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Kuaishou Technology 快手科技

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

(Stock Code: 1024)

RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three and nine months ended September 30, 2022. These interim results have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. The interim results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Unaudited				Year-over-year change
	Three Months Ended September 30,				
	2022	2021			
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB thousands, except for percentages)</i>				
Revenues	23,128,413	100.0	20,492,977	100.0	12.9%
Gross profit	10,703,003	46.3	8,508,600	41.5	25.8%
Operating loss	(2,612,192)	(11.3)	(7,403,590)	(36.1)	(64.7%)
Loss for the period	(2,712,401)	(11.7)	(7,086,896)	(34.6)	(61.7%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(671,946)	(2.9)	(4,616,262)	(22.5)	(85.4%)
Adjusted EBITDA ⁽²⁾	1,023,285	4.4	(3,174,157)	(15.5)	N/A

Unaudited
Nine Months Ended September 30,
2022 **2021**

	Amount	As a percentage of revenues <i>(RMB thousands, except for percentages)</i>	Amount	As a percentage of revenues	Year-over- year change
Revenues	65,890,238	100.0	56,651,253	100.0	16.3%
Gross profit	29,254,595	44.4	23,881,142	42.2	22.5%
Operating loss	(11,314,659)	(17.2)	(21,911,111)	(38.7)	(48.4%)
Loss for the period	(12,142,346)	(18.4)	(71,874,358)	(126.9)	(83.1%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(5,706,112)	(8.7)	(15,283,001)	(27.0)	(62.7%)
Adjusted EBITDA ⁽²⁾	(121,199)	(0.2)	(11,663,185)	(20.6)	(99.0%)

Notes:

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

Financial Information by Segment

Unaudited
Three Months Ended September 30, 2022

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	22,939,050	189,363	—	23,128,413
Operating profit/(loss)	375,070	(1,686,912)	(1,300,350)	(2,612,192)

Unaudited
Three Months Ended September 30, 2021

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	20,473,222	19,755	—	20,492,977
Operating loss	(2,520,284)	(2,854,166)	(2,029,140)	(7,403,590)

	Year-over-year change			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾ <i>(Percentages %)</i>	
Revenues	12.0	858.6	—	12.9
Operating loss	N/A	(40.9)	(35.9)	(64.7)

**Unaudited
Nine Months Ended September 30, 2022**

	Domestic	Overseas	Unallocated	Total
			items ⁽¹⁾ <i>(RMB thousands)</i>	
Revenues	65,549,871	340,367	—	65,890,238
Operating loss	(1,075,095)	(5,138,860)	(5,100,704)	(11,314,659)

Unaudited
Nine Months Ended September 30, 2021

	Domestic	Overseas	Unallocated	Total
			items ⁽¹⁾ <i>(RMB thousands)</i>	
Revenues	56,622,294	28,959	—	56,651,253
Operating loss	(7,830,031)	(9,568,111)	(4,512,969)	(21,911,111)

Year-over-year change

	Domestic	Overseas	Unallocated	Total
			items ⁽¹⁾ <i>(Percentages %)</i>	
Revenues	15.8	1,075.3	—	16.3
Operating loss	(86.3)	(46.3)	13.0	(48.4)

Note:

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

Operating Metrics

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

	Three Months Ended	
	September 30,	
	2022	2021
Average DAUs (<i>in millions</i>)	363.4	320.4
Average MAUs (<i>in millions</i>)	626.0	572.9
Average daily time spent per DAU (<i>in minutes</i>)	129.3	119.1
Average online marketing services revenue per DAU (<i>in RMB</i>)	31.9	34.0
Total e-commerce GMV ⁽¹⁾ (<i>RMB in millions</i>)	222,520.2	175,787.4

	Nine Months Ended	
	September 30,	
	2022	2021
Average DAUs (<i>in millions</i>)	352.1	303.1
Average MAUs (<i>in millions</i>)	603.5	533.0
Average daily time spent per DAU (<i>in minutes</i>)	127.6	108.8
Average online marketing services revenue per DAU (<i>in RMB</i>)	96.4	97.1
Total e-commerce GMV ⁽¹⁾ (<i>RMB in millions</i>)	588,769.9	439,744.6

Note:

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

BUSINESS REVIEW

The third quarter of 2022 was full of challenges. Facing multiple headwinds such as the macroeconomic slowdown and pandemic resurgence, we continued to achieve breakthroughs in both business operations and financial performance by making unremitting efforts to overcome external challenges and unleash potential through organizational adjustments. In the third quarter of 2022, average DAUs on Kuaishou App increased by 13.4% year-over-year to a record high of 363.4 million. At the same time, we continued to deliver operating profit in our domestic business segment in the third quarter, achieving a quarter-over-quarter increase of nearly three times after it turned positive in the prior quarter. Our Group's adjusted EBITDA increased significantly compared with the prior quarter.

User and content ecosystem

In the third quarter of 2022, we achieved high-quality user growth. We seized opportunities during the peak user-growth season, including summer vacation, to implement our effective user acquisition and retention strategy, and achieved a healthy ROI. In the third quarter of 2022, average DAUs and average MAUs on Kuaishou App increased by 13.4% and 9.3% year-over-year to 363.4 million and 626.0 million, respectively, and the ratio of average DAUs to average MAUs on Kuaishou App remained at a relatively high level of 58.1%. Average daily time spent per DAU on Kuaishou App increased by 8.6% year-over-year to 129.3 minutes, demonstrating strong user stickiness and community vibrancy on the Kuaishou platform.

Thanks to our refined management and the improved efficiency of our user acquisition through both technological and operational means, we reached our expected user growth target while strictly controlling the investment in user growth. We also refined our algorithm-based operations targeting different user groups and continually lowered the maintenance costs per DAU. In addition, due to our reinforcement of our differentiated social platform positioning and user mindset, pairs of mutual followers on Kuaishou App grew substantially by 63.1% year-over-year, reaching a cumulative 23.5 billion by the end of September 2022.

We have been actively expanding content supply in various verticals. In the third quarter of 2022, we continued to tap into the potential of short plays and explored more diversified themes, such as *Benevolence* (仁心), a portrait of the professional lives of medical staff. In the variety show vertical, our self-produced intergenerational interactive experience reality show *Let's Go! Mom* (出發吧！老媽) adopted a narrative and dissemination format that combined long video, short video and live streaming, further satisfying the increasingly diverse content consumption needs of our users.

Online marketing services

In the third quarter of 2022, revenue from online marketing services was RMB11.6 billion, up 6.2% year-over-year. The macroeconomic headwinds compounded by various external factors have placed pressure on the online advertising industry players including Kuaishou, and year-over-year growth of revenue from our online marketing services decelerated. Nevertheless, by attracting more advertisers via multiple channels and implementing supportive policies, we increased our monthly active advertisers by more than 65% year-over-year in the third quarter. Meanwhile, we endeavored to consistently improve our product commercialization capabilities while catering to users' commercial interests and to accelerate the establishment of a virtuous cycle of user, content and monetization ecosystems. We also continuously improved advertising ROI on our platform through traffic strategy iterations, optimizations of conversion funnel and algorithms, and more. As such, our retention rate of advertisers continued to increase.

Thanks to the massive traffic on our platform and the high conversion efficiency of our closed-loop ecosystem, the advertising services provided to our e-commerce merchants have maintained a healthy growth momentum as the e-commerce business on our platform expands. By guiding live streaming e-commerce advertisers to utilize short videos and simultaneously encouraging short video advertisers to participate in live streaming, we promoted advertisers' combined usage of short video and live streaming to seize opportunities from their additional marketing need. As for brand advertising, we capitalized on customized sales promotion projects tailored to advertisers' specific needs. These projects, aided by our product iterations and enhancements, advantages in traffic, content and the KOL ecosystem, ushered in more possibilities for advertisers to increase their marketing effectiveness.

Live streaming

In the third quarter of 2022, our live streaming business delivered strong results, with a 15.8% year-over-year increase in revenue to RMB8.9 billion, driven by consistent refinements of our live streaming operations. We further diversified and enhanced the interactive features on our live streaming platform to better fulfill users' social needs. Meanwhile, we built an algorithm-based user life cycle management mechanism to improve our live streaming paying ratio. In the third quarter of 2022, the average MPUs for live streaming rose by 29.3% year-over-year to 59.6 million on Kuaishou App, and the monthly paying ratio continued to increase year-over-year.

On the supply side, our collaboration strategy with talent agencies continued to evolve, and we continued to expand the methods of collaboration with such agencies. Adding to the ongoing cooperation with select top talent agencies and streamers, we also proactively explored collaborative training and operating models with talent agencies to better support mid- and long-tail streamers. As such, the number of active streamers managed by talent agencies more than tripled year-over-year in the third quarter of 2022. In addition, we continued to expand the usage scenarios of live streaming, such as ***Kwai Hire (快聘)***, ***Ideal Housing (理想家)***, ***Kwai Date (快相親)***, providing users with richer live streaming content and meeting their needs in more scenarios.

Other services including e-commerce

In the third quarter of 2022, our e-commerce business grew at a faster pace compared to the industry and continued to gain market share. Our e-commerce GMV reached RMB222.5 billion in the third quarter of 2022, up by 26.6% year-over-year. On the supply side, we attracted more merchants by leveraging our traffic advantage, conversion efficiency and promotion policies. In the third quarter, the number of new merchants joining our platform increased by nearly 80% year-over-year. We also enhanced our merchant empowerment system through strengthened merchant services and governance, which in turn improved the merchants' operational capabilities. Meanwhile, the efficacy of our traffic allocation strategies, and improved precision of our merchandise-user matching, allowed us to further optimize the conversion efficiency and business operation environment of our platform. As a result, the number of new active merchants grew at a high double digit rate year-over-year in the third quarter of 2022.

Furthermore, we have been dedicating increased efforts in growing our brand clients in e-commerce. In addition to bringing in more well-known brands, we continued to foster distinctive ***Kwai Brands (快品牌)*** by bolstering their operational and service capabilities through dedicated traffic and supportive policies, and providing products and services with high value-experience ratio to consumers. Powered by these initiatives, the number of Kwai brands grew by high double digits quarter-over-quarter in the third quarter of 2022, accounting for an increasing share of e-commerce GMV.

We also consistently leverage our trust-based community advantage to elevate users' shopping experiences. With trust as the cornerstone of our e-commerce ecosystem, we have gradually enhanced our user rights protection mechanism and improved the after-sales services fulfillment experience, raising the repeat purchase rate in the third quarter of 2022 by 1.1 percentage points compared to the same period in 2021. On the consumption side, through continuous upgrades of our merchandise supply, content and merchandise-user matching, as well as expanded user consumption scenarios beyond traditional live streaming to short video, we boosted user activity, and further grew our e-commerce penetration and conversion rate in the third quarter of 2022, increasing the number of monthly active e-commerce paying users to over 100 million.

Overseas

In the overseas markets, with a disciplined spending and ROI-based growth strategy, we achieved effective and healthy user growth, and our user retention continued to improve in the third quarter of 2022. Our average daily time spent per DAU in the overseas markets remained high at over 60 minutes. Furthermore, our differentiated content strategy delivered positive results in cultivating user mindset. To build on this success, we are expanding the number of content verticals to further enrich our content ecosystem and reinforcing the virtuous cycle between content generation, consumption and creator monetization.

With respect to monetization, our revenue from online marketing services grew rapidly as a result of the continuous enhancements to our product and services. For live streaming, we have constructed a comprehensive ecosystem, deepened collaboration with talent agencies, further diversified content supply and enhanced content quality. We also hosted diverse operating activities across various regions, which drove the continuous increase in our live streaming revenue. Aiming to grow revenue and control expenses, we endeavor to enhance the operational efficiency of our overseas business, gradually building the path to profitability.

Corporate social responsibilities

Kuaishou is committed to building and maintaining a digital community with inclusiveness as its foundation, featuring high interaction and strong engagement. Leveraging the power of short video plus live streaming as a medium, our digital community is deeply integrated with all walks of life in the real economy, and constantly creates new usage scenarios, new opportunities, and new models to facilitate economic development, integration between digital and real economies and construction of Digital China.

In August this year, Kuaishou officially launched the 2022 *Happy Country KOL Program* (幸福鄉村帶頭人計劃). First launched by Kuaishou in 2018, the Happy Country KOL Program is a public welfare initiative that aims to support outstanding KOLs across the country with agricultural products sales. The program has approached and supported more than 100 rural KOLs, including Alimu and Mizang Dolma. Reaching nearly 10 million people through promoting rural-based industry development, the program is active in 27 provinces and has driven the revitalization of 16 industries with local characteristics.

Over the next three years, we will dedicate traffic resources equivalent to over RMB100 million to discover and support more than 1,000 rural KOLs, covering 160 key counties receiving assistance for rural revitalization. We will also provide training programs through short video and live streaming for over 1 million rural talents. We believe these initiatives will energize rural talent and industry growth, empower the rural population to take pride in their local cultures, and promote the sustainable development of China's rural market.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2022 Compared to Third Quarter of 2021

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

	Unaudited			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	23,128,413	100.0	20,492,977	100.0
Cost of revenues	<u>(12,425,410)</u>	<u>(53.7)</u>	<u>(11,984,377)</u>	<u>(58.5)</u>
Gross profit	10,703,003	46.3	8,508,600	41.5
Selling and marketing expenses	<u>(9,130,341)</u>	<u>(39.5)</u>	<u>(11,016,923)</u>	<u>(53.8)</u>
Administrative expenses	<u>(1,059,353)</u>	<u>(4.6)</u>	<u>(913,050)</u>	<u>(4.5)</u>
Research and development expenses	<u>(3,533,090)</u>	<u>(15.3)</u>	<u>(4,217,699)</u>	<u>(20.6)</u>
Other income	687,184	3.0	425,534	2.2
Other losses, net	<u>(279,595)</u>	<u>(1.2)</u>	<u>(190,052)</u>	<u>(0.9)</u>
Operating loss	(2,612,192)	(11.3)	(7,403,590)	(36.1)
Finance income, net	68,258	0.3	23,420	0.1
Share of losses of investments accounted for using the equity method	<u>(31,386)</u>	<u>(0.1)</u>	<u>(36,995)</u>	<u>(0.2)</u>
Loss before income tax	(2,575,320)	(11.1)	(7,417,165)	(36.2)
Income tax (expenses)/benefits	<u>(137,081)</u>	<u>(0.6)</u>	<u>330,269</u>	<u>1.6</u>
Loss for the period	<u>(2,712,401)</u>	<u>(11.7)</u>	<u>(7,086,896)</u>	<u>(34.6)</u>
Non-IFRS Measures:				
Adjusted net loss	(671,946)	(2.9)	(4,616,262)	(22.5)
Adjusted EBITDA	1,023,285	4.4	(3,174,157)	(15.5)

Revenues

Our total revenues increased by 12.9% to RMB23.1 billion for the third quarter of 2022 from RMB20.5 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 third quarter of 2022 and 2021, respectively:

	Unaudited			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	11,589,632	50.1	10,909,035	53.2
Live streaming	8,946,690	38.7	7,724,141	37.7
Other services	2,592,091	11.2	1,859,801	9.1
Total	23,128,413	100.0	20,492,977	100.0

Online marketing services

Revenue from our online marketing services increased by 6.2% to RMB11.6 billion for the third quarter of 2022 from RMB10.9 billion for the same period of 2021, primarily attributable to the growth in the number of advertisers and the increased advertising spending from the advertisers, especially from our e-commerce merchants, driven by our consistent improvements in services, products commercialization capabilities and advertising ROI.

Live streaming

Revenue from our live streaming business increased by 15.8% to RMB8.9 billion for the third quarter of 2022 from RMB7.7 billion for the same period of 2021, as a result of 29.3% year-over-year growth in average MPUs, which was supported by the consistent refinements of our live streaming operations and the continuously evolving collaboration strategy with talent agencies including corresponding increase in the number of active streamers managed by those talent agencies.

Other services

Revenue from our other services increased by 39.4% to RMB2.6 billion for the third quarter of 2022 from RMB1.9 billion for the same period of 2021, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV, which was driven by an increase in the number of active merchants, number of e-commerce paying users and the improved repeat purchase rate.

Cost of Revenues

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

	Unaudited			
	Three Months Ended September 30,		2021	
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	7,163,900	31.0	6,105,445	29.8
Bandwidth expenses and server custody costs ⁽¹⁾	1,653,413	7.1	1,945,954	9.5
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,402,298	6.1	1,620,731	7.9
Employee benefit expenses	766,033	3.3	926,541	4.5
Payment processing costs	526,415	2.3	398,484	1.9
Other cost of revenues	913,351	3.9	987,222	4.9
Total	12,425,410	53.7	11,984,377	58.5

Note:

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

Our cost of revenues increased by 3.7% to RMB12.4 billion for the third quarter of 2022, from RMB12.0 billion for the same period of 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth, partially offset by decreases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets driven by optimized efficiency in usage.

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 third quarter of 2022 and 2021, respectively:

	Unaudited			
	2022		2021	
	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	10,703,003	46.3	8,508,600	41.5

As a result of the foregoing, our gross profit increased by 25.8% to RMB10.7 billion for the third quarter of 2022, from RMB8.5 billion for the same period of 2021. Our gross profit margin increased to 46.3% for the third quarter of 2022, from 41.5% for the same period of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 17.1% to RMB9.1 billion for the third quarter of 2022, from RMB11.0 billion for the same period of 2021, and decreased to 39.5% from 53.8% 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 16.0% to RMB1.1 billion for the third quarter of 2022, from RMB913.1 million for the same period of 2021, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 16.2% to RMB3.5 billion for the third quarter of 2022, from RMB4.2 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 increased to RMB687.2 million for the third quarter of 2022, from RMB425.5 million for the same period of 2021, mainly attributable to increase in value-added tax preferences for the third quarter of 2022 as compared to the same period of 2021.

Other Losses, Net

We had other losses, net of RMB279.6 million for the third quarter of 2022, compared to other losses, net of RMB190.1 million for the same period of 2021. The change was primarily due to the impairment provision for investments recorded in the third quarter of 2022.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB2.6 billion and a negative operating margin of 11.3% for the third quarter of 2022, compared to an operating loss of RMB7.4 billion and a negative operating margin of 36.1% for the same period of 2021.

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

	Unaudited		
	Three Months Ended September 30,		
	2022	2021	Year-over-
	<i>(RMB thousands, except for percentages)</i>		
			year change
Domestic	375,070	(2,520,284)	N/A
Overseas	(1,686,912)	(2,854,166)	(40.9%)
Unallocated items	(1,300,350)	(2,029,140)	(35.9%)
Total	<u>(2,612,192)</u>	<u>(7,403,590)</u>	(64.7%)

We had an operating profit from the domestic segment of RMB375.1 million for the third quarter of 2022, compared to an operating loss of RMB2.5 billion for the same period of 2021, mainly due to 12.0% year-over-year growth in domestic revenues and the decrease in domestic marketing spending.

Our operating loss from the overseas segment decreased to RMB1.7 billion for the third quarter of 2022, from RMB2.9 billion for the same period of 2021. The decrease was primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Finance Income, Net

Our finance income, net increased to RMB68.3 million for the third quarter of 2022, from RMB23.4 million for the same period of 2021, primarily due to an increase in interest income from bank deposits.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB31.4 million for the third quarter of 2022, compared to RMB37.0 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 RMB2.6 billion and RMB7.4 billion for the third quarter of 2022 and 2021, respectively.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB137.1 million for the third quarter of 2022, compared to income tax benefits of RMB330.3 million for the same period of 2021, as we incurred deferred income tax expenses for the third 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 RMB2.7 billion and RMB7.1 billion for the third quarter of 2022 and 2021, respectively.

Third Quarter of 2022 Compared to Second Quarter of 2022

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

	Unaudited			
	Three Months Ended			
	September 30, 2022		June 30, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	23,128,413	100.0	21,695,148	100.0
Cost of revenues	<u>(12,425,410)</u>	<u>(53.7)</u>	<u>(11,925,380)</u>	<u>(55.0)</u>
Gross profit	10,703,003	46.3	9,769,768	45.0
Selling and marketing expenses	<u>(9,130,341)</u>	<u>(39.5)</u>	<u>(8,762,445)</u>	<u>(40.4)</u>
Administrative expenses	<u>(1,059,353)</u>	<u>(4.6)</u>	<u>(955,717)</u>	<u>(4.4)</u>
Research and development expenses	<u>(3,533,090)</u>	<u>(15.3)</u>	<u>(3,282,353)</u>	<u>(15.1)</u>
Other income	<u>687,184</u>	<u>3.0</u>	<u>147,020</u>	<u>0.7</u>
Other (losses)/gains, net	<u>(279,595)</u>	<u>(1.2)</u>	<u>24,629</u>	<u>0.1</u>
Operating loss	(2,612,192)	(11.3)	(3,059,098)	(14.1)
Finance income, net	<u>68,258</u>	<u>0.3</u>	<u>2,009</u>	<u>0.0</u>
Share of losses of investments accounted for using the equity method	<u>(31,386)</u>	<u>(0.1)</u>	<u>(44,789)</u>	<u>(0.2)</u>
Loss before income tax	(2,575,320)	(11.1)	(3,101,878)	(14.3)
Income tax expenses	<u>(137,081)</u>	<u>(0.6)</u>	<u>(74,171)</u>	<u>(0.3)</u>
Loss for the period	<u>(2,712,401)</u>	<u>(11.7)</u>	<u>(3,176,049)</u>	<u>(14.6)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(671,946)</u>	<u>(2.9)</u>	<u>(1,311,901)</u>	<u>(6.0)</u>
Adjusted EBITDA	<u>1,023,285</u>	<u>4.4</u>	<u>407,224</u>	<u>1.9</u>

Revenues

Our total revenues increased by 6.6% to RMB23.1 billion for the third quarter of 2022, from RMB21.7 billion for the second quarter of 2022, primarily attributable to the growth of our online marketing services, live streaming business and e-commerce business.

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

	Unaudited Three Months Ended			
	September 30, 2022		June 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	11,589,632	50.1	11,006,398	50.7
Live streaming	8,946,690	38.7	8,565,099	39.5
Other services	2,592,091	11.2	2,123,651	9.8
Total	23,128,413	100.0	21,695,148	100.0

Online marketing services

Revenue from our online marketing services increased by 5.3% to RMB11.6 billion for the third quarter of 2022, from RMB11.0 billion for the second quarter of 2022, primarily attributable to the growth in our user traffic and the increase in advertising spending of our advertisers during summer vacation seasons, especially from our e-commerce merchants.

Live streaming

Revenue from our live streaming business increased by 4.5% to RMB8.9 billion for the third quarter of 2022, from RMB8.6 billion for the second quarter of 2022, as a result of 10.0% quarter-over-quarter growth in average MPUs, primarily attributable to consistent refinements of our live streaming operations and the continuously evolving collaboration strategy with talent agencies including corresponding increase in the number of active streamers managed by those talent agencies.

Other services

Revenue from our other services increased by 22.1% to RMB2.6 billion for the third quarter of 2022, from RMB2.1 billion for the second quarter of 2022, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in e-commerce GMV was, on the one hand, driven by the gradual recovery of e-commerce business from pandemic compared with the previous quarter. On the other hand, the increase of the number of active merchants, number of e-commerce paying users and the improved repeat purchase rate also contributed to the growth of e-commerce GMV.

Cost of Revenues

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

	Unaudited Three Months Ended			
	September 30, 2022		June 30, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	7,163,900	31.0	6,724,134	31.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,653,413	7.1	1,521,207	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,402,298	6.1	1,396,522	6.4
Employee benefit expenses	766,033	3.3	711,112	3.3
Payment processing costs	526,415	2.3	431,656	2.0
Other cost of revenues	913,351	3.9	1,140,749	5.3
Total	12,425,410	53.7	11,925,380	55.0

Note:

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

Our cost of revenues increased by 4.2% to RMB12.4 billion for the third quarter of 2022, from RMB11.9 billion for the second quarter of 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth.

Gross Profit and Gross Profit Margin

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

	Unaudited			
	Three Months Ended			
	September 30, 2022		June 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	10,703,003	46.3	9,769,768	45.0

As a result of the foregoing, our gross profit increased by 9.6% to RMB10.7 billion for the third quarter of 2022, from RMB9.8 billion for the second quarter of 2022. Our gross profit margin increased to 46.3% for the third quarter of 2022, from 45.0% for the second quarter of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses slightly increased by 4.2% to RMB9.1 billion for the third quarter of 2022, from RMB8.8 billion for the second quarter of 2022, primarily attributable to additional marketing spending during summer vacation seasons. Our selling and marketing expenses as a percentage of our total revenues decreased to 39.5% for the third quarter of 2022 from 40.4% for the second quarter of 2022, primarily attributable to the refined management and the improved efficiency on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 10.8% to RMB1.1 billion for the third quarter of 2022, from RMB955.7 million for the second quarter of 2022, primarily due to an increase in employee benefit expenses.

Research and Development Expenses

Our research and development expenses increased by 7.6% to RMB3.5 billion for the third quarter of 2022, from RMB3.3 billion for the second quarter of 2022, primarily due to an increase in employee benefit expenses.

Other Income

Our other income increased to RMB687.2 million for the third quarter of 2022, from RMB147.0 million for the second quarter of 2022, mainly attributable to increase in value-added tax preferences and an increase in other tax returns for the third quarter of 2022 as compared to the second quarter of 2022.

Other (Losses)/Gains, Net

We recorded other losses, net of RMB279.6 million for the third quarter of 2022, compared to other gains, net of RMB24.6 million for the second quarter of 2022. The change was primarily due to the impairment provision for investments recorded in the third quarter of 2022.

Operating Loss

As a result of the foregoing, we had operating loss of RMB2.6 billion for the third quarter of 2022 and operating loss of RMB3.1 billion for the second quarter of 2022, and our operating margin was negative 11.3% for the third quarter of 2022, compared to negative 14.1% for the second quarter of 2022.

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

	Unaudited		
	Three Months Ended		
	September 30,	June 30,	Quarter-over-
	2022	2022	quarter change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	375,070	93,623	300.6%
Overseas	(1,686,912)	(1,606,075)	5.0%
Unallocated items	(1,300,350)	(1,546,646)	(15.9%)
Total	<u>(2,612,192)</u>	<u>(3,059,098)</u>	(14.6%)

Our operating profit from the domestic segment increased to RMB375.1 million for the third quarter of 2022, from RMB93.6 million for the second quarter of 2022, mainly due to quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment slightly increased to RMB1.7 billion for the third quarter of 2022, from RMB1.6 billion for the second quarter of 2022.

Finance Income, Net

We had finance income, net of RMB68.3 million for the third quarter of 2022, compared to finance income, net of RMB2.0 million for the second quarter of 2022. The change 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 RMB31.4 million for the third quarter of 2022, compared to RMB44.8 million for the second quarter of 2022.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB2.6 billion for the third quarter of 2022, compared to a loss before income tax of RMB3.1 billion for the second quarter of 2022.

Income Tax Expenses

We had income tax expenses of RMB137.1 million for the third quarter of 2022, compared to income tax expenses of RMB74.2 million for the second quarter of 2022.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB2.7 billion for the third quarter of 2022, compared to RMB3.2 billion for the second quarter of 2022.

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 third quarter of 2022, the second quarter of 2022, the third quarter of 2021, and the first nine months of 2022 and 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	September 30,	June 30,	September 30,
	2022	2022	2021
	<i>(RMB thousands)</i>		
Loss for the period	(2,712,401)	(3,176,049)	(7,086,896)
Add:			
Share-based compensation expenses	1,707,939	1,718,295	2,264,622
Net fair value changes on investments ⁽¹⁾	332,516	145,853	206,012
Adjusted net loss	<u>(671,946)</u>	<u>(1,311,901)</u>	<u>(4,616,262)</u>
Adjusted net loss	(671,946)	(1,311,901)	(4,616,262)
Add:			
Income tax expenses/(benefits)	137,081	74,171	(330,269)
Depreciation of property and equipment	810,387	777,846	1,030,724
Depreciation of right-of-use assets	779,714	837,611	721,717
Amortization of intangible assets	36,307	31,506	43,353
Finance income, net	(68,258)	(2,009)	(23,420)
Adjusted EBITDA	<u>1,023,285</u>	<u>407,224</u>	<u>(3,174,157)</u>

Unaudited
Nine Months ended
September 30,
2022 **2021**
(RMB thousands)

Loss for the period	(12,142,346)	(71,874,358)
Add:		
Share-based compensation expenses	5,137,335	6,087,778
Fair value changes of convertible redeemable preferred shares	—	51,275,797
Net fair value changes on investments ⁽¹⁾	1,298,899	(772,218)
	<u>(5,706,112)</u>	<u>(15,283,001)</u>
Adjusted net loss	(5,706,112)	(15,283,001)
Adjusted net loss	(5,706,112)	(15,283,001)
Add:		
Income tax expenses/(benefits)	774,391	(1,356,243)
Depreciation of property and equipment	2,321,145	2,908,690
Depreciation of right-of-use assets	2,445,413	1,958,452
Amortization of intangible assets	102,766	127,111
Finance income, net	(58,802)	(18,194)
	<u>(121,199)</u>	<u>(11,663,185)</u>
Adjusted EBITDA	(121,199)	(11,663,185)

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 RMB15.0 billion as of September 30, 2022.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposit, financial assets and restricted cash. Financial assets mainly included wealth management products and others. As of September 30, 2022, the aggregate amount of our available funds was RMB43.5 billion.

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

	Unaudited Three Months Ended September 30, 2022	Unaudited Nine Months Ended September 30, 2022
	<i>(RMB thousands)</i>	
Net cash generated from/(used in) operating activities	2,710,193	(2,767,285)
Net cash used in investing activities	(1,561,638)	(13,004,918)
Net cash used in financing activities	(889,880)	(2,438,654)
Net increase/(decrease) in cash and cash equivalents	258,675	(18,210,857)
Cash and cash equivalents at the beginning of the period	14,391,261	32,612,419
Effects of exchange rate changes on cash and cash equivalents	309,185	557,559
Cash and cash equivalents at the end of the period	<u>14,959,121</u>	<u>14,959,121</u>

Net Cash Generated from/(Used in) Operating Activities

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

For the third quarter of 2022, our net cash generated from operating activities was RMB2.7 billion, which was primarily attributable to our loss before income tax of RMB2.6 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB1.7 billion, depreciation of property and equipment of RMB810.4 million and depreciation of right-of-use assets of RMB779.7 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB1.7 billion and an increase of accounts payables of RMB563.5 million, partially offset by an increase in trade receivables of RMB507.1 million. We also paid income tax of RMB40.1 million.

Net Cash Used in Investing Activities

For the third quarter of 2022, our net cash used in investing activities was RMB1.6 billion, which was primarily attributable to the net change of investments in financial assets at fair value through profit or loss of RMB676.3 million and purchase of property, equipment and intangible assets of RMB818.5 million.

Net Cash Used in Financing Activities

For the third quarter of 2022, our net cash used in financing activities was RMB889.9 million, which was primarily attributable to payments for principal elements of lease and related interest of RMB912.3 million.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
	Note	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenues	3	23,128,413	20,492,977	65,890,238	56,651,253
Cost of revenues	4	(12,425,410)	(11,984,377)	(36,635,643)	(32,770,111)
Gross profit		10,703,003	8,508,600	29,254,595	23,881,142
Selling and marketing expenses	4	(9,130,341)	(11,016,923)	(27,381,145)	(33,946,318)
Administrative expenses	4	(1,059,353)	(913,050)	(2,886,516)	(2,480,560)
Research and development expenses	4	(3,533,090)	(4,217,699)	(10,338,224)	(10,940,184)
Other income		687,184	425,534	1,096,882	804,226
Other (losses)/gains, net		(279,595)	(190,052)	(1,060,251)	770,583
Operating loss		(2,612,192)	(7,403,590)	(11,314,659)	(21,911,111)
Finance income, net		68,258	23,420	58,802	18,194
Fair value changes of convertible redeemable preferred shares		—	—	—	(51,275,797)
Share of losses of investments accounted for using the equity method		(31,386)	(36,995)	(112,098)	(61,887)
Loss before income tax		(2,575,320)	(7,417,165)	(11,367,955)	(73,230,601)
Income tax (expenses)/benefits		(137,081)	330,269	(774,391)	1,356,243
Loss for the period		(2,712,401)	(7,086,896)	(12,142,346)	(71,874,358)
Attributable to:					
— Equity holders of the Company		(2,713,263)	(7,086,041)	(12,143,654)	(71,871,601)
— Non-controlling interests		862	(855)	1,308	(2,757)
		(2,712,401)	(7,086,896)	(12,142,346)	(71,874,358)
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)	5				
Basic loss per share		(0.64)	(1.71)	(2.86)	(19.39)
Diluted loss per share		(0.64)	(1.71)	(2.86)	(19.39)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
Note	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period	<u>(2,712,401)</u>	<u>(7,086,896)</u>	<u>(12,142,346)</u>	<u>(71,874,358)</u>
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive loss of associates	10,449	—	366	—
Currency translation differences	4,141,926	276,175	7,787,925	1,483,254
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	<u>(2,888,552)</u>	<u>(139,341)</u>	<u>(5,313,329)</u>	<u>59,096</u>
Other comprehensive income for the period, net of taxes	<u>1,263,823</u>	<u>136,834</u>	<u>2,474,962</u>	<u>1,542,350</u>
Total comprehensive loss for the period	<u>(1,448,578)</u>	<u>(6,950,062)</u>	<u>(9,667,384)</u>	<u>(70,332,008)</u>
Attributable to:				
— Equity holders of the Company	<u>(1,449,502)</u>	<u>(6,949,220)</u>	<u>(9,668,808)</u>	<u>(70,329,264)</u>
— Non-controlling interests	<u>924</u>	<u>(842)</u>	<u>1,424</u>	<u>(2,744)</u>
	<u>(1,448,578)</u>	<u>(6,950,062)</u>	<u>(9,667,384)</u>	<u>(70,332,008)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As of September 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment		11,684,838	11,050,654
Right-of-use assets		9,518,969	12,561,745
Intangible assets		1,130,739	1,171,754
Investments accounted for using the equity method		300,585	1,411,141
Financial assets at fair value through profit or loss	6	4,198,854	3,300,623
Other financial assets at amortized cost	6	616,626	—
Deferred tax assets		4,774,194	5,405,224
Long-term time deposits		6,620,000	4,000,000
Other non-current assets		479,130	603,367
		<u>39,323,935</u>	<u>39,504,508</u>
Current assets			
Trade receivables		4,442,987	4,450,092
Prepayments, other receivables and other current assets		3,609,261	3,278,318
Financial assets at fair value through profit or loss	6	10,894,944	8,842,203
Other financial assets at amortized cost	6	295,179	—
Short-term time deposits		9,206,107	3,825,420
Restricted cash		94,800	2,415
Cash and cash equivalents		14,959,121	32,612,419
		<u>43,502,399</u>	<u>53,010,867</u>
Total assets		<u><u>82,826,334</u></u>	<u><u>92,515,375</u></u>

<i>Note</i>	Unaudited As of September 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	145	142
Share premium	274,448,225	274,407,796
Other reserves	28,513,904	20,853,674
Accumulated losses	(262,315,890)	(250,172,236)
	<u>40,646,384</u>	<u>45,089,376</u>
Non-controlling interests	<u>8,019</u>	<u>6,595</u>
Total equity	<u>40,654,403</u>	<u>45,095,971</u>
LIABILITIES		
Non-current liabilities		
Lease liabilities	7,422,489	10,079,847
Deferred tax liabilities	24,629	28,477
Other non-current liabilities	26,851	55,560
	<u>7,473,969</u>	<u>10,163,884</u>
Current liabilities		
Accounts payables	17,966,904	20,021,082
Other payables and accruals	9,332,697	9,123,367
Advances from customers	3,497,810	3,502,642
Income tax liabilities	404,970	1,079,591
Lease liabilities	3,495,581	3,528,838
	<u>34,697,962</u>	<u>37,255,520</u>
Total liabilities	<u>42,171,931</u>	<u>47,419,404</u>
Total equity and liabilities	<u>82,826,334</u>	<u>92,515,375</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Nine months ended September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(2,767,285)	(5,750,119)
Net cash used in investing activities	(13,004,918)	(17,516,088)
Net cash (used in)/generated from financing activities	<u>(2,438,654)</u>	<u>37,369,559</u>
Net (decrease)/increase in cash and cash equivalents	(18,210,857)	14,103,352
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	<u>557,559</u>	<u>(63,649)</u>
Cash and cash equivalents at the end of the period	<u>14,959,121</u>	<u>34,431,248</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the three months and nine months ended September 30, 2022 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“**IASB**”). The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 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**”).

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.

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 with effect from January 1, 2022.

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

2 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

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 September 30, 2022, the Group operated and managed its business in two reportable segments. The comparative figures have been restated to conform with the 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 nine months ended September 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.

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

	Three months ended September 30, 2022			
	Domestic	Overseas	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>items</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	22,939,050	189,363	—	23,128,413
Cost of revenues and operating expenses	(22,563,980)	(1,876,275)	—	(24,440,255)
Unallocated items	—	—	(1,300,350)	(1,300,350)
Operating profit/(loss)	<u>375,070</u>	<u>(1,686,912)</u>	<u>(1,300,350)</u>	<u>(2,612,192)</u>
	Three months ended September 30, 2021			
	Domestic	Overseas	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>items</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	20,473,222	19,755	—	20,492,977
Cost of revenues and operating expenses	(22,993,506)	(2,873,921)	—	(25,867,427)
Unallocated items	—	—	(2,029,140)	(2,029,140)
Operating loss	<u>(2,520,284)</u>	<u>(2,854,166)</u>	<u>(2,029,140)</u>	<u>(7,403,590)</u>

	Nine months ended September 30, 2022			
	Domestic	Overseas	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>items</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	65,549,871	340,367	—	65,890,238
Cost of revenues and operating expenses	(66,624,966)	(5,479,227)	—	(72,104,193)
Unallocated items	—	—	(5,100,704)	(5,100,704)
Operating loss	<u>(1,075,095)</u>	<u>(5,138,860)</u>	<u>(5,100,704)</u>	<u>(11,314,659)</u>

	Nine months ended September 30, 2021			
	Domestic	Overseas	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>items</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	56,622,294	28,959	—	56,651,253
Cost of revenues and operating expenses	(64,452,325)	(9,597,070)	—	(74,049,395)
Unallocated items	—	—	(4,512,969)	(4,512,969)
Operating loss	<u>(7,830,031)</u>	<u>(9,568,111)</u>	<u>(4,512,969)</u>	<u>(21,911,111)</u>

3 Revenues

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

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online marketing services	11,589,632	10,909,035	33,947,500	29,429,008
Live streaming	8,946,690	7,724,141	25,353,759	22,167,970
Other services	2,592,091	1,859,801	6,588,979	5,054,275
	<u>23,128,413</u>	<u>20,492,977</u>	<u>65,890,238</u>	<u>56,651,253</u>

4 Expenses by nature

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	7,163,900	6,105,445	20,937,295	16,601,858
Employee benefit expenses	5,433,726	6,091,797	15,503,191	16,008,912
Promotion and advertising expenses	8,315,547	10,202,938	25,216,208	31,914,734
Bandwidth expenses and server custody costs	1,653,413	1,945,954	4,779,867	5,829,657
Depreciation of property and equipment	810,387	1,030,724	2,321,145	2,908,690
Depreciation of right-of-use assets	779,714	721,717	2,445,413	1,958,452
Amortization of intangible assets	36,307	43,353	102,766	127,111
Outsourcing and other labor costs	318,086	419,829	1,019,534	1,033,521
Payment processing costs	526,415	398,484	1,365,791	1,075,338
Professional fees	74,929	85,395	187,482	216,306
Tax surcharges	228,635	99,239	723,667	255,354
Credit loss allowances on financial assets	5,896	(11,071)	3,038	686
Others (<i>Note a</i>)	801,239	998,245	2,636,131	2,206,554
	<u>26,148,194</u>	<u>28,132,049</u>	<u>77,241,528</u>	<u>80,137,173</u>

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

5 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net loss attributable to equity holders of the Company (RMB'000)	<u>(2,713,263)</u>	<u>(7,086,041)</u>	<u>(12,143,654)</u>	<u>(71,871,601)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,262,172</u>	<u>4,138,566</u>	<u>4,244,452</u>	<u>3,706,113</u>
Basic loss per share (expressed in RMB per share)	<u>(0.64)</u>	<u>(1.71)</u>	<u>(2.86)</u>	<u>(19.39)</u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the three months and nine months ended September 30, 2022, the Company had two categories of potential ordinary shares: share options and restricted share units ("RSUs") (during the nine months ended September 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 nine months ended September 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 nine months ended September 30, 2022 and 2021 were the same as basic loss per share for the respective periods.

6 Investments

	As of September 30, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	3,331,233	2,844,187
— Investments in a listed entity	63,024	146,165
— Wealth management products and others	804,597	310,271
	<u>4,198,854</u>	<u>3,300,623</u>
Other financial assets at amortized cost	616,626	—
	<u>4,815,480</u>	<u>3,300,623</u>
Current assets		
Financial assets at fair value through profit or loss		
— Investments in a listed entity	11,926	30,738
— Wealth management products and others	10,883,018	8,811,465
	<u>10,894,944</u>	<u>8,842,203</u>
Other financial assets at amortized cost	295,179	—
	<u>11,190,123</u>	<u>8,842,203</u>
Total	<u><u>16,005,603</u></u>	<u><u>12,142,826</u></u>

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

	Nine months ended	
	September 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
At the beginning of the period	12,142,826	7,533,763
Additions	32,775,485	38,194,498
Disposals	(30,727,119)	(33,124,722)
Transfer to investments accounted for using the equity method	—	(2,470,647)
Change in fair value through profit or loss	42,430	910,652
Deemed disposal due to business combination	—	(6,959)
Currency translation differences	860,176	(23,931)
	<hr/>	<hr/>
At the end of the period	<u>15,093,798</u>	<u>11,012,654</u>

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities during the nine months ended September 30, 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. The Company complied with all applicable code provisions as set out in the Corporate Governance Code during the nine months ended September 30, 2022.

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited Interim Financial Information for the three and nine months ended September 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 nine months ended September 30, 2022 have been prepared in accordance with IFRS.

Significant Events after September 30, 2022

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after September 30, 2022 and up to the date of this announcement.

APPRECIATION

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

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

Hong Kong, November 22, 2022

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

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

DEFINITIONS

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

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

“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group”, “our Group” or “the Group”	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“KOL”	key opinion leader
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps

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

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