing activities	(1,548,774)	38,040,232
Net (decrease)/increase in cash and cash equivalents	(18,469,532)	26,533,897
Cash and cash equivalents at the beginning of the period	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents	248,374	(152,011)
Cash and cash equivalents at the end of the period	14,391,261	46,773,431

The accompanying notes on pages 60 to 96 form an integral part of this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, 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 (“**IPO**”).

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 condensed consolidated interim financial information.

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated income statement, the condensed consolidated statement of comprehensive loss for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the “**Interim Financial Information**”).

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

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

2 BASIS OF PREPARATION

The 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 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, 2021 which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) by the Group as set out in the 2021 annual report of the Company dated March 29, 2022 (the “**2021 Financial Statements**”) and any public announcements made by the Group during the interim reporting period.



Notes to the Condensed Consolidated Interim Financial Information

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021, as described in the 2021 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the critical accounting estimates and judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2021 Financial Statements, except for the amended accounting estimate of useful lives of property and equipment. Management reviewed and extended the useful lives of servers and equipment from 3 years to 4 years with effect from January 1, 2022. The change has been applied prospectively and has resulted in a decrease in depreciation of approximately RMB845.8 million for the six months ended June 30, 2022.

5 FINANCIAL RISK MANAGEMENT

5.1 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 policies on financial risk management were set out in the 2021 Financial Statements and there have been no significant changes in the financial risk management policies for the three months and six months ended June 30, 2022.

5.2 Fair value estimation

The Group analyzes its financial instruments carried at fair value 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 Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at June 30, 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	99,962	—	—	99,962
— Investments in unlisted entities	—	—	3,047,793	3,047,793
— Wealth management products and others	—	569,746	10,168,808	10,738,554
	<u>99,962</u>	<u>569,746</u>	<u>13,216,601</u>	<u>13,886,309</u>

The following table presents the Group's financial assets 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
(Audited)				
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 Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 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 determine 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 and investments in wealth management products and others (excluding investments in perpetual bonds) (*Note 15*). As these level 3 instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows or market approach etc.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 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 six months ended June 30, 2022 and 2021.

	Financial assets at fair value through profit or loss RMB'000
(Unaudited)	
At January 1, 2022	11,583,428
Additions	25,215,435
Disposals	(24,040,730)
Change in fair value through profit or loss*	85,514
Currency translation differences	372,954
At June 30, 2022	13,216,601
* Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the period	(1,645)



Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss <i>RMB'000</i>
<hr/>	
(Unaudited)	
At January 1, 2021	7,451,117
Additions	11,001,357
Disposals	(8,314,001)
Change in fair value through profit or loss*	1,040,695
Transfer to investments accounted for using the equity method (Note 14)	(2,470,647)
Deemed disposal due to business combination	(6,959)
Transfer from level 3 to level 1	(349,714)
Currency translation differences	(36,548)
	<hr/>
At June 30, 2021	8,315,300
	<hr/>
* Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the period	245,765

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 Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 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 June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)		As of June 30, 2022 (Unaudited)	As of December 31, 2021 (Audited)	
Investments in unlisted entities	3,047,793	2,844,187	Expected volatility	38%–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%–3.41%	0.13%–2.7%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	10,168,808	8,739,241	Expected rate of return	0.15%–4.00%	0.92%–4.82%	The higher the expected rate of return, the higher the fair value



Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

Investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the People's Republic of China ("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 cash flows and discounted by using the expected 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.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 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 Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION

6.1 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 operation 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. During the three months ended June 30, 2022, the Group started to operate and manage its business in two reportable segments. The comparative figures have been restated to conform with current period's presentation.

- Domestic
- Overseas

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the three months and six months ended June 30, 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 unallocated items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM. Share-based compensation expenses, other income and other gains/(losses), net are not allocated to individual operating segments.

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



Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (CONTINUED)

6.1 Description of segments and principal activities (continued)

The segment results for the three months and six months ended June 30, 2022 and 2021 are as follows:

	Three months ended June 30, 2022			
	Domestic	Overseas	Unallocated items	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	21,591,796	103,352	—	21,695,148
Cost of revenues and operating expenses	(21,498,173)	(1,709,427)	—	(23,207,600)
Unallocated items	—	—	(1,546,646)	(1,546,646)
Operating profit/(loss)	93,623	(1,606,075)	(1,546,646)	(3,059,098)

	Three months ended June 30, 2021			
	Domestic	Overseas	Unallocated items	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	19,131,591	7,235	—	19,138,826
Cost of revenues and operating expenses	(20,157,966)	(4,375,470)	—	(24,533,436)
Unallocated items	—	—	(1,820,769)	(1,820,769)
Operating loss	(1,026,375)	(4,368,235)	(1,820,769)	(7,215,379)

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (CONTINUED)

6.1 Description of segments and principal activities (continued)

	Six months ended June 30, 2022			
	Domestic	Overseas	Unallocated	Total
	RMB'000	RMB'000	items	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	42,610,821	151,004	—	42,761,825
Cost of revenues and operating expenses	(44,060,986)	(3,602,952)	—	(47,663,938)
Unallocated items	—	—	(3,800,354)	(3,800,354)
Operating loss	(1,450,165)	(3,451,948)	(3,800,354)	(8,702,467)
	Six months ended June 30, 2021			
	Domestic	Overseas	Unallocated	Total
	RMB'000	RMB'000	items	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	36,149,072	9,204	—	36,158,276
Cost of revenues and operating expenses	(41,458,819)	(6,723,149)	—	(48,181,968)
Unallocated items	—	—	(2,483,829)	(2,483,829)
Operating loss	(5,309,747)	(6,713,945)	(2,483,829)	(14,507,521)

6.2 Segment assets

As of June 30, 2022 and December 31, 2021, substantially all of the non-current assets other than certain financial instruments and investments accounted for using the equity method of the Group were located in the PRC.



Notes to the Condensed Consolidated Interim Financial Information

7 REVENUES

The breakdown of revenues during the three months and six months ended June 30, 2022 and 2021 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Online marketing services	11,006,398	9,962,297	22,357,868	18,519,973
Live streaming	8,565,099	7,193,430	16,407,069	14,443,829
Other services	2,123,651	1,983,099	3,996,888	3,194,474
	21,695,148	19,138,826	42,761,825	36,158,276

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

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue recognized at a point in time	21,119,162	16,302,136	41,743,781	31,158,489
Revenue recognized over time	575,986	2,836,690	1,018,044	4,999,787
	21,695,148	19,138,826	42,761,825	36,158,276

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, 2022 and 2021.

Notes to the Condensed Consolidated Interim Financial Information

8 OTHER GAINS/(LOSSES), NET

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net gains/(losses) on disposal of property and equipment, intangible assets and right-of-use assets	2,456	(1,528)	7,251	(1,526)
Net fair value (losses)/gains on financial assets at fair value through profit or loss				
— Investments in listed and unlisted entities	(123,850)	245,585	(169,765)	978,230
— Wealth management products and others	89,211	46,851	166,815	61,797
Net foreign exchange gains/(losses)	48,294	(16,826)	2,817	(70,188)
Dilution loss (Note 14)	(22,003)	—	(96,901)	—
Impairment provision for investments (Note 14)	—	—	(699,717)	—
Others	30,521	(4,255)	8,844	(7,678)
	24,629	269,827	(780,656)	960,635



Notes to the Condensed Consolidated Interim Financial Information

9 EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue sharing costs and related taxes	6,724,134	5,371,242	13,773,395	10,496,413
Employee benefit expenses	4,933,788	5,703,159	10,069,465	9,917,115
Promotion and advertising expenses	8,110,604	10,554,098	16,900,661	21,711,796
Bandwidth expenses and server custody costs	1,521,207	1,950,529	3,126,454	3,883,703
Depreciation of property and equipment	777,846	961,892	1,510,758	1,877,966
Depreciation of right-of-use assets (Note a)	837,611	656,199	1,665,699	1,236,735
Amortization of intangible assets	31,506	42,063	66,459	83,758
Outsourcing and other labor costs	336,836	339,097	701,448	613,692
Payment processing costs	431,656	372,272	839,376	676,854
Professional fees	54,640	77,737	112,553	130,911
Tax surcharges	256,281	75,480	495,032	156,115
Credit loss allowances on financial assets	5,083	8,731	(2,858)	11,757
Others (Note b)	904,703	686,881	1,834,892	1,208,309
	24,925,895	26,799,380	51,093,334	52,005,124

Note a: The depreciation of right-of-use assets included the expenses related to lease 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, travelling and communication fees.

10 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.

Notes to the Condensed Consolidated Interim Financial Information

10 INCOME TAX (CONTINUED)

(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. 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, 2022 and 2021.

(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 three months and six months ended June 30, 2022 and 2021, 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 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. 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.



Notes to the Condensed Consolidated Interim Financial Information

10 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 three months and six months ended June 30, 2022 and 2021 are analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	248,005	(460,246)	(106,732)	(812,914)
Deferred income tax (Note 23)	(322,176)	652,117	(530,578)	1,838,888
Income tax (expenses)/benefits	<u>(74,171)</u>	<u>191,871</u>	<u>(637,310)</u>	<u>1,025,974</u>

Notes to the Condensed Consolidated Interim Financial Information

11 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 period.

	Three months ended June 30,		Six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(3,176,012)	(7,035,217)	(9,430,391)	(64,785,560)
Weighted average number of ordinary shares in issue (thousand shares)	4,246,106	4,122,613	4,235,477	3,486,332
Basic loss per share (expressed in RMB per share)	(0.75)	(1.71)	(2.23)	(18.58)

(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, 2022, the Company had two categories of potential ordinary shares: share options and RSUs (during the six months ended June 30, 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 three months and six months ended June 30, 2022 and 2021, 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, 2022 and 2021 were the same as basic loss per share for the respective periods.



Notes to the Condensed Consolidated Interim Financial Information

12 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during the six months ended June 30, 2022 and 2021 is as below:

	Property and equipment <i>RMB'000</i> (Unaudited)
At January 1, 2022	11,050,654
Additions	2,115,048
Disposals	(28,436)
Depreciation charge	(1,510,758)
Currency translation differences	27,911
At June 30, 2022	11,654,419
At January 1, 2021	7,206,100
Additions	3,183,636
Disposals	(1,279)
Depreciation charge	(1,877,966)
Currency translation differences	(438)
Business combination	124
At June 30, 2021	8,510,177

Notes to the Condensed Consolidated Interim Financial Information

13 LEASE

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Right-of-use assets		
Internet data centers	8,249,385	10,101,628
Office buildings	2,008,477	2,431,689
Land use rights	28,139	28,428
	10,286,001	12,561,745
	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Lease liabilities		
Current	3,531,074	3,528,838
Non-current	8,128,027	10,079,847
	11,659,101	13,608,685



Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The detailed information of investments accounted for using the equity method during the six months ended June 30, 2022 and 2021 is as below:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	1,411,141	—
Addition	—	2,470,647
Share of loss	(80,712)	(24,892)
Other reserves	19,610	—
Exchange gain/(loss)	28,547	(18,934)
Dilution loss	(96,901)	—
Impairment provision	(699,717)	—
At the end of the period	581,968	2,426,821

An investment previously accounted for 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 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 was 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 the amount using fair value less cost of disposal, it was calculated by observable prices in the active market, which is level 1 in the valuation methods. During the six months ended June 30, 2022, impairment loss of RMB699.7 million has been recognized, where the recoverable amount was determined using fair value less costs of disposal.

Notes to the Condensed Consolidated Interim Financial Information

15 INVESTMENTS

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	3,047,793	2,844,187
— Investments in a listed entity	77,449	146,165
— Wealth management products and others	1,557,729	310,271
	4,682,971	3,300,623
Other financial assets at amortized cost (Note a)	670,246	—
	5,353,217	3,300,623
Current assets		
Financial assets at fair value through profit or loss		
— Investments in a listed entity	22,513	30,738
— Wealth management products and others	9,180,825	8,811,465
	9,203,338	8,842,203
Other financial assets at amortized cost (Note a)	187,304	—
	9,390,642	8,842,203
Total	14,743,859	12,142,826



Notes to the Condensed Consolidated Interim Financial Information

15 INVESTMENTS (CONTINUED)

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	12,142,826	7,533,763
Additions	25,392,379	11,001,357
Disposals	(24,050,359)	(8,314,001)
Transfer to investments accounted for using the equity method (Note 14)	—	(2,470,647)
Change in fair value through profit or loss	(2,950)	1,040,027
Deemed disposal due to business combination	—	(6,959)
Currency translation differences	404,413	(37,756)
At the end of the period	13,886,309	8,745,784

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.

Notes to the Condensed Consolidated Interim Financial Information

16 TRADE RECEIVABLES

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Trade receivables from contracts with customers	3,959,793	4,476,135
Less: credit loss allowances	(23,993)	(26,043)
	3,935,800	4,450,092

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Up to 3 months	3,659,998	4,358,887
3 to 6 months	299,795	117,248
	3,959,793	4,476,135

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

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At the beginning of the period	(26,043)	(16,082)
Reversal of/(additional) provision	2,050	(10,589)
At the end of the period	(23,993)	(26,671)



Notes to the Condensed Consolidated Interim Financial Information

17 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The detailed information of prepayments, other receivables and other current assets is as below:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Recoverable VAT and other tax prepayments	1,828,606	1,347,416
Prepaid promotion and advertising fees	553,529	591,975
Interest receivable	256,815	118,313
Receivables from third parties	200,657	179,515
Deposit	171,649	177,095
Prepaid content cost and license fee	131,877	660,407
Rental prepayments	19,167	55,905
Loan receivables	16,933	16,933
Others	214,861	154,557
	3,394,094	3,302,116
Less: credit loss allowances	(22,336)	(23,798)
	3,371,758	3,278,318

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE CAPITAL

Issued:

(Unaudited)	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, 2022	4,205,268	21	142	274,407,796
Exercise of share options and vesting of RSU	51,236	—	2	18,629
At June 30, 2022	4,256,504	21	144	274,426,425

Issued:

(Unaudited)	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
Shares issued upon initial public offering from Share Incentive Plan	332,158	2	11	62,715
Conversion of convertible redeemable preferred shares to ordinary shares	2,449,157	12	84	235,084,462
At June 30, 2021	4,127,943	21	139	274,367,829

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 Condensed Consolidated Interim Financial Information

19 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2022 and 2021.

20 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, which were adjusted to 509,616,655 ordinary shares in February 2015 and further to 711,946,697 ordinary shares in February 2018. 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 ten years commencing on the date of adoption.

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan

Share options granted to employees

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

(Unaudited)	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 period	(23,814,196)	9.87
Exercised during the period	(38,374,255)	0.07
Outstanding as of June 30, 2022	<u>118,561,759</u>	<u>2.00</u>
Exercisable as of June 30, 2022	<u>55,981,800</u>	<u>1.97</u>
(Unaudited)	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 period	58,271,509	8.34
Forfeited during the period	(5,246,542)	1.66
Outstanding as of June 30, 2021	<u>257,794,048</u>	<u>1.98</u>
Exercisable as of June 30, 2021	<u>—</u>	<u>—</u>

The weighted-average remaining contract life for outstanding share options was 7.51 years and 7.80 years as of June 30, 2022 and December 31, 2021, respectively. The weighted average price of the shares at the time these options were exercised was HKD77.43 per share during the six months ended June 30, 2022.



Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Fair value of share options

Before the Listing Date, 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:

	Six months ended June 30, 2021 (Unaudited)
Fair value per share (USD)	14.83
Exercise price (USD)	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 weighted-average grant date fair value of granted share options was US\$10.81 per share for the six months ended June 30, 2021.

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme

Share options granted to employees

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

(Unaudited)	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2022	—	—
Granted during the period	79,487,285	8.59
Forfeited during the period	(519,526)	7.82
Outstanding as of June 30, 2022	78,967,759	8.60
Exercisable as of June 30, 2022	643,238	9.75

The weighted-average remaining contract life for outstanding share options was 5.02 years as of June 30, 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:

	Six months ended June 30, 2022 (Unaudited)
Fair value per share (USD)	3.41–6.04
Exercise price (USD)	7.94–11.15
Risk-free interest rate	1.63%–2.93%
Dividend yield	0.00%
Expected volatility	59.2%–69.3%
Expected terms	4–7 years

The weighted-average grant date fair value of granted share options was US\$4.04 per share for the six months ended June 30, 2022.



Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

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:

(Unaudited)	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 period	29,598,496	8.98
Forfeited during the period	(6,910,566)	18.07
Vested during the period	(7,697,542)	28.56
Outstanding as of June 30, 2022	<u>101,996,895</u>	<u>15.78</u>

(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU USD
Outstanding as of January 1, 2021	—	—
Granted during the period	34,780,249	33.37
Forfeited during the period	(667,405)	33.70
Outstanding as of June 30, 2021	<u>34,112,844</u>	<u>33.36</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 RMB3,429.4 million and RMB3,823.2 million were recognised in the condensed consolidated income statements for the six months ended June 30, 2022 and 2021, respectively.

Notes to the Condensed Consolidated Interim Financial Information

21 ACCOUNTS PAYABLES

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

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Up to 3 months	12,237,543	16,173,978
3 to 6 months	3,746,836	2,347,408
6 months to 1 year	950,945	1,145,454
Over 1 year	492,044	354,242
	17,427,368	20,021,082

22 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals are as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
Refundable deposits from customers	3,872,725	3,251,069
Employee benefit payables	1,457,528	2,993,926
Collection on behalf of others	1,358,540	1,873,310
Other taxes payable	405,681	747,509
Others	520,622	257,553
	7,615,096	9,123,367



Notes to the Condensed Consolidated Interim Financial Information

23 DEFERRED INCOME TAX

The amount of offsetting deferred tax assets and liabilities is RMB35.8 million and RMB29.2 million as of June 30, 2022 and 2021, respectively.

The amounts of the deferred tax assets before offsetting are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	5,440,869	2,342,071
(Debited)/credited to the consolidated income statement	(532,944)	1,836,525
At the end of the period	4,907,925	4,178,596
	As of	As of
	June 30,	December 31,
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The gross amount of deferred income tax attributable to:		
— Accrued liabilities and provisions	3,438,155	3,989,248
— Tax losses (Note a)	1,296,142	1,296,142
— Fair value changes of financial assets	64,623	59,867
— Credit loss allowances	11,695	12,866
— Others	97,310	82,746
Total gross deferred tax assets	4,907,925	5,440,869

Note a: The deductible cumulative tax losses will expire within 10 years. The Group only recognizes deferred tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses.

Notes to the Condensed Consolidated Interim Financial Information

23 DEFERRED INCOME TAX (CONTINUED)

The amounts of the deferred tax liabilities before offsetting are as follows:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
At the beginning of the period	64,122	60,371
Business combination	—	2,275
Credited to the consolidated income statement	(2,366)	(2,363)
At the end of the period	61,756	60,283

24 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Intangible assets	31,367	41,448
Property and equipment	51,818	420,156
Investments	235,476	326,779
	318,661	788,383



Notes to the Condensed Consolidated Interim Financial Information

25 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 six months ended June 30, 2022 and 2021, and/or balances with the Group as of June 30, 2022 and December 31, 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

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(i) Sales of services		
Investees of the Group	5,301	151,183
One of the Company's shareholders	30,786	58,753
	<u>36,087</u>	<u>209,936</u>

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(ii) Purchases of services		
Investees of the Group	22,117	14,458
One of the Company's shareholders	1,779,526	2,625,792
	<u>1,801,643</u>	<u>2,640,250</u>



Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	As of June 30, 2022 RMB'000 (Unaudited)	As of December 31, 2021 RMB'000 (Audited)
(i) Prepayments and other receivables from related parties		
One of the Company's shareholders	<u>304,537</u>	<u>273,999</u>
	<u>304,537</u>	<u>273,999</u>
(ii) Trade receivables from related parties		
Investees of the Group	<u>8,023</u>	<u>3,109</u>
One of the Company's shareholders	<u>15,980</u>	<u>13,188</u>
	<u>24,003</u>	<u>16,297</u>
(iii) Accounts payables to related parties		
Investees of the Group	<u>10,904</u>	<u>9,606</u>
One of the Company's shareholders	<u>1,074,930</u>	<u>1,791,286</u>
	<u>1,085,834</u>	<u>1,800,892</u>

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

All the balances with related parties above were business operation related and were considered as trade in nature as of June 30, 2022 and December 31, 2021. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

26 CONTINGENCIES

As of June 30, 2022 and December 31, 2021, the Group did not have any material contingent liabilities.

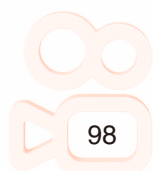


In this interim report, unless the context otherwise requires the following expressions have the following meanings.

“2021 ESG Report”	the 2021 Environment, Social and Governance Report of the Company published on the website of the Stock Exchange on May 24, 2022
“AI”	artificial intelligence
“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 Dajia” or “WFOE”	Beijing Dajia Internet Information Technology Co., Ltd. (北京達佳互聯信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 2, 2014 and our indirect wholly-owned subsidiary
“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 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 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)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Board



“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 our Company
“Global Offering”	the global offering of the Class B Shares
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group”, “our Group” or “the Group”	our Company, our subsidiaries and our Consolidated Affiliated Entities, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the subsidiaries as if they were the subsidiaries of our 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
“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 Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

“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 our Group or our connected persons
“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
“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”	September 13, 2022, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained in this interim 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
“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 interim report only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan

Definitions

“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) Huankuai Technology, (x) Guizhou Fanxin Lingzhi, (xi) Huai’an Shuangxin, (xii) Beijing Qingque, (xiii) Yunshitai Beijing, (xiv) Shandong Yixiang, and (xv) Shandong Tiankai
“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 six months ended June 30, 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
“Shandong Tiankai”	Shandong Tiankai Culture Communication Co., Ltd. (山東天開文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on April 25, 2021 and our Consolidated Affiliated Entity



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
“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
“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 interim 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 interim 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 interim 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 interim 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 are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this interim 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 interim 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 interim report or those that might reflect the occurrence of unanticipated events.



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