



Kuaishou Technology

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

Stock Code: 01024 (HKD Counter) 81024 (RMB Counter)

INTERIM REPORT **2023**



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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) (*Chief Executive Officer*)

Non-executive Directors

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

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Mr. MA Yin (馬寅) (*Chairman*)
Mr. HUANG Sidney Xuande (黃宣德)

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. SU Hua (宿華)
Ms. SO Ka Man (蘇嘉敏)

AUDITOR

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REGISTERED OFFICE

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Corporate Information

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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the PRC

STOCK CODE

HKD Counter Stock Code: 01024
RMB Counter Stock Code: 81024

COMPANY'S WEBSITE

www.kuaishou.com

Key Highlights

Financial Summary

	2023		2022		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
Unaudited Three Months Ended June 30,					
<i>(RMB millions, except for percentages)</i>					
Revenues	27,744	100.0	21,695	100.0	27.9%
Gross profit	13,934	50.2	9,770	45.0	42.6%
Operating profit/(loss)	1,296	4.7	(3,059)	(14.1)	N/A
Profit/(loss) for the period	1,481	5.3	(3,176)	(14.6)	N/A
Non-IFRS Measures:					
Adjusted net profit/(loss) ⁽¹⁾	2,694	9.7	(1,312)	(6.0)	N/A
Adjusted EBITDA ⁽²⁾	4,316	15.6	408	1.9	957.8%

	2023		2022		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
Unaudited Six Months Ended June 30,					
<i>(RMB millions, except for percentages)</i>					
Revenues	52,961	100.0	42,762	100.0	23.9%
Gross profit	25,646	48.4	18,552	43.4	38.2%
Operating profit/(loss)	598	1.1	(8,702)	(20.4)	N/A
Profit/(loss) for the period	605	1.1	(9,430)	(22.1)	N/A
Non-IFRS Measures:					
Adjusted net profit/(loss) ⁽¹⁾	2,736	5.2	(5,034)	(11.8)	N/A
Adjusted EBITDA ⁽²⁾	6,312	11.9	(1,144)	(2.7)	N/A

Notes:

- ⁽¹⁾ We define "adjusted net profit/(loss)" as profit/(loss) for the period adjusted by share-based compensation expenses and net fair value changes on investments.
- ⁽²⁾ We define "adjusted EBITDA" as adjusted net profit/(loss) for the period adjusted by income tax (benefits)/expenses, 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, 2023			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	(RMB millions)			
Revenues	27,297	447	—	27,744
Operating profit/(loss)	3,034	(780)	(958)	1,296
	Unaudited Three Months Ended June 30, 2022			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB millions)			
Revenues	21,592	103	—	21,695
Operating profit/(loss)	93	(1,606)	(1,546)	(3,059)
	Year-over-year change			
	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	26.4%	334.0%	—	27.9%
Operating profit/(loss)	3,162.4%	(51.4%)	(38.0%)	N/A

Key Highlights

Unaudited Six Months Ended June 30, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB millions)			
Revenues	52,176	785	—	52,961
Operating profit/(loss)	3,997	(1,603)	(1,796)	598

Unaudited Six Months Ended June 30, 2022

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB millions)			
Revenues	42,611	151	—	42,762
Operating loss	(1,450)	(3,452)	(3,800)	(8,702)

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	22.4%	419.9%	—	23.9%
Operating profit/(loss)	N/A	(53.6%)	(52.7%)	N/A

Note:

⁽¹⁾ Unallocated items include share-based compensation expenses, other income and other (losses)/gains, 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,	
	2023	2022
Average DAUs (<i>in millions</i>)	376.0	347.3
Average MAUs (<i>in millions</i>)	673.3	586.7
Average online marketing services revenue per DAU (<i>in RMB</i>)	38.2	31.7
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	265,456.4	191,174.1

	Six Months Ended June 30,	
	2023	2022
Average DAUs (<i>in millions</i>)	375.1	346.4
Average MAUs (<i>in millions</i>)	663.9	592.3
Average online marketing services revenue per DAU (<i>in RMB</i>)	73.1	64.5
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	490,222.9	366,249.7

Note:

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

Chairman's Statement

Dear Shareholders,

The first half of 2023 marked another milestone for the Company — we achieved a record net profit of RMB605 million as we stayed true to our mission of being a customer-obsessed company, engendering success and growth for our ecosystem participants while achieving both operating and financial successes. Our user base reached a record scale, as it was continuously nurtured by our vibrant and inclusive ecosystem, which then was further propelled by the expanding and deepening social ties cultivated through shared interests and experiences. In terms of operation, we initiated a platform-wide, omni-domain strategy to optimize the merchants' and advertisers' returns on our platform holistically. These merchants and advertisers were also empowered with a more integrated user, content and commercialization ecosystem which were set to lead them to enhanced paths of monetization. In parallel, we continued to gain momentum in our profitability turnaround, and we marked the beginning of a new chapter for a sustainable long-term growth.

Beyond our business achievement, we remained highly committed to our social responsibilities as we continued to uphold our motto of embracing all lifestyles to build a more inclusive society. With our vibrant, trust-based community and strategic achievements across our operations, we look forward to bringing more benefits to our stakeholders to make our growth truly sustainable and beneficial to the society.

BUSINESS REVIEW AND OUTLOOK

Business Review

In the second quarter of 2023, we maintained our growth trajectory and hit another major profitability milestone, achieving the first-ever group-level net profit in a quarter since our listing on the Stock Exchange in 2021. This accomplishment strongly validated the effectiveness of our strategy of simultaneously expanding our user base and content ecosystem, deepening our monetization capabilities, and optimizing operating efficiency.

Our vibrant user community has continued to scale with elevated engagement in the post pandemic times, laying a solid foundation for the healthy and sustainable operations of content creators, advertisers and merchants on our platform. These groups in turn provide more valuable content and services to our users, thus establishing a virtuous development cycle and fostering a more integrated ecosystem of content and commercialization.

As our improving infrastructure, products and services as well as our omni-domain strategy drove higher ROI for our advertisers and e-commerce merchant partners, our market share gains in online advertising and e-commerce accelerated further. Our short video plus livestreaming offerings also continuously demonstrated abilities of extending content, social interactions and monetization scenarios on our platform and empowering more traditional offline industries through our "livestreaming +" model.

While driving ecosystem and revenue growth, we also continued to pursue operating efficiency and leverage on greater economies of scale, leading to a group-level net profit of approximately RMB1.5 billion in the second quarter of 2023.

User and content ecosystem

In the second quarter of 2023, average DAUs and MAUs on the Kuaishou App reached 376.0 million and 673.3 million, representing a year-over-year increase of 8.3% and 14.8%, respectively, taking the scale of our user community to a new record high. Average daily time spent per DAU on the Kuaishou App was 117.2 minutes in the second quarter of 2023. Our total user time spent continued to grow year-over-year, which was mainly driven by rapid DAU growth.

To propel these improvements, we refined our user growth strategies during the second quarter of 2023. Apart from lowering our user acquisition and retention cost on both a quarter-over-quarter and year-over-year basis through technological and operational means, we also leveraged our high-quality original content for user growth and upgraded our one-stop smart targeting system while improving our content production efficiency and quality through AI capabilities such as multimedia understanding. This, in turn, helped to increase our user acquisition efficiency. We are also actively exploring new channels for user growth. In the second quarter of 2023, we proved the feasibility of growing our user base through promotion related content placement, where we acquired new users by placing advertisements related to e-commerce and local services.

We have always been committed to building an inclusive, highly interactive and engaged community for users. By the end of June 2023, pairs of mutual followers on the Kuaishou App reached a cumulative 31.1 billion, representing a nearly 50% growth year-over-year. In addition, in the second quarter of 2023, average daily interactions (including likes, comments, and reposts) on the Kuaishou App reached 8 billion.

With respect to content operations, we continued to enrich our content supply across various verticals. For sports content, we consistently operate events in ways that appeal to the public and create native sports programs that the public enjoys. One successful case was **Kuaishou Village Basketball Association (快手村BA)** in June this year, which attracted 300 million total live streaming viewers, 2.38 million peak concurrent viewers, and 80,000 spectators at the offline venue. In terms of entertainment content, in the second quarter of 2023, we launched a number of blockbuster summer entertainment IPs, such as **Summer Star Wish Party (夏日星願派對)**, **Entertainment in Heaven (娛樂6翻天)**, and **Summer Short Play Series (夏日氣象劇)**. These IPs covered various content formats such as celebrity campaigns, variety shows and short plays.

For our search business progress, we continued to improve user satisfaction and retention through optimized search experience and personalized search strategy. Meanwhile, we increased the penetration rate of search users through smart recommendation with word generation based on large language models. In the second quarter of 2023, Kuaishou search's average monthly users exceeded 440 million, and the number of average daily searches on our platform increased by 30% year-over-year. Meanwhile, benefiting from our growing search traffic, product upgrades and improved matching efficiency brought by advertising algorithm iterations, we continued to make progress in the commercialization of our search function, evidenced by a doubling of search advertising revenue year-over-year in the second quarter of 2023. In addition, we are internally testing our smart question-and-answer product for Kuaishou search to improve the intelligence of searches as we leverage the technological capabilities of large language models.

Chairman's Statement

Online marketing services

As the advertising market gradually recovered in the first half of 2023, we further increased the monetization efficiency of our online marketing services by enhancing our product capabilities and infrastructure and unlocking the value of high-quality traffic. In the second quarter of 2023, our revenue from online marketing services reached RMB14.3 billion, growing by 30.4% year-over-year, and accounting for 51.7% of our total revenue. The number of active advertisers on our platform almost doubled in the second quarter of 2023, compared with the same period of last year.

Advertising services provided to our native e-commerce merchants maintained robust growth momentum, continuing to outpace GMV growth in the second quarter of 2023. This was partly driven by increased demand for ads placement during e-commerce promotional season, as well as our merchants' stronger willingness to place ads on our platform as a result of higher ROI driven by our strengthened native e-commerce advertising product capabilities. To build our e-commerce related advertising ecosystem, we developed a tiered approach to our traffic distribution mechanism and supportive policies, as well as product capabilities and data infrastructure optimizations, targeting merchants in different stages of operations and with diverse needs. While aligning the development of advertising and e-commerce services, these initiatives also fostered healthy growth and prosperity across our native e-commerce advertising ecosystem.

Our external advertising services showed clear signs of recovery and recorded year-over-year growth in the second quarter of 2023, with quarter-over-quarter growth from industries such as e-commerce platform, information services, healthcare, as well as education and training. With a steadfast commitment to improving our advertising performance, we continued to fortify our product capabilities. First, we improved the quality of our advertising content through native advertising, which has considerably higher click-through rates and user conversion rates than hard-sell advertising, leading to higher ROI for advertisers as well as enhanced user experience. As a result, in the second quarter of 2023, our native advertising penetration rate rose consistently quarter-over-quarter. Second, we launched an optimized bidding model for effective customer acquisition in the second quarter of 2023 to enable advertisers to achieve higher user conversion. We focused on optimizing conversion through deep links and retention metrics further down the funnel for some industries, and as a result, ad spending from these industries gradually increased.

We also continued to unlock the value of our ecosystem for brand advertisers. Our revenue from brand advertising increased by over 30% year-over-year in the second quarter of 2023 as we steadily expanded our brand advertising resources, optimized our brand product capabilities, further iterated our product development roadmap, and increased demand from brand advertisers during promotional events. In June 2023, we launched the **Kuaishou Index (快手指數)** platform for our brand advertisers, offering them effective strategic guidance ranging from pre-placement analysis to assessment upon-and post-placement based on multi-dimensional data. This platform aims to help brand advertisers continuously improve their brand value on Kuaishou. In addition, we continued to reinforce brand advertisers' infrastructure, facilitating precise user asset accumulation and the construction of a complete brand marketing matrix to provide advertisers with scenario-specific industry solutions. With this, we aim to empower brands to operate on Kuaishou more efficiently on a longer horizon.

E-commerce

We made solid progress in our e-commerce business during the second quarter of 2023, as demonstrated by a nearly 39% year-over-year increase in GMV.

In terms of infrastructure, we comprehensively popularized and applied the use of scoring systems for merchandise, merchants' services and KOLs' reputations. The implementation of the critical indicators for identifying high-quality merchandise, services and content can help to funnel the traffic on our platform to premium merchants, thereby enhancing supply quality. On this basis, we synchronized user's store-wide content consumption behavior via algorithm, refined and enriched structured merchandise information, optimized algorithm models to improve real-time interest matching accuracy and enhanced the conversion efficiency of e-commerce content through a more logical and intelligent traffic sorting mechanism.

On the supply side, an increasing number of merchants and brands regard Kuaishou as one of their main home bases. During the second quarter of 2023, we focused our efforts on ten major industry zones, including apparel, 3C and other categories. We amplified our platform's influence through activities such as **Inviting Merchants in One Hundred Cities** (招商百城行) and merchandise selection meetings while building benchmark cases to attract new merchants. As a result, we achieved high double-digit year-over-year growth in the number of newly onboarded business merchants during the second quarter of 2023. Regarding merchant empowerment, we offered preferential traffic allocation and other supportive policies to our targeted high-potential merchants and improved merchant training systems, altogether driving a high double-digit year-over-year increase in GMV for small and medium-sized merchants in the second quarter of 2023.

Meanwhile, our brand e-commerce consistently delivered impressive results. GMV from brands, including **Kwai Brands**, continued to increase quarter-over-quarter, accounting for over 30% of total e-commerce GMV in the second quarter of 2023. Our promotions to attract brands have been progressing smoothly. Leveraging our platform's influence and our deep insights into users' needs, we implemented targeted promotions to onboard more brands, leading to a 90% year-over-year increase in the number of newly added brands in the second quarter of 2023. On the operations front, we achieved a major breakthrough in our **Stream Initiative** (川流計劃). Through this initiative, we leveraged the Kuaishou KOL ecosystem's unique advantages to help brands identify targeted user cohorts at multiple operating stages such as initial operations and the phase of launching new products, etc., thereby enhancing conversion efficiency while enabling more merchants to benefit from our traffic. In addition to the Stream Initiative, we launched a traffic support plan for brands at the cold-start stage to enhance their self-operated live streaming capability and content quality through daily marketing and promotion events, helping them explore their distinctive development paths. During the June 18th shopping festival, a number of major brands achieved closed-loop conversion, from making recommendations and funneling traffic through short video, to transactions via live streaming. Furthermore, they created more innovative marketing related content and collaborated with KOLs for distribution to create blockbuster merchandise and accumulate user assets, laying a solid foundation for their sustainable operations.

On the demand side, the number of monthly active paying users surpassed 110 million in the second quarter of 2023, remaining the main driver of GMV growth as their penetration rate to MAU continued to rise into the high teens. This solid performance was primarily attributable to a more refined approach of tiered user operation on our platform, as well as smart subsidies and product feature iterations to further expand high quality paying users' consumption breadth and increase their stickiness. As we optimized our supply to provide users with better products and services while enhancing their experience, both average order price and monthly purchasing frequency achieved year-over-year growth in the second quarter of 2023.

Chairman's Statement

In the second quarter of 2023, we continued to make efforts in the shelf-based realm, and achieved good progress by promoting the new shopping mall entry button on the Kwai Shop landing page, diversifying the supply of merchandise cards, and exploring the cards' integration with content. Additionally, we further optimized our product search function, leading to 90% year-over-year growth in search GMV in the second quarter of 2023.

Live streaming

In the second quarter of 2023, live streaming revenue grew by 16.4% year-over-year to approximately RMB10 billion, as we achieved double-digit year-over-year growth in monthly ARPPU. The increases were attributable to our consistent efforts in exploring user preferences and needs, enriching our live streaming offerings and optimizing the live streaming ecosystem.

On the supply side, we further enhanced the professionalism of live streamers by fostering close collaborations with talent agencies. We implemented differentiated policies to cater to talent agencies' diverse operating models, offering more incentives to new and small-sized talent agencies and empowering them to enhance their operations. In the second quarter of 2023, the number of talent agencies we partnered with grew by over 40% year-over-year, while the number of active streamers managed by agencies increased by over 70% year-over-year, reaching a record high in terms of percentage of our total active streamers. Going forward, we will continue our policy support for high-quality content, providing high quality talent agencies with greater flexibility and assistance in nurturing streamers, to empower both talent agencies and streamers to achieve operational growth.

As we placed a significant emphasis on fostering a healthy and sustainable live streaming ecosystem, we remained dedicated to investing in popular content verticals and nurturing streamers. For example, in the traditional Chinese culture vertical, we identified promising streamers by factors such as content quality, growth potential of follower base and revenue generating capabilities, and adjusted traffic support to this content vertical accordingly.

Our "live streaming+" services empowering traditional industries also continued to progress. A benchmark case was **Kwai Hire (快聘)**, which experienced a 290% year-over-year increase in average daily resume submissions during the second quarter of 2023, while the daily average number of users submitting resumes also more than doubled year-over-year. Moreover, by the end of June 2023, **Ideal Housing (理想家)** expanded its reach to over 90 cities nationwide, achieving cumulative gross transaction value of more than RMB10 billion in the second quarter of 2023.

Overseas

In the second quarter of 2023, we further deepened our presence and efforts in key overseas markets, solidifying our content ecosystem for creators, refining monetization strategies and continuously optimizing operating efficiency. DAUs and user time spent in our core overseas markets continued to grow year-over-year. Total revenue of our overseas business reached RMB447 million in the second quarter of 2023, recording year-over-year growth of over 300%. Meanwhile, we remained committed to cost reduction and efficiency improvement, leading to a 51.4% year-over-year decrease in overall operating losses overseas in the second quarter of 2023, which also further narrowed quarter-over-quarter.

Chairman's Statement

On the advertising front, we focused on key advertiser industries, improving product features and optimizing ad performance, while enhancing brand product infrastructure and expanding brand advertising resources. Moreover, by exploring new monetization models, we aimed to boost our traffic monetization efficiency and drive significant revenue growth. As for live streaming services, we maintained our efforts in expanding collaboration with talent agencies, enriching content supply, and offering enhanced interactive experiences, aided by the introduction of new monetization features and activities. Our revenue generation efficiency also improved along with the optimization of live streaming traffic distribution, as the paying ratio in core regions consistently experienced continued growth.

Corporate Social Responsibility

With our dedication to the principle of inclusiveness, Kuaishou is a natural medium for the spread of intangible cultural heritage and other traditions. Kuaishou endeavors to help more people appreciate the charm of China's rich traditional heritage through short video + live streaming. As of the end of June 2023, the content on Kuaishou APP covered more than 1,500 intangible cultural heritage programs. Around the "Cultural and Natural Heritage Day" in June this year, we launched a series of intangible cultural heritage promotion and exhibition activities including ***Intangible Cultural Heritage of My Hometown*** (我家鄉的非遺). The activities provide more exposure for creators of intangible cultural heritage through online exhibitions, offline performances and product exhibitions while also promoting better integration of intangible cultural heritage into contemporary life.

BUSINESS OUTLOOK

Looking ahead, we will remain committed to building a vibrant community with a fair and inclusive traffic distribution mechanism as its foundation. We will also further develop our online marketing, e-commerce and live streaming businesses by strengthening infrastructure and technologies to better engage our users and business partners while capturing incremental growth opportunities with new initiatives such as local services. With these advancements, alongside the tremendous traffic and deeply embedded trust across our ecosystem, we are confident we will continue to expand our business with brand awareness across our complementary business segments.

Meanwhile, with a keen focus on operational excellence, we look forward to furthering our goals of sustainable development.

Mr. SU Hua
Chairman

Management Discussion and Analysis

SECOND QUARTER OF 2023 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 second quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended June 30,			
	2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Revenues	27,744	100.0	21,695	100.0
Cost of revenues	(13,810)	(49.8)	(11,925)	(55.0)
Gross profit	13,934	50.2	9,770	45.0
Selling and marketing expenses	(8,636)	(31.1)	(8,763)	(40.4)
Administrative expenses	(945)	(3.4)	(956)	(4.4)
Research and development expenses	(3,155)	(11.4)	(3,282)	(15.1)
Other income	113	0.4	147	0.7
Other (losses)/gains, net	(15)	0.0	25	0.1
Operating profit/(loss)	1,296	4.7	(3,059)	(14.1)
Finance income, net	158	0.6	1	0.0
Share of losses of investments accounted for using the equity method	(18)	(0.1)	(44)	(0.2)
Profit/(loss) before income tax	1,436	5.2	(3,102)	(14.3)
Income tax benefits/(expenses)	45	0.1	(74)	(0.3)
Profit/(loss) for the period	1,481	5.3	(3,176)	(14.6)
Non-IFRS Measures:				
Adjusted net profit/(loss)	2,694	9.7	(1,312)	(6.0)
Adjusted EBITDA	4,316	15.6	408	1.9

Management Discussion and Analysis

Revenues

Our revenues increased by 27.9% to RMB27.7 billion for the second quarter of 2023 from RMB21.7 billion for the same period of 2022. The increase was primarily attributable to the growth of our online marketing services, live streaming 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 2023 and 2022, respectively:

	Unaudited Three Months Ended June 30,			
	2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Online marketing services	14,347	51.7	11,006	50.7
Live streaming	9,968	35.9	8,565	39.5
Other services	3,429	12.4	2,124	9.8
Total	27,744	100.0	21,695	100.0

Online marketing services

Revenue from our online marketing services increased by 30.4% to RMB14.3 billion for the second quarter of 2023 from RMB11.0 billion for the same period of 2022, primarily attributable to the growth in the number of advertisers and increased spending from advertisers, especially from our e-commerce merchants, driven by the recovery of advertising market and our efforts to further strengthen our product capabilities and infrastructure.

Live streaming

Revenue from our live streaming business increased by 16.4% to RMB10.0 billion for the second quarter of 2023 from RMB8.6 billion for the same period of 2022, as a result of a year-over-year growth in monthly ARPPU, which was supported by our continuous efforts in enriching content supply, optimizing our live streaming ecosystem and exploring user preferences and needs.

Other services

Revenue from our other services increased by 61.4% to RMB3.4 billion for the second quarter of 2023 from RMB2.1 billion for the same period of 2022, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV and continuous improvement in our business strategy in e-commerce. The increases in the number of active merchants and monthly active e-commerce paying users led to the growth of e-commerce GMV.

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 2023 and 2022, respectively:

	2023		2022	
	RMB	%	RMB	%
Unaudited				
Three Months Ended June 30,				
(in millions, except for percentages)				
Revenue sharing costs and related taxes	8,680	31.3	6,724	31.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,453	5.2	1,521	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,602	5.8	1,397	6.4
Employee benefit expenses	660	2.4	711	3.3
Payment processing costs	651	2.3	431	2.0
Other cost of revenues	764	2.8	1,141	5.3
Total	13,810	49.8	11,925	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 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 15.8% to RMB13.8 billion for the second quarter of 2023, from RMB11.9 billion for the same period of 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth.

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 2023 and 2022, respectively:

	Unaudited Three Months Ended June 30,			
	2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Gross profit	13,934	50.2	9,770	45.0

As a result of the foregoing, our gross profit increased by 42.6% to RMB13.9 billion for the second quarter of 2023, from RMB9.8 billion for the same period of 2022. Our gross profit margin increased to 50.2% for the second quarter of 2023, from 45.0% for the same period of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.4% to RMB8.6 billion for the second quarter of 2023, from RMB8.8 billion for the same period of 2022, and decreased to 31.1% for the second quarter of 2023 from 40.4% for the same period of 2022 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 slightly decreased by 1.2% to RMB945 million for the second quarter of 2023, from RMB956 million for the same period of 2022.

Research and Development Expenses

Our research and development expenses decreased by 3.9% to RMB3.2 billion for the second quarter of 2023, from RMB3.3 billion for the same period of 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income was RMB113 million and RMB147 million for the second quarter of 2023 and 2022, respectively.

Management Discussion and Analysis

Other (Losses)/Gains, Net

We had other losses, net of RMB15 million for the second quarter of 2023, compared to other gains, net of RMB25 million for the second quarter of 2022.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB1.3 billion and an operating margin of 4.7% for the second quarter of 2023, compared to an operating loss of RMB3.1 billion and a negative operating margin of 14.1% for the same period of 2022.

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

	Unaudited Three Months Ended June 30,		
	2023	2022	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,034	93	3,162.4%
Overseas	(780)	(1,606)	(51.4%)
Unallocated items	(958)	(1,546)	(38.0%)
Total	1,296	(3,059)	N/A

Our operating profit from the domestic segment increased to RMB3.0 billion for the second quarter of 2023, from RMB93 million for the same period of 2022, mainly attributable to a 26.4% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB780 million for the second quarter of 2023, from RMB1.6 billion for the same period of 2022, primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending.

Management Discussion and Analysis

Finance Income, Net

Our finance income, net increased to RMB158 million for the second quarter of 2023, from RMB1 million for the same period of 2022, 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 RMB18 million and RMB44 million for the second quarter of 2023 and 2022, respectively.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB1.4 billion for the second quarter of 2023, compared to a loss before income tax of RMB3.1 billion for the same period of 2022.

Income Tax Benefits/(Expenses)

We had income tax benefits of RMB45 million for the second quarter of 2023, compared to income tax expenses of RMB74 million for the same period of 2022.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.5 billion for the second quarter of 2023, compared to a loss of RMB3.2 billion for the same period of 2022.

Management Discussion and Analysis

SECOND QUARTER OF 2023 COMPARED TO FIRST QUARTER OF 2023

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 2023, respectively:

	Unaudited Three Months Ended			
	June 30, 2023		March 31, 2023	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Revenues	27,744	100.0	25,217	100.0
Cost of revenues	(13,810)	(49.8)	(13,505)	(53.6)
Gross profit	13,934	50.2	11,712	46.4
Selling and marketing expenses	(8,636)	(31.1)	(8,723)	(34.6)
Administrative expenses	(945)	(3.4)	(919)	(3.6)
Research and development expenses	(3,155)	(11.4)	(2,920)	(11.6)
Other income	113	0.4	52	0.2
Other (losses)/gains, net	(15)	0.0	100	0.4
Operating profit/(loss)	1,296	4.7	(698)	(2.8)
Finance income, net	158	0.6	111	0.5
Share of losses of investments accounted for using the equity method	(18)	(0.1)	(14)	(0.1)
Profit/(loss) before income tax	1,436	5.2	(601)	(2.4)
Income tax benefits/(expenses)	45	0.1	(275)	(1.1)
Profit/(loss) for the period	1,481	5.3	(876)	(3.5)
Non-IFRS Measures:				
Adjusted net profit	2,694	9.7	42	0.2
Adjusted EBITDA	4,316	15.6	1,996	7.9

Management Discussion and Analysis

Revenues

Our revenues increased by 10.0% to RMB27.7 billion for the second quarter of 2023, from RMB25.2 billion for the first quarter of 2023, primarily attributable to the growth of our online marketing services, live streaming 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 2023, respectively:

	Unaudited Three Months Ended			
	June 30, 2023		March 31, 2023	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Online marketing services	14,347	51.7	13,064	51.8
Live streaming	9,968	35.9	9,319	37.0
Other services	3,429	12.4	2,834	11.2
Total	27,744	100.0	25,217	100.0

Online marketing services

Revenue from our online marketing services increased by 9.8% to RMB14.3 billion for the second quarter of 2023, from RMB13.1 billion for the first quarter of 2023, primarily due to stronger demand from e-commerce advertisers and the recovery of advertising market.

Live streaming

Revenue from our live streaming business increased by 7.0% to RMB10.0 billion for the second quarter of 2023, from RMB9.3 billion for the first quarter of 2023, primarily attributable to enriched content supply, healthy and sustainable live streaming ecosystem and exploration of user needs.

Other services

Revenue from our other services increased by 21.0% to RMB3.4 billion for the second quarter of 2023, from RMB2.8 billion for the first quarter of 2023, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by increases in the number of active merchants and monthly active e-commerce paying users.

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 2023, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2023		March 31, 2023	
	RMB	%	RMB	%
(in millions, except for percentages)				
Revenue sharing costs and related taxes	8,680	31.3	8,251	32.7
Bandwidth expenses and server custody costs ⁽¹⁾	1,453	5.2	1,695	6.7
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,602	5.8	1,573	6.2
Employee benefit expenses	660	2.4	709	2.8
Payment processing costs	651	2.3	495	2.0
Other cost of revenues	764	2.8	782	3.2
Total	<u>13,810</u>	<u>49.8</u>	<u>13,505</u>	<u>53.6</u>

Note:

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

Our cost of revenues increased by 2.3% to RMB13.8 billion for the second quarter of 2023, from RMB13.5 billion for the first quarter of 2023, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth and payment processing costs, partially offset by the decrease in bandwidth expenses and server custody costs.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter and the first quarter of 2023, respectively:

	Unaudited Three Months Ended			
	June 30, 2023		March 31, 2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross Profit	13,934	50.2	11,712	46.4

As a result of the foregoing, our gross profit increased by 19.0% to RMB13.9 billion for the second quarter of 2023, from RMB11.7 billion for the first quarter of 2023. Our gross profit margin increased to 50.2% for the second quarter of 2023, from 46.4% for the first quarter of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.0% to RMB8.6 billion for the second quarter of 2023, from RMB8.7 billion for the first quarter of 2023. The decrease was primarily attributable to more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses were RMB945 million for the second quarter of 2023, compared to RMB919 million for the first quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 8.0% to RMB3.2 billion for the second quarter of 2023, from RMB2.9 billion for the first quarter of 2023, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income increased to RMB113 million for the second quarter of 2023, from RMB52 million for the first quarter of 2023, primarily due to increases in value-added tax preferences for the second quarter of 2023 as compared to the first quarter of 2023.

Management Discussion and Analysis

Other (Losses)/Gains, Net

We had other losses, net of RMB15 million for the second quarter of 2023, compared to other gains, net of RMB100 million for the first quarter of 2023. The change was primarily due to net fair value losses on financial assets at fair value through profit or loss of investments in listed and unlisted entities recognized in the second quarter of 2023, as compared to net fair value gains in the first quarter of 2023.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB1.3 billion and an operating margin of 4.7% for the second quarter of 2023, compared to an operating loss of RMB698 million and a negative operating margin of 2.8% for the first quarter of 2023.

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

	Unaudited Three Months Ended		
	June 30, 2023	March 31, 2023	Quarter-over- quarter change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,034	963	215.1%
Overseas	(780)	(823)	(5.2%)
Unallocated items	(958)	(838)	14.3%
Total	1,296	(698)	N/A

Our operating profit from the domestic segment increased to RMB3.0 billion for the second quarter of 2023, from RMB963 million for the first quarter of 2023, mainly due to a 9.7% quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB780 million for the second quarter of 2023, from RMB823 million for the first quarter of 2023. The decrease was primarily attributable to growth in overseas revenues.

Management Discussion and Analysis

Finance Income, Net

Our finance income, net increased to RMB158 million for the second quarter of 2023, from RMB111 million for the first quarter of 2023, primarily due to an increase in interest income from bank deposits and decrease in interest expense from lease liabilities.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB18 million for the second quarter of 2023, compared to RMB14 million for the first quarter of 2023.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB1.4 billion for the second quarter of 2023, compared to a loss before income tax of RMB601 million for the first quarter of 2023.

Income Tax Benefits/(Expenses)

We had income tax benefits of RMB45 million for the second quarter of 2023, compared to income tax expenses of RMB275 million for the first quarter of 2023. The fluctuation was primarily due to the prior year tax return true-up adjustments recorded in the second quarter of 2023.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB1.5 billion for the second quarter of 2023, compared to a loss of RMB876 million for the first quarter of 2023.

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 2023, the first quarter of 2023 and the second quarter of 2022, as well as the first half of 2023 and 2022, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	June 30,	March 31,	June 30,
	2023	2023	2022
	(RMB millions)		
Profit/(loss) for the period	1,481	(876)	(3,176)
Add:			
Share-based compensation expenses	1,056	990	1,718
Net fair value changes on investments ⁽¹⁾	157	(72)	146
Adjusted net profit/(loss)	<u>2,694</u>	<u>42</u>	<u>(1,312)</u>
Adjusted net profit/(loss)	2,694	42	(1,312)
Add:			
Income tax (benefits)/expenses	(45)	275	74
Depreciation of property and equipment	978	964	778
Depreciation of right-of-use assets	808	788	838
Amortization of intangible assets	39	38	31
Finance income, net	(158)	(111)	(1)
Adjusted EBITDA	<u>4,316</u>	<u>1,996</u>	<u>408</u>

Management Discussion and Analysis

	Unaudited	
	Six Months Ended June 30,	
	2023	2022
	(RMB millions)	
Profit/(loss) for the period	605	(9,430)
Add:		
Share-based compensation expenses	2,046	3,429
Net fair value changes on investments ⁽¹⁾	85	967
Adjusted net profit/(loss)	<u>2,736</u>	<u>(5,034)</u>
Adjusted net profit/(loss)	2,736	(5,034)
Add:		
Income tax expenses	230	637
Depreciation of property and equipment	1,942	1,511
Depreciation of right-of-use assets	1,596	1,666
Amortization of intangible assets	77	66
Finance (income)/expense, net	(269)	10
Adjusted EBITDA	<u>6,312</u>	<u>(1,144)</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.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

Other than the funds raised through our Global Offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB13.2 billion as of June 30, 2023, compared to RMB12.5 billion as of March 31, 2023.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposits, financial assets and restricted cash. Financial assets mainly included wealth management products and others. The aggregate amount of our available funds was RMB50.5 billion as of June 30, 2023, compared to RMB44.8 billion as of March 31, 2023.

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

	Unaudited Three Months Ended June 30, 2023	Unaudited Six Months Ended June 30, 2023
	(RMB millions)	
Net cash generated from operating activities	6,405	8,200
Net cash used in investing activities	(4,336)	(6,029)
Net cash used in financing activities	(1,531)	(2,349)
Net increase/(decrease) in cash and cash equivalents	538	(178)
Cash and cash equivalents at the beginning of the period	12,473	13,274
Effects of exchange rate changes on cash and cash equivalents	207	122
Cash and cash equivalents at the end of the period	13,218	13,218

Management Discussion and Analysis

Net Cash Generated from Operating Activities

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

For the second quarter of 2023, our net cash generated from operating activities was RMB6.4 billion, which was primarily attributable to our profit before income tax of RMB1.4 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB1.1 billion, depreciation of property and equipment of RMB978 million, depreciation of right-of-use assets of RMB808 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB2.7 billion. We also paid income tax of RMB740 million.

Net Cash Used in Investing Activities

For the second quarter of 2023, our net cash used in investing activities was RMB4.3 billion, which was primarily attributable to the net investments in financial assets at fair value through profit or loss of RMB3.5 billion, purchase of property, equipment and intangible assets of RMB337 million and net investments in time deposits with initial terms of over three months of RMB306 million.

Net Cash Used in Financing Activities

For the second quarter of 2023, our net cash used in financing activities was RMB1.5 billion, which was primarily attributable to payments for principal elements of lease and related interests of RMB827 million and settlement to notes payable and related interests of RMB587 million, which were used to settle trade payables.

BORROWINGS

We did not have any borrowings as of June 30, 2023.

GEARING RATIO

As of June 30, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was zero.

Management Discussion and Analysis

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of June 30, 2023.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2023, 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, 2023, 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, 2023, 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.

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.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

The Group had 23,524 full-time employees as of June 30, 2023. 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.

The total remuneration expenses of the employees of the Group for the Reporting Period are set out in Note 9 to the Condensed Consolidated Interim Financial Information in this interim report.

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, 2023, 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	427,119,182 Class A Shares	55.77%	9.85%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	427,119,182 Class A Shares	55.77%	9.85%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust ⁽²⁾	427,119,182 Class A Shares	55.77%	9.85%
Class A Shares — Mr. CHENG Yixiao				
Ke Yong ⁽³⁾	Beneficial interest	338,767,480 Class A Shares	44.23%	7.81%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	338,767,480 Class A Shares	44.23%	7.81%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾	338,767,480 Class A Shares	44.23%	7.81%
Class B Shares — Mr. SU Hua				
Reach Best ⁽²⁾	Beneficial interest	350,339 Class B Shares	0.01%	0.01%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	350,339 Class B Shares	0.01%	0.01%
Mr. SU Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust and other ⁽²⁾	6,049,442 Class B Shares	0.17%	0.14%

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	1.23%	1.01%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	43,770,873 Class B Shares	1.23%	1.01%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽³⁾	43,770,873 Class B Shares	1.23%	1.01%
	Founder of a trust ⁽³⁾	16,246,756 Class B Shares	0.46%	0.37%
	Beneficial interests ⁽³⁾			
Class B Shares — Mr. ZHANG Fei				
Mr. ZHANG Fei	Founder of a trust ⁽⁴⁾	17,925,873 Class B Shares	0.50%	0.41%

Notes:

(1) As of June 30, 2023, the Company had 4,335,623,782 issued and outstanding share capital in total, comprising 765,886,662 Class A Shares and 3,569,737,120 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 427,119,182 Class A Shares and 350,339 Class B Shares held by Reach Best under the SFO.

As of June 30, 2023, 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, 2023, Mr. CHENG Yixiao is also deemed to be interested in the 16,246,756 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 17,925,873 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 corporation

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, 2023, 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, 2023, 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	14.18%	11.67%
Morespark Limited ⁽²⁾	Beneficial interest	53,619,657 Class B Shares	1.50%	1.24%
Parallel Nebula Investment Limited ⁽²⁾	Beneficial interest	31,972,215 Class B Shares	0.90%	0.74%
Image Frame Investment (HK) Limited ⁽²⁾	Beneficial interest	80,048,189 Class B Shares	2.24%	1.85%
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	656,867 Class B Shares	0.02%	0.02%
THL A6 Limited ⁽²⁾	Beneficial interest	138,711 Class B Shares	0.00%	0.00%
<i>Class B Shares — DCM Shareholders</i>				
DCM Ventures China Fund (DCM VII), L.P. ⁽³⁾	Beneficial interest	194,450,334 Class B Shares	5.45%	4.48%
DCM VII L.P. ⁽³⁾	Beneficial interest	18,734,434 Class B Shares	0.52%	0.43%

Other Information

Notes:

- (1) As of June 30, 2023, the Company had 4,335,623,782 issued and outstanding share capital in total, comprising 765,886,662 Class A Shares and 3,569,737,120 Class B Shares.
- (2) Tencent Mobility Limited, Morespark Limited, Parallel Nebula Investment Limited, Image Frame Investment (HK) Limited, TPP Follow-on I Holding F Limited, THL A25 Limited and THL A6 Limited are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700).
- (3) DCM Investment Management VII, L.P. is the general partner of each of DCM Ventures China Fund (DCM VII), L.P. and DCM VII L.P. and DCM International VII, Ltd. is the general partner of DCM Investment Management VII, L.P.

Save as disclosed above, as of June 30, 2023, 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 the then Shareholders of the Company dated February 6, 2018. 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 (“**Restricted Shares**”) 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 Options under the Pre-IPO ESOP to 7,020 grantees (including Directors, officer and other employees of the Company) to subscribe for an aggregate of 626,184,514 Shares, a portion of which corresponding to 363,146,799 Shares has been exercised. All these 363,146,799 Shares have been issued as Class B Shares upon the Listing. No consideration has been paid by the grantees for the grant of Options under the Pre-IPO ESOP. For details, please refer to “Statutory and General Information — 4. Pre-IPO ESOP — Outstanding share options granted” in Appendix V of the Prospectus. Up to the Listing Date, the Company has not issued any Restricted Shares under the Pre-IPO ESOP.

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

Other Information

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

Name	Date of Grant	Vesting Period	Exercise Period	Exercise Price (US\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2023	Number of Options exercised during the Reporting Period	Weighted average closing price of Class B Shares immediately before the dates of exercise (HK\$)	Number of Options cancelled during the Reporting Period	Number of Options lapsed during the Reporting Period	Number of Class B Shares underlying Options outstanding as of June 30, 2023
<i>Director</i>										
Mr. SU Hua	June 30, 2017 to April 1, 2020	0.8-4 years	August 6, 2021 to March 31, 2030	0.0422	5,699,103	0	N/A	0	0	5,699,103
<i>Other grantees</i>										
Employees	December 22, 2014 to January 7, 2021	0-4 years	August 6, 2021 to March 31, 2031	0.0422-16.66	82,421,649	(11,256,477)	61.78	(11,618)	(5,669,449)	65,484,105
Total					88,120,752	(11,256,477)		(11,618)	(5,669,449)	71,183,208

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 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.

The Post-IPO Share Option Scheme commenced on the Listing Date and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023. Upon the termination, the Company did not grant further options (“Options”) under the Post-IPO Share Option Scheme, but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in respect of Options which were granted prior to the termination.

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

As of January 1, 2023, being the beginning of the Reporting Period, the total number of Options available for grant under the Post-IPO Share Option Scheme is 250,052,709; while as of June 30, 2023, being the end of the Reporting Period, the total number of Options available for grant under the Post-IPO Share Option Scheme is 0. There is no service provider submit under the Post-IPO Share Option Scheme.

Other Information

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

Name	Date of Grant	Vesting Period	Exercise Period	Exercise Price (HK\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2023	Number of Class B Shares underlying Options granted during the Reporting Period	Performance Targets of the Options granted during the Reporting Period	Particulars of options granted during the Reporting Period				Number of Class B Shares underlying Options as of June 30, 2023		
								Closing price of the Class B Shares immediately before the date on which the Options were granted (HK\$)	Fair value of Options at the date of grant ^(a) (HK\$)	Number of Options exercised during the Reporting Period (HK\$)	Weighted average closing price of Class B Shares immediately before the dates of exercise (HK\$)		Number of Options cancelled during the Reporting Period	Number of Options lapsed during the Reporting Period
Director														
Mr. CHENG Yixiao	April 14, 2022	1-4 years	April 13, 2023 to April 13, 2029	66.46	3,246,770	0	N/A	N/A	0	N/A	0	0	0	3,246,770
Mr. CHENG Yixiao	March 30, 2023	1-3 years	March 30, 2024 to March 29, 2030	59.4	0	12,999,986	The vesting and exercise of the Options are conditional upon the achievement by the grantees during the respective exercise periods, of the performance targets as determined by the Board at its absolute discretion. The performance targets are based on the medium-term planning of the Group with reference to certain key performance indicators, such as revenue and profits of the Group, as determined by the Board. The achievement of the performance targets will be assessed annually on an absolute basis or a relative basis by the Board in its absolute discretion	56.25	34.12	0	N/A	0	0	12,999,986
Other grantees														
Employees	January 24, 2022	1-4 years	January 23, 2023 to January 23, 2029	86.85	6,244,884	0	N/A	N/A	0	N/A	0	0	0	6,244,884
Employees	March 30, 2022	0.25-4 years	June 29, 2022 to March 29, 2029	76.29	16,239,976	0	N/A	N/A	0	N/A	0	0	(682,481)	15,557,495
Employees	April 21, 2022	0.25-4 years	July 20, 2022 to April 20, 2029	62.30	50,171,175	0	N/A	N/A	(832,916)	75.47	(5,700)	(6,314,281)	0	43,018,218
Employees	June 23, 2022	1 year	June 22, 2023 to June 22, 2026	83.55	6,251	0	N/A	N/A	0	N/A	0	0	0	6,251
Employees	July 21, 2022	0.69-4 years	March 29, 2023 to July 20, 2029	82.40	3,779,720	0	N/A	N/A	0	N/A	0	0	0	3,779,720
Employees	September 27, 2022	1-4 years	September 26, 2023 to September 26, 2029	56.15	67,922	0	N/A	N/A	0	N/A	0	0	0	67,922
Employees	October 20, 2022	1-4 years	October 19, 2023 to October 19, 2029	48.86	188,537	0	N/A	N/A	0	N/A	0	0	(127,331)	61,206
Employees	November 29, 2022	0.34-2.34 years	April 1, 2023 to November 28, 2029	54.80	3,068,293	0	N/A	N/A	0	N/A	0	0	(3,016)	3,065,277
Employees	December 29, 2022	1-4 years	December 28, 2023 to December 28, 2029	70.65	418,030	0	N/A	N/A	0	N/A	0	0	0	418,030
Employees	January 19, 2023	1-3 years	January 19, 2024 to January 18, 2030	72.63	0	3,096,824	N/A	72.5	34.45	0	N/A	0	0	3,096,824
Total					83,431,558	16,096,810			(832,916)		(5,700)	(7,127,109)		91,562,583

Note:

(1) The fair value of the Options is determined by the binomial model at the grant date. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Company. For details, please refer to Note 20 to the Condensed Consolidated Interim Financial Information in this interim report.

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. Save for disclosure requirements under Rules 17.06A, 17.06B, 17.06C, 17.07, 17.07A and 17.09 of the Listing Rules, the Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme was adopted by the Company before January 1, 2023, the effective date of the amended Chapter 17.

The 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.

The Post-IPO RSU Scheme commenced on the Listing Date and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023. Upon the termination, the Company did not grant further RSUs under the Post-IPO RSU Scheme, but in all other respects the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in respect of RSUs which were granted prior to the termination.

RSUs Granted under the Post-IPO RSU Scheme

As of January 1, 2023, being the beginning of the Reporting Period, the total number of RSUs available for grant under the Post-IPO RSU Scheme is 50,748,525; while as of June 30, 2023, being the end of the Reporting Period, the total number of RSUs available for grant under the Post-IPO RSU Scheme is 0. There is no service provider sublimit under the Post-IPO RSU Scheme.

Other Information

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

Particulars of RSUs granted during the Reporting Period													
Name	Date of Grant	Vesting Period	Purchase Price (HK\$)	Number of Class B Shares underlying RSUs outstanding as of January 1, 2023	Number of Class B Shares underlying RSUs granted during the Reporting Period	Performance Targets of RSUs granted during the Reporting Period	Closing price of the Class B Shares immediately before the date on which the RSUs were granted (HK\$)	Fair value of RSUs at the date of grant ⁽ⁱ⁾ (HK\$)	Number of RSUs vested during the Reporting Period	Weighted average closing price of Class B Shares immediately before the date of vesting of the Reporting Period (HK\$)	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of Class B Shares underlying RSUs outstanding as of June 30, 2023
Employees	February 23, 2021	0.45-4 years	0	3,957	0	N/A	N/A	N/A	(1,199)	58.42	0	0	2,758
Employees	April 2, 2021	0.5-4 years	0-0.3273	6,886,452	0	N/A	N/A	(1,391,983)	59.45	0	0	(914,906)	4,579,563
Employees	April 23, 2021	0.48-4 years	0-0.3273	5,410,691	0	N/A	N/A	(956,590)	56.75	0	0	(450,359)	4,033,742
Employees	May 30, 2021	0.19-4 years	0-0.3273	2,022,758	0	N/A	N/A	(441,927)	56.03	0	0	(448,224)	1,132,607
Employees	June 29, 2021	1-4 years	0-0.3273	1,494,968	0	N/A	N/A	(407,706)	56.31	0	0	(337,408)	749,854
Employees	July 21, 2021	0.04-4 years	0-0.3273	2,210,780	0	N/A	N/A	(22,860)	60.12	0	0	(285,192)	1,902,728
Employees	August 27, 2021	0.95-4 years	0	2,822,629	0	N/A	N/A	(11,853)	57.58	0	0	(334,706)	2,476,070
Employees	September 26, 2021	0-4 years	0-0.3273	6,742,602	0	N/A	N/A	(62,622)	60.9	0	0	(1,045,078)	5,634,902
Employees	October 22, 2021	1-4 years	0-0.3273	19,982,058	0	N/A	N/A	(7,777)	62.53	0	0	(2,688,188)	17,286,089
Employees	November 30, 2021	0.74-4 years	0	2,469,095	0	N/A	N/A	(9,306)	66.98	0	0	(343,379)	2,146,410
Employees	December 28, 2021	1-4 years	0	2,412,768	0	N/A	N/A	(5,079)	68.65	0	0	(328,714)	2,078,975
Employees	January 24, 2022	1-4 years	0	5,250,238	0	N/A	N/A	(1,003,785)	70.1	0	0	(214,584)	4,031,869
Employees	February 25, 2022	1-4 years	0	829,556	0	N/A	N/A	(206,784)	55.05	0	0	(210,255)	412,517
Employees	March 30, 2022	0.25-4 years	0	3,734,044	0	N/A	N/A	(738,783)	55.56	0	0	(40,620)	2,994,641
Employees	April 21, 2022	1-4 years	0	11,612,327	0	N/A	N/A	(2,506,110)	51.7	0	0	(1,590,924)	7,515,289
Employees	May 30, 2022	1-4 years	0	3,027,455	0	N/A	N/A	(736,854)	53.79	0	0	(115,066)	2,175,535
Employees	June 23, 2022	1-4 years	0	2,223,606	0	N/A	N/A	(474,734)	54.9	0	0	(230,545)	1,518,327
Employees	July 21, 2022	1-4 years	0	3,083,754	0	N/A	N/A	0	N/A	0	0	(119,001)	2,964,753
Employees	August 31, 2022	1-4 years	0	1,934,748	0	N/A	N/A	0	N/A	0	0	(178,771)	1,755,977
Employees	September 27, 2022	1-4 years	0	3,662,442	0	N/A	N/A	0	N/A	0	0	(265,829)	3,396,613
Employees	October 20, 2022	0.75-4 years	0	29,447,745	0	N/A	N/A	0	N/A	0	0	(2,736,112)	26,711,633
Employees	November 29, 2022	0-4 years	0	7,052,130	0	N/A	N/A	0	N/A	0	0	(642,282)	6,409,848
Employees	December 29, 2022	0-4 years	0	4,233,414	0	N/A	N/A	0	N/A	0	0	(399,846)	3,833,568
Employees	January 19, 2023	1-4 years	0	0	0	N/A	72.5	68.15	0	N/A	0	(185,804)	1,435,762
Employees	April 21, 2023	0.61-4 years	0	0	0	N/A	49	48.55	0	N/A	0	(599,698)	3,161,026
Total				128,560,217	33,831,540			(9,005,952)			0	(14,685,491)	138,700,314

There is no performance target attached to the RSUs granted to the grantees if they are not Designated Employees. The vesting of the RSUs granted to the Designated Employees is conditional upon the achievement of the performance targets as determined by the Administrator at his absolute discretion. The performance targets are based on the financial and operational indicators and/or other appropriate indicators of the Group and its relevant segments, as assessed by the Administrator from time to time.

Note:

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

2023 Share Incentive Scheme

The 2023 Share Incentive Scheme was approved and adopted by the Shareholders on June 16, 2023 (the “**Adoption Date**”), which shall be valid and effective for a period of ten years commencing on June 16, 2023. The terms of the 2023 Share Incentive Scheme complied with the provisions of Chapter 17 of the Listing Rules.

The purpose of the 2023 Share Incentive Scheme included (a) recognize and reward Eligible Participants (as defined in the 2023 Share Incentive Scheme) for their contribution to the Group; (b) attract and retain best available personnel, and provide them with the opportunity to acquire proprietary interests in the Company; and (c) encourage Eligible Participants to work towards enhancing the value of the Company and its shares, align the interests of these Eligible Participants with those of the Group and further promote the success of the Group’s business.

From the Adoption Date to the end of the Reporting Period, no options or RSUs were granted under the 2023 Share Incentive Scheme. As of June 30, 2023, being the end of the Reporting Period, the total number of Class B Shares issuable under the scheme mandate limit and the service provider sublimit of 2023 Share Incentive Scheme were 433,510,190 and 21,675,509, respectively.

The shares that may be issued in respect of all the options and RSUs granted under the Pre-IPO ESOP, Post-IPO Share Option Scheme, Post-IPO RSU Scheme and 2023 Share Incentive Scheme during the Reporting Period, being 49,928,350 Class B Shares, represented approximately 1.40% the weighted average number of Class B Shares of the Company for the Reporting Period.

WEIGHTED VOTING RIGHTS

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

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

Other Information

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, 426,401,973 Class A Shares and 1,067,548 Class B Shares, representing approximately 9.86% of the Company's total issued share capital, approximately 9.86% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 38.01% 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 8.82% of the Company's total issued share capital, approximately 8.82% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 30.58% 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 765,169,453 Class B Shares, representing approximately 21.43% of the total number of issued and outstanding Class B Shares as of the Latest Practicable Date.

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 the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing their duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;
- (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

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

Executive Directors

Mr. SU Hua (宿華先生)

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

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

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

Mr. CHENG Yixiao (程一笑先生)

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

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

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

Other Information

Non-executive Directors

Mr. LI Zhaohui (李朝暉先生)

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

Mr. LI joined Tencent Holdings Limited (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 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 Howbuy Wealth Management Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations with stock code of 834418) from December 2013 to August 2022, a director of Missfresh Limited (“**MF**”) (a company listed on Nasdaq with stock symbol of MF) from June 2017 to November 2021, and a non-executive director of Fenbi Ltd. (a company listed on the Hong Kong Stock Exchange with stock code of 2469) from December 2020 to March 2023.

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

Mr. ZHANG Fei (張斐先生)

Mr. ZHANG Fei, aged 50, is a non-executive Director. He is also a member of the Nomination Committee. 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.

Dr. SHEN Dou (沈抖博士)

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

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

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

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

Other Information

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

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

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

Mr. LIN also holds directorships at various listed companies, including YSB Inc. (a company listed on the Hong Kong Stock Exchange on June 28, 2023 with stock code of 9885) since December 2018, China Online Education Group (a company listed on the New York Stock Exchange with stock symbol COE) since June 2013, Vipshop Holdings Limited (a company listed on the New York Stock Exchange with stock symbol VIPS) since January 2011, Tuniu Corporation (a company listed on Nasdaq with stock symbol TOUR) since December 2009, GigaCloud Technology Inc (a company listed on Nasdaq with stock symbol GCT) since November 2006 and QuantaSing Group Ltd (a company listed on Nasdaq with stock symbol QSG) since May 2022. He was previously a director of 58.com Inc. (a company listed on the New York Stock Exchange with stock symbol WUBA and delisted on September 18, 2020) from March 2010 to April 2020.

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

Mr. WANG Huiwen (王慧文先生)

Mr. WANG Huiwen, aged 44, is a non-executive Director. Mr. WANG had been an independent non-executive Director and re-designated as a non-executive Director in May 2023. He is also a member of the Audit Committee. He is primarily responsible for strategic planning, major business decisions, and corporate governance for the Group.

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

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

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德先生)

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

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

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

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

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

Mr. MA Yin (馬寅先生)

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

Other Information

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

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

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 the Reporting Period, the Company has complied with all applicable code provisions set out in the Part 2 of the Corporate Governance Code. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

NON-COMPLIANCE WITH RULE 3.10(1) OF THE LISTING RULES

Following the re-designation of Mr. WANG Huiwen from an independent non-executive Director to a non-executive Director on May 15, 2023, the Company only had two independent non-executive Directors, the number of which fell below the minimum number required under Rule 3.10(1) of the Listing Rules. For details, please refer to the announcement of the Company dated May 15, 2023.

The Company is endeavoring to identify a suitable candidate and will fill up the vacancy of independent non-executive Director to meet the requirements set out in Rule 3.10(1) of the Listing Rules as soon as practicable. Further announcement(s) will be made in accordance with the requirements of the Listing Rules as and when appropriate.

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.

Other Information

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2023 and up to the Latest Practicable Date, the Company repurchased a total of 6,045,500 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$321,598,408.15. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
May 2023	1,983,000	54.85	50.90	103,775,741.90
June 2023	2,262,500	54.95	53.20	122,299,086.25
July 2023	1,800,000	53.95	51.05	95,523,580.00
Total	6,045,500			321,598,408.15

As at the Latest Practicable Date, a total of 6,045,500 Class B Shares repurchased from May to July 2023 have been cancelled on June 9, 2023 and July 31, 2023, respectively, and the number of Class B Shares in issue was reduced by 6,045,500 shares as a result of the cancellation. Upon cancellation of such Class B Shares, Reach Best Developments Limited, a holder of Class A Shares, simultaneously converted 350,339 Class A Shares and 717,209 Class A Shares into Class B Shares on a one-to-one ratio on June 9, 2023 and July 31, 2023, respectively, pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying weighted voting rights of the Company would not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules.

Save as disclosed above, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company’s listed securities during the six months ended June 30, 2023 and up to the Latest Practicable Date.

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.

Other Information

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, 2023 (RMB million)	Balance of net proceeds as of June 30, 2023 (RMB million)	Expected timeline of full utilization of net proceeds
20,956.5	Business operations and other general corporate purposes	10,292.2	5,863.4	Before December 31, 2024
	Capital expenditure	4,800.9		Before December 31, 2024

Change in Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering, after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, were approximately HK\$46,964.4 million.

Reference is made to the results announcement for the three and six months ended June 30, 2023 of the Company dated August 22, 2023. As of June 30, 2023, the total unutilized net proceeds from the Global Offering amounted to approximately HK\$12,632.9 million (the “**Unutilized Net Proceeds**”). After due and careful consideration of the current business environment and development needs of the Group, the Board has resolved to change the use of the Unutilized Net Proceeds in the following manner:

	Allocation of the net proceeds as set out in the Prospectus (HK\$ million)	Amount of net proceeds utilized as of June 30, 2023 (HK\$ million)	Amount of Unutilized Net Proceeds as of June 30, 2023 (HK\$ million)	Revised allocation of the Unutilized Net Proceeds (HK\$ million)	Expected timeline of full utilization of the Unutilized Net Proceeds
Enhance and grow the ecosystem	16,437.5	15,859.3	578.2	4,737.3	Before December 31, 2025
Strengthen research and development and technological capabilities	14,089.3	13,367.2	722.1	4,237.3	Before December 31, 2025
Selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	500.0	Before December 31, 2025
Working capital and general corporate purposes	4,696.5	4,600.0	96.5	3,158.3	Before December 31, 2025
Total	46,964.4	34,331.5	12,632.9	12,632.9	

Reasons and Benefits for the Change in Use of Proceeds

Taking into account the business strategy of the Group and limited quality acquisition and investment targets with appropriate values, the allocation of part of the Unutilized Net Proceeds to enhance and grow the ecosystem, strengthen research and development and technological capabilities, supplement working capital and serve other general corporate purposes can improve the utilization efficiency of the capital, and boost the healthy and sustainable development of the Group.

The Group will continue to focus on the strategic needs of long-term development and (i) expand user base and content ecosystem, and enhance the comprehensive service capabilities of the Group, (ii) adopt a prudent way to select and evaluate quality targets which are complementary to the business and are in line with the philosophy and growth strategies of the Group, and (iii) further optimize operational and monetization efficiency. Due to the uncertainty of the recovery pace of the post-pandemic era, the Group expects that additional time is required for assessing the market conditions before fully utilizing the Unutilized Net Proceeds.

In view of the above, the Board considers that the change in use of the Unutilized Net Proceeds is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Since the Company is an offshore holding company, it will need to make capital contributions and loans to its PRC subsidiaries or through loans to the Consolidated Affiliated Entities such that the net proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under the PRC laws and regulations. There are no costs associated with registering loans or capital contributions with the relevant PRC authorities, other than nominal processing charges. The Company cannot assure that it can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use the net proceeds as described above, in each case on a timely basis, or at all. This is because the PRC regulation of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent the Company from using the net proceeds to make loans or additional capital contributions to its PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023.

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 currently comprises two independent non-executive Directors, namely, Mr. HUANG Sidney Xuande and Mr. MA Yin, and one non-executive Director, namely Mr. WANG Huiwen. 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.

Other Information

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, 2023. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited Interim Financial Information for the three and six months ended June 30, 2023 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 currently comprises two independent non-executive Directors, namely, Mr. HUANG Sidney Xuande and Mr. MA Yin. Mr. MA Yin is the chairman of the Corporate Governance Committee. During the Reporting Period, the Corporate Governance Committee had held one meeting, in which the Corporate Governance Committee has performed the following major tasks:

- reviewed the Company's compliance with the laws, regulations and 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 Reporting Period; and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules during the Reporting Period;
- 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;

Other Information

- reviewed the implementation and effectiveness of shareholders' communication policy, and 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; and
- reviewed and approved the 2022 ESG Report.

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

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

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.

Other Information

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 cooperation.

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 Cooperation 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 86 games and the actual transaction amounts thereunder were approximately RMB6.9 million.

SIGNIFICANT EVENTS AFTER THE END OF JUNE 30, 2023

Save as otherwise disclosed in this interim report, there were no other significant events affecting the Group which occurred after June 30, 2023 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 56 to 100, which comprises the condensed consolidated balance sheet of Kuaishou Technology (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income/(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 selected explanatory notes. 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 22, 2023

Condensed Consolidated Income Statement

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2023 RMB'Million	2022 RMB'Million	2023 RMB'Million	2022 RMB'Million
Revenues	7	27,744	21,695	52,961	42,762
Cost of revenues	9	(13,810)	(11,925)	(27,315)	(24,210)
Gross profit		13,934	9,770	25,646	18,552
Selling and marketing expenses	9	(8,636)	(8,763)	(17,359)	(18,251)
Administrative expenses	9	(945)	(956)	(1,864)	(1,827)
Research and development expenses	9	(3,155)	(3,282)	(6,075)	(6,805)
Other income		113	147	165	410
Other (losses)/gains, net	8	(15)	25	85	(781)
Operating profit/(loss)		1,296	(3,059)	598	(8,702)
Finance income/(expense), net		158	1	269	(10)
Share of losses of investments accounted for using the equity method	14	(18)	(44)	(32)	(81)
Profit/(loss) before income tax		1,436	(3,102)	835	(8,793)
Income tax benefits/(expenses)	10	45	(74)	(230)	(637)
Profit/(loss) for the period		1,481	(3,176)	605	(9,430)
Attributable to:					
— Equity holders of the Company		1,480	(3,176)	607	(9,430)
— Non-controlling interests		1	—	(2)	—
		1,481	(3,176)	605	(9,430)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)	11				
Basic earnings/(loss) per share		0.34	(0.75)	0.14	(2.23)
Diluted earnings/(loss) per share		0.34	(0.75)	0.14	(2.23)

The accompanying notes on pages 63 to 100 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income/(Loss)

Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2023 RMB'Million	2022 RMB'Million	2023 RMB'Million	2022 RMB'Million
Profit/(loss) for the period	1,481	(3,176)	605	(9,430)
Other comprehensive income/(loss)				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive income/(loss) of investments accounted for using the equity method	—	—	7	(10)
Currency translation differences	3,758	3,948	2,770	3,646
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(2,731)	(2,617)	(2,020)	(2,425)
Other comprehensive income for the period, net of taxes	1,027	1,331	757	1,211
Total comprehensive income/(loss) for the period	2,508	(1,845)	1,362	(8,219)
Attributable to:				
— Equity holders of the Company	2,507	(1,845)	1,364	(8,219)
— Non-controlling interests	1	—	(2)	—
	2,508	(1,845)	1,362	(8,219)

The accompanying notes on pages 63 to 100 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet

	Note	Unaudited As of June 30, 2023 RMB'Million	Audited As of December 31, 2022 RMB'Million
ASSETS			
Non-current assets			
Property and equipment	12	12,071	13,215
Right-of-use assets	13	10,350	10,806
Intangible assets		1,121	1,123
Investments accounted for using the equity method	14	260	268
Financial assets at fair value through profit or loss	15	4,611	3,626
Other financial assets at amortized cost	15	942	670
Deferred tax assets	23	5,642	5,095
Long-term time deposits		6,701	7,870
Other non-current assets		413	776
		42,111	43,449
Current assets			
Trade receivables	16	5,232	6,288
Prepayments, other receivables and other current assets	17	3,751	4,106
Financial assets at fair value through profit or loss	15	14,275	13,087
Other financial assets at amortized cost	15	701	726
Short-term time deposits		12,896	8,318
Restricted cash		40	59
Cash and cash equivalents		13,218	13,274
		50,113	45,858
Total assets		92,224	89,307

Condensed Consolidated Balance Sheet

	Note	Unaudited As of June 30, 2023 RMB' Million	Audited As of December 31, 2022 RMB' Million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	—	—
Share premium	18	274,429	274,473
Treasury shares		(113)	—
Other reserves		32,048	29,239
Accumulated losses		(263,275)	(263,882)
		<u>43,089</u>	<u>39,830</u>
Non-controlling interests		<u>6</u>	<u>8</u>
Total equity		<u>43,095</u>	<u>39,838</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	8,196	8,721
Deferred tax liabilities	23	21	23
Other non-current liabilities		5	16
		<u>8,222</u>	<u>8,760</u>
Current liabilities			
Accounts payables	21	19,686	22,868
Other payables and accruals	22	13,178	10,190
Advances from customers		3,614	3,240
Income tax liabilities		867	936
Lease liabilities	13	3,562	3,475
		<u>40,907</u>	<u>40,709</u>
Total liabilities		<u>49,129</u>	<u>49,469</u>
Total equity and liabilities		<u>92,224</u>	<u>89,307</u>

The accompanying notes on pages 63 to 100 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited							Total RMB'Million
		Attributable to equity holders of the Company							
		Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Other reserves RMB'Million	Accumulated losses RMB'Million	Subtotal RMB'Million	Non- controlling interests RMB'Million	
Balance at January 1, 2023		—	274,473	—	29,239	(263,882)	39,830	8	39,838
Profit for the period		—	—	—	—	607	607	(2)	605
Other comprehensive income									
Share of other comprehensive income of investments accounted for using the equity method	14	—	—	—	7	—	7	—	7
Currency translation differences		—	—	—	750	—	750	—	750
Total comprehensive income for the period		—	—	—	757	607	1,364	(2)	1,362
Share of other changes in net assets of investments accounted for using the equity method	14	—	—	—	6	—	6	—	6
Transactions with owners in their capacity as owners									
Share-based compensation	20	—	—	—	2,046	—	2,046	—	2,046
Exercise of share options and vesting of restricted share units ("RSUs")	18	—	49	—	—	—	49	—	49
Repurchase of shares (to be cancelled)		—	—	(113)	—	—	(113)	—	(113)
Repurchase and cancellation of shares	18	—	(93)	—	—	—	(93)	—	(93)
Total transactions with owners in their capacity as owners		—	(44)	(113)	2,046	—	1,889	—	1,889
Balance at June 30, 2023		—	274,429	(113)	32,048	(263,275)	43,089	6	43,095

Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to equity holders of the Company				Subtotal RMB'Million	Non- controlling interests RMB'Million	Total RMB'Million
		Share capital RMB'Million	Share premium RMB'Million	Other reserves RMB'Million	Accumulated losses RMB'Million			
Balance at January 1, 2022		—	274,408	20,854	(250,173)	45,089	7	45,096
Loss for the period		—	—	—	(9,430)	(9,430)	—	(9,430)
Other comprehensive income								
Share of other comprehensive loss of investments accounted for using the equity method	14	—	—	(10)	—	(10)	—	(10)
Currency translation differences		—	—	1,221	—	1,221	—	1,221
Total comprehensive loss for the period		—	—	1,211	(9,430)	(8,219)	—	(8,219)
Share of other changes in net assets of investments accounted for using the equity method	14	—	—	30	—	30	—	30
Transactions with owners in their capacity as owners								
Share-based compensation	20	—	—	3,429	—	3,429	—	3,429
Exercise of share options and vesting of RSUs	18	—	18	—	—	18	—	18
Total transactions with owners in their capacity as owners		—	18	3,429	—	3,447	—	3,447
Balance at June 30, 2022		—	274,426	25,524	(259,603)	40,347	7	40,354

The accompanying notes on pages 63 to 100 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended June 30,	
	2023	2022
	RMB'Million	RMB'Million
Cash flows from operating activities		
Cash generated from/(used in) operations	9,048	(4,719)
Income tax paid	(848)	(758)
Net cash generated from/(used in) operating activities	8,200	(5,477)
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(1,889)	(2,332)
Proceeds from disposal of property, equipment and intangible assets	—	7
Purchase of investments in financial assets at fair value through profit or loss	(17,549)	(25,392)
Proceeds from disposal of investments in financial assets at fair value through profit or loss	15,836	24,050
Purchase of investments in other financial assets at amortized cost	(520)	(815)
Proceeds from disposal of investments in other financial assets at amortized cost	356	—
Withdraw of restricted cash	51	—
Placement of restricted cash	—	(43)
Purchase of time deposits with initial terms over three months	(7,884)	(10,585)
Proceeds from maturity of time deposits with initial terms over three months	5,457	3,652
Interest income received	113	13
Dividends received	—	2
Net cash used in investing activities	(6,029)	(11,443)
Cash flows from financing activities		
Payments for principal elements of lease and related interests	(1,550)	(1,578)
Proceeds from exercise of share options and vesting of RSUs	70	28
Capital contribution from non-controlling interests	—	1
Settlement to notes payable and related interests	(750)	—
Payments for shares repurchase	(119)	—
Net cash used in financing activities	(2,349)	(1,549)
Net decrease in cash and cash equivalents	(178)	(18,469)
Cash and cash equivalents at the beginning of the period	13,274	32,612
Effects of exchange rate changes on cash and cash equivalents	122	248
Cash and cash equivalents at the end of the period	13,218	14,391

The accompanying notes on pages 63 to 100 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’s Class B Shares have been listed on the Main Board of the Hong Kong Stock Exchange.

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

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, 2023, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income/(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 a summary of accounting policies and other explanatory notes (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, 2022 which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) by the Group as set out in the 2022 annual report of the Company dated March 29, 2023 (the “**2022 Financial Statements**”) and any public announcements made by the Group during the interim reporting period.

Notes to the Condensed Consolidated Interim Financial Information

3 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, 2022, as described in the 2022 Financial Statements, except for the adoption of certain new standards and amendments as set out below.

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

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

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has changed its accounting policies following the adoption of Amendments to IAS 12 (the “**Amendments**”). From the effective date on January 1, 2023, the Group recognised deferred tax assets and deferred tax liabilities for the temporary differences arising on leases that gave rise to equal amounts of taxable and deductible temporary differences on initial recognition date of a lease from the prospective of lessee.

In accordance with the transitional provisions, the Group applied the Amendments for the first time by recognising deferred income tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB2,012 million was recognised to the gross amounts of deferred tax assets and deferred tax liabilities simultaneously, and the resultant deferred tax assets and deferred tax liabilities met the setoff provisions and would be presented on a net basis on the consolidated balance sheet. Since the Group had considered the lease as a single transaction in which the assets and liabilities are integrally linked and recognised deferred income tax on a net basis previously, there were no impact on opening retained earnings upon the adoption of the Amendments.

Notes to the Condensed Consolidated Interim Financial Information

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 2022 Financial Statements.

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 2022 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, 2023.

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the 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, 2023:

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
(Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	99	—	—	99
— Investments in unlisted entities	—	—	2,835	2,835
— Wealth management products and others	—	427	15,525	15,952
	<u>99</u>	<u>427</u>	<u>18,360</u>	<u>18,886</u>

The following table presents the Group's financial assets that are measured at fair value at December 31, 2022:

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
(Audited)				
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	94	—	—	94
— Investments in unlisted entities	—	—	2,876	2,876
— Wealth management products and others	—	430	13,313	13,743
	<u>94</u>	<u>430</u>	<u>16,189</u>	<u>16,713</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 the fair value of an instrument are observable, the instrument is included in level 2.

Level 2 instruments of the Group's assets were perpetual bonds measured at fair value through profit or loss in wealth management products and others.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets mainly include investments measured at fair value through profit or loss in unlisted entities (*Note 15*) 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 application valuation techniques, including the 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, 2023 and 2022.

	Financial assets at fair value through profit or loss RMB' Million
(Unaudited)	
At January 1, 2023	16,189
Additions	17,549
Disposals	(15,823)
Change in fair value through profit or loss*	177
Currency translation differences	268
At June 30, 2023	18,360
* Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the period	77

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' Million</i>
<hr/>	
(Unaudited)	
At January 1, 2022	11,583
Additions	25,215
Disposals	(24,041)
Change in fair value through profit or loss*	86
Currency translation differences	373
	<hr/>
At June 30, 2022	13,216

* Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the period (2)

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, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)		As of June 30, 2023 (Unaudited)	As of December 31, 2022 (Audited)	
Investments in unlisted entities	2,835	2,876	Expected volatility	37%–106%	37%–106%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	5%–15%	5%–15%	The higher the DLOM, the lower the fair value
			Risk-free rate	1.90%–4.26%	2.10%–4.16%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	15,525	13,313	Expected rate of return	2.30%–6.39%	0.15%–6.05%	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 rate of return (based on management judgment) and are within level 3 of the fair value hierarchy. From the perspective of cash management and risk control, the Group diversifies its investment portfolios and mainly purchases low-risk products from reputable financial institutions and prefers those products with high-liquidity.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2023 and 2022.

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. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Domestic
- Overseas

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the three months and six months ended June 30, 2023 and 2022.

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM. Share-based compensation expenses, other income and other (losses)/gains, 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, 2023 and 2022 are as follows:

	Three months ended June 30, 2023			
	Domestic	Overseas	Unallocated	Total
	RMB'Million	RMB'Million	items	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	27,297	447	—	27,744
Cost of revenues and operating expenses	(24,263)	(1,227)	—	(25,490)
Unallocated items	—	—	(958)	(958)
Operating profit/(loss)	3,034	(780)	(958)	1,296

	Three months ended June 30, 2022			
	Domestic	Overseas	Unallocated	Total
	RMB'Million	RMB'Million	items	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	21,592	103	—	21,695
Cost of revenues and operating expenses	(21,499)	(1,709)	—	(23,208)
Unallocated items	—	—	(1,546)	(1,546)
Operating profit/(loss)	93	(1,606)	(1,546)	(3,059)

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, 2023			
	Domestic RMB'Million (Unaudited)	Overseas RMB'Million (Unaudited)	Unallocated items RMB'Million (Unaudited)	Total RMB'Million (Unaudited)
Revenues	52,176	785	—	52,961
Cost of revenues and operating expenses	(48,179)	(2,388)	—	(50,567)
Unallocated items	—	—	(1,796)	(1,796)
Operating profit/(loss)	3,997	(1,603)	(1,796)	598
	Six months ended June 30, 2022			
	Domestic RMB'Million (Unaudited)	Overseas RMB'Million (Unaudited)	Unallocated items RMB'Million (Unaudited)	Total RMB'Million (Unaudited)
Revenues	42,611	151	—	42,762
Cost of revenues and operating expenses	(44,061)	(3,603)	—	(47,664)
Unallocated items	—	—	(3,800)	(3,800)
Operating loss	(1,450)	(3,452)	(3,800)	(8,702)

6.2 Segment assets

As of June 30, 2023 and December 31, 2022, substantially all of the Group's non-current assets other than certain financial instruments and investments accounted for using the equity method were located in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

7 REVENUES

The breakdown of revenues during the three months and six months ended June 30, 2023 and 2022 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)
Online marketing services	14,347	11,006	27,411	22,358
Live streaming	9,968	8,565	19,287	16,407
Other services	3,429	2,124	6,263	3,997
	<u>27,744</u>	<u>21,695</u>	<u>52,961</u>	<u>42,762</u>

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

	Three months ended June 30,		Six months ended June 30,	
	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)
Revenue recognized at a point in time	27,022	21,119	51,675	41,744
Revenue recognized over time	722	576	1,286	1,018
	<u>27,744</u>	<u>21,695</u>	<u>52,961</u>	<u>42,762</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the three months and six months ended June 30, 2023 and 2022.

Notes to the Condensed Consolidated Interim Financial Information

8 OTHER (LOSSES)/GAINS, NET

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)
Net fair value (losses)/gains on financial assets at fair value through profit or loss				
— Investments in listed and unlisted entities	(157)	(124)	(85)	(170)
— Wealth management products and others	143	89	259	167
Net (losses)/gains on disposal of property and equipment, intangible assets and right-of-use assets	(1)	2	(2)	7
Net foreign exchange gains	29	48	—	3
Dilution loss (Note 14)	—	(22)	—	(97)
Impairment provision for investments (Note 14)	—	—	—	(700)
Others	(29)	32	(87)	9
	<u>(15)</u>	<u>25</u>	<u>85</u>	<u>(781)</u>

9 EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)
Revenue sharing costs and related taxes	8,680	6,724	16,931	13,773
Promotion and advertising expenses	7,999	8,111	16,053	16,901
Employee benefit expenses	4,612	4,933	9,135	10,069
Bandwidth expenses and server custody costs	1,453	1,521	3,148	3,126
Depreciation of property and equipment	978	778	1,942	1,511
Depreciation of right-of-use assets (Note a)	808	838	1,596	1,666
Payment processing costs	651	431	1,146	839
Outsourcing and other labor costs	255	336	536	701
Tax surcharges	169	256	299	495
Professional fees	79	55	123	113
Credit loss allowances on financial assets	43	5	57	(3)
Amortization of intangible assets	39	31	77	66
Others (Note b)	780	907	1,570	1,836
	<u>26,546</u>	<u>24,926</u>	<u>52,613</u>	<u>51,093</u>

Note a: The depreciation of right-of-use assets included the expenses related to leases of internet data centers, office buildings and land with a term of over one year.

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

Notes to the Condensed Consolidated Interim Financial Information

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.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

(d) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the three months and six months ended June 30, 2023 and 2022, 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, and is in the process of renewing this qualification. The Group considers Beijing Dajia can still be qualified upon renewal and hence continues to enjoy the preferential income tax rate of 15% for the six months ended June 30, 2023.

The State Taxation Administration of The People’s Republic of China (“**STA**”) announced in March 2021 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”) until December 2023. The STA announced in September 2022 to increase the Super Deduction rate to 200% of their research and development expenses from October 1, 2022 to December 31, 2022. The STA further announced in March 2023 to increase the Super Deduction rate to 200% of their research and development expenses from January 1, 2023 onwards. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the 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 benefits/(expenses) of the Group during the three months and six months ended June 30, 2023 and 2022 are analysed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	(375)	248	(779)	(106)
Deferred income tax (Note 23)	420	(322)	549	(531)
Income tax benefits/(expenses)	45	(74)	(230)	(637)

Notes to the Condensed Consolidated Interim Financial Information

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the period.

	Three months ended June 30,		Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Earnings/(loss) attributable to equity holders of the Company (RMB Million)	1,480	(3,176)	607	(9,430)
Weighted average number of ordinary shares in issue (million shares)	4,311	4,246	4,306	4,235
Basic earnings/(loss) per share (expressed in RMB per share)	0.34	(0.75)	0.14	(2.23)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the three months and six months ended June 30, 2023 and 2022, the Company had two categories of potential ordinary shares: share options and RSUs. As the Company incurred losses for the three months and six months ended June 30, 2022, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the three months and six months ended June 30, 2022 were the same as basic loss per share for the respective periods.

Notes to the Condensed Consolidated Interim Financial Information

11 EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted earnings/(loss) per share (Continued)

	Three months ended June 30,		Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Earnings/(loss) attributable to equity holders of the Company (RMB' Million)	1,480	(3,176)	607	(9,430)
Weighted average number of ordinary shares in issue (million shares)	4,311	4,246	4,306	4,235
Adjustments for share options and RSUs (million shares)	90	—	106	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share (million shares)	4,401	4,246	4,412	4,235
Diluted earnings/(loss) per share (expressed in RMB per share)	0.34	(0.75)	0.14	(2.23)

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, 2023 and 2022 is as below:

	Property and equipment RMB'Million (Unaudited)
At January 1, 2023	13,215
Additions	784
Disposals	(6)
Depreciation charge	(1,942)
Currency translation differences	20
	<hr/>
At June 30, 2023	12,071
	<hr/> <hr/>
At January 1, 2022	11,051
Additions	2,115
Disposals	(28)
Depreciation charge	(1,511)
Currency translation differences	27
	<hr/>
At June 30, 2022	11,654
	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

13 LEASE

	As of June 30, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Right-of-use assets		
Internet data centers	7,940	8,104
Office buildings	2,382	2,674
Land use rights	28	28
	<u>10,350</u>	<u>10,806</u>
	As of June 30, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Lease liabilities		
Current	3,562	3,475
Non-current	8,196	8,721
	<u>11,758</u>	<u>12,196</u>

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of June 30, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Investments in an associate accounted for using the equity method		
— Listed entity	<u>260</u>	<u>268</u>
	Six months ended June 30,	
	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)
At the beginning of the period	268	1,411
Share of loss	(32)	(81)
Currency translation differences	11	29
Impairment provision (Note 8)	—	(700)
Dilution loss (Note 8)	—	(97)
Other reserves	13	20
At the end of the period	<u>260</u>	<u>582</u>

During the six months ended June 30, 2023, there were no indicators for impairment of the investment, so no impairment loss has been recognized. During the six months ended June 30, 2022, the Group performed impairment testing on the investment with impairment indicators, including but not limited to market capitalization, financial position and business performance. As a result, the Group made an impairment provision of approximately RMB700 million, 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, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,835	2,876
— Investment in a listed entity	81	78
— Wealth management products and others	1,695	672
	4,611	3,626
Other financial assets at amortized cost (Note a)	942	670
	5,553	4,296
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	18	16
— Wealth management products and others	14,257	13,071
	14,275	13,087
Other financial assets at amortized cost (Note a)	701	726
	14,976	13,813
Total	20,529	18,109

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,	
	2023 <i>RMB' Million</i> (Unaudited)	2022 <i>RMB' Million</i> (Unaudited)
At the beginning of the period	16,713	12,143
Additions	17,549	25,392
Disposals	(15,836)	(24,050)
Change in fair value through profit or loss	174	(3)
Currency translation differences	286	404
At the end of the period	18,886	13,886

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, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Trade receivables from contracts with customers	5,334	6,333
Less: credit loss allowances	(102)	(45)
	5,232	6,288

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, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Up to 3 months	4,689	5,790
Over 3 months	645	543
	5,334	6,333

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

	Six months ended June 30,	
	2023 RMB'Million (Unaudited)	2022 RMB'Million (Unaudited)
At the beginning of the period	(45)	(26)
(Additional)/reversal of provision	(57)	2
At the end of the period	(102)	(24)

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, 2023 RMB' Million (Unaudited)	As of December 31, 2022 RMB' Million (Audited)
Recoverable VAT and other tax prepayments	1,607	2,046
Receivables from third parties	1,087	826
Prepaid promotion and advertising fees	447	458
Deposit	214	215
Prepaid content cost and license fee	105	164
Rental prepayments	31	50
Others	282	369
	3,773	4,128
Less: credit loss allowances	(22)	(22)
	3,751	4,106

Notes to the Condensed Consolidated Interim Financial Information

18 SHARE CAPITAL

Issued:

(Unaudited)	Number of ordinary shares 'Million	Nominal value of ordinary shares USD'Million	Equivalent nominal value of ordinary shares RMB'Million	Share premium RMB'Million
At January 1, 2023	4,294	—	—	274,473
Exercise of share options and vesting of RSUs	23	—	—	49
Repurchase and cancellation of shares	(2)	—	—	(93)
At June 30, 2023	4,315	—	—	274,429

Issued:

(Unaudited)	Number of ordinary shares 'Million	Nominal value of ordinary shares USD'Million	Equivalent nominal value of ordinary shares RMB'Million	Share premium RMB'Million
At January 1, 2022	4,205	—	—	274,408
Exercise of share options and vesting of RSUs	51	—	—	18
At June 30, 2022	4,256	—	—	274,426

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, 2023 and 2022.

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 and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023.

The 2023 Share Incentive Scheme was approved and adopted by the Shareholders on June 16, 2023, which shall be valid and effective for a period of ten years commencing from June 16, 2023. By the end of the Reporting Period, no share options or RSUs were granted under the 2023 Share Incentive Scheme. As of June 30, 2023, the total number of shares issuable pursuant to the 2023 Share Incentive Scheme was 433,510,190.

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 HKD
Outstanding as of January 1, 2023	88,120,752	10.32
Forfeited during the period	(5,681,067)	18.38
Exercised during the period	(11,256,477)	0.33
Outstanding as of June 30, 2023	<u>71,183,208</u>	<u>11.26</u>
Exercisable as of June 30, 2023	<u>48,752,004</u>	<u>15.58</u>
(Unaudited)	Number of share options	Weighted average exercise price per share option HKD
Outstanding as of January 1, 2022	180,750,210	19.88
Forfeited during the period	(23,814,196)	77.02
Exercised during the period	(38,374,255)	0.51
Outstanding as of June 30, 2022	<u>118,561,759</u>	<u>14.67</u>
Exercisable as of June 30, 2022	<u>55,981,800</u>	<u>15.27</u>

The weighted average remaining contract life for outstanding share options was 6.34 years and 6.95 years as of June 30, 2023 and December 31, 2022, respectively. The weighted average price of the shares at the time these share options were exercised was HKD61.66 per share during the six months ended June 30, 2023.

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 IPO, the Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date.

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 HKD
Outstanding as of January 1, 2023	83,431,558	67.67
Granted during the period	16,096,810	61.95
Forfeited during the period	(7,132,809)	63.40
Exercised during the period	(832,976)	62.30
Outstanding as of June 30, 2023	<u>91,562,583</u>	<u>67.05</u>
Exercisable as of June 30, 2023	<u>29,240,655</u>	<u>66.17</u>
	Number of share options	Weighted average exercise price per share option HKD
(Unaudited)		
Outstanding as of January 1, 2022	—	—
Granted during the period	79,487,285	67.26
Forfeited during the period	(519,526)	62.30
Outstanding as of June 30, 2022	<u>78,967,759</u>	<u>67.29</u>
Exercisable as of June 30, 2022	<u>643,238</u>	<u>76.29</u>

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme (Continued)

Share options granted to employees (Continued)

The weighted average remaining contract life for outstanding share options was 4.75 years and 4.74 years as of June 30, 2023 and December 31, 2022, respectively. The weighted average price of the shares at the time these share options were exercised was HKD75.9 per share during the six months ended June 30, 2023.

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,	
	2023 (Unaudited)	2022 (Unaudited)
Fair value of ordinary shares (HKD)	59.9–68.15	59.8–85.25
Exercise price (HKD)	59.4–72.63	62.3–86.85
Risk-free interest rate	2.98%–3.42%	1.63%–2.93%
Dividend yield	0.00%	0.00%
Expected volatility	62.7%–68.9%	59.2%–69.3%
Expected terms	6.8–7 years	4–7 years

The risk-free interest rate is based on the yield to maturity of Hong Kong government bond with a term commensurate with the maturity of the share options as of the grant date. Given the limited trading period of the Company as of the grant date, the expected volatility is estimated based on the historical daily share price volatility of comparable companies and the Company itself with a time horizon close to the life to expiration of the share options. Dividend yield is based on management's estimation at the grant date.

The weighted average grant date fair value of granted share options was HKD34.18 per share and HKD31.68 per share for the six months ended June 30, 2023 and 2022, respectively.

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 HKD
Outstanding as of January 1, 2023	128,560,217	93.51
Granted during the period	33,831,540	49.49
Forfeited during the period	(14,685,491)	97.83
Vested during the period	(9,005,952)	136.11
Outstanding as of June 30, 2023	<u>138,700,314</u>	<u>79.55</u>
(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU HKD
Outstanding as of January 1, 2022	87,006,507	150.88
Granted during the period	29,598,496	70.32
Forfeited during the period	(6,910,566)	140.50
Vested during the period	(7,697,542)	222.02
Outstanding as of June 30, 2022	<u>101,996,895</u>	<u>122.84</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 RMB2,046 million and RMB3,429 million were recognised in the condensed consolidated income statements for the six months ended June 30, 2023 and 2022, 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, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Up to 3 months	13,843	17,312
3 to 6 months	2,111	1,458
6 months to 1 year	2,306	3,358
Over 1 year	1,426	740
	19,686	22,868

22 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals are as follows:

	As of June 30, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
Refundable deposits from customers	5,278	4,542
Notes payable (Note a)	3,505	738
Employee benefit payables	2,911	3,355
Collection on behalf of others	570	615
Other taxes payable	466	870
Others	448	70
	13,178	10,190

Note a: The notes payable are issued to settle part of trade payables, repayable within one year, without collateral.

Notes to the Condensed Consolidated Interim Financial Information

23 DEFERRED INCOME TAX

The amount of offsetting deferred tax assets and liabilities is RMB1,867 million and RMB1,948 million as of June 30, 2023 and December 31, 2022, respectively.

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

	Six months ended June 30,	
	2023	2022
	RMB'Million	RMB'Million
	(Unaudited)	(Unaudited)
At the beginning of the period	7,043	7,453
Credited/(debited) to the consolidated income statement	<u>466</u>	<u>(891)</u>
At the end of the period	<u>7,509</u>	<u>6,562</u>
	As of	As of
	June 30,	December 31,
	2023	2022
	RMB'Million	RMB'Million
	(Unaudited)	(Audited)
The gross amount of deferred tax assets attributable to:		
— Accrued liabilities and provisions	3,548	3,359
— Tax losses (Note a)	1,902	1,548
— Lease liabilities (Note 3)	1,948	2,030
— Others	<u>111</u>	<u>106</u>
Total gross deferred tax assets	<u>7,509</u>	<u>7,043</u>

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,	
	2023	2022
	RMB'Million	RMB'Million
	(Unaudited)	(Unaudited)
At the beginning of the period	1,971	2,076
Credited to the consolidated income statement	(83)	(360)
At the end of the period	1,888	1,716
	As of	As of
	June 30,	December 31,
	2023	2022
	RMB'Million	RMB'Million
	(Unaudited)	(Audited)
The gross amount of deferred tax liabilities attributable to:		
— Right-of-use assets (Note 3)	1,841	1,921
— Others	47	50
Total gross deferred tax liabilities	1,888	1,971

24 COMMITMENTS

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

	As of	As of
	June 30,	December 31,
	2023	2022
	RMB'Million	RMB'Million
	(Unaudited)	(Audited)
Intangible assets	4	14
Property and equipment	198	542
Investments	217	223
	419	779

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, 2023 and 2022, and/or balances with the Group as of June 30, 2023 and December 31, 2022, respectively.

Company	Relationship
Tencent Holdings Limited and its subsidiaries	One of the Company's shareholders
Hangzhou Mockuai Technology Co., Ltd. and its subsidiaries	Investee of the Group
Zhihu Technology Limited and its subsidiaries	Investee of the Group
SHAREit Technology Holdings Inc. and its subsidiaries	Investee of the Group
Yixin Youxuan Information Technology (Shandong) Group Co., Ltd. and its subsidiaries	Investee of the Group

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

	Six months ended June 30,	
	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)
(i) Sales of services		
Investees of the Group	183	5
One of the Company's shareholders	20	31
	203	36
	Six months ended June 30,	
	2023 <i>RMB'Million</i> (Unaudited)	2022 <i>RMB'Million</i> (Unaudited)
(ii) Purchases of services		
Investees of the Group	9	22
One of the Company's shareholders	2,521	1,780
	2,530	1,802

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	As of June 30, 2023 RMB' Million (Unaudited)	As of December 31, 2022 RMB' Million (Audited)
(i) Prepayments and other receivables from related parties		
One of the Company's shareholders	<u>186</u>	<u>154</u>
	<u>186</u>	<u>154</u>
	As of June 30, 2023 RMB' Million (Unaudited)	As of December 31, 2022 RMB' Million (Audited)
(ii) Trade receivables from related parties		
Investees of the Group	<u>38</u>	<u>22</u>
One of the Company's shareholders	<u>19</u>	<u>21</u>
	<u>57</u>	<u>43</u>
	As of June 30, 2023 RMB' Million (Unaudited)	As of December 31, 2022 RMB' Million (Audited)
(iii) Accounts payables to related parties		
Investees of the Group	<u>3</u>	<u>7</u>
One of the Company's shareholders	<u>389</u>	<u>1,017</u>
	<u>392</u>	<u>1,024</u>

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

	As of June 30, 2023 RMB'Million (Unaudited)	As of December 31, 2022 RMB'Million (Audited)
(iv) Advances from related parties		
Investees of the Group	16	23
One of the Company's shareholders	1	10
	<u>17</u>	<u>33</u>

All the balances with related parties above were business operation related and were considered as trade in nature as of June 30, 2023 and December 31, 2022. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

26 CONTINGENCIES

As of June 30, 2023, 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.

“2023 Share Incentive Scheme”	the share incentive scheme of the Company adopted at the annual general meeting held on June 16, 2023
“Administrator”	the administrator of the Post-IPO RSU Scheme, being the Board or the chief executive officer of the Company, or person(s) to which the Board has delegated its authority
“AI”	artificial intelligence
“Articles” or “Articles of Association”	the articles of association of the Company adopted on and with effect from June 16, 2023, as amended from time to time
“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”	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
“Designated Employees”	certain employees of the Group as designated by the Administrator, the vesting of whose RSUs shall be subject to the satisfaction of the performance targets. The scope and criteria of the Designated Employees are determined by the Administrator as he may in his absolute discretion deem appropriate and necessary taking into account, among other factors, the talent motivation strategy of the Company
“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\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

Definitions

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huai’an Shuangxin”	Huai’an Shuangxin Culture Communication Co., Ltd. (淮安雙馨文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on August 7, 2020 and our Consolidated Affiliated Entity
“Huankuai Technology”	Beijing Huankuai Technology Co., Ltd. (北京歡快科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
“Huayi Huilong”	Beijing Huayi Huilong Network Technology Co., Ltd. (北京華藝匯龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2006 and our Consolidated Affiliated Entity
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with 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”	August 18, 2023, 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 the Company (as amended from time to time), adopted on and with effect from June 16, 2023
“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”	as of the Latest Practicable Date, means (i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, (iv) Beijing Mufei, (v) Beijing Hanyu, (vi) Beijing Murong, (vii) Guizhou Fankuai, (viii) Beijing Zhongbo Keyuan, (ix) Guizhou Fanxin Lingzhi, (x) Huai’an Shuangxin, (xi) Beijing Qingque, and (xii) Shandong Yixiang
“Pre-IPO ESOP”	the pre-IPO employee incentive scheme adopted by the Company dated February 6, 2018 as amended from time to time
“Prospectus”	the prospectus of the Company dated January 26, 2021
“Reach Best”	Reach Best Developments Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. SU Hua
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended June 30, 2023
“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
“RSU”	a restricted share unit conferring the grantee a conditional right to obtain either Class B Shares or an equivalent value in cash with reference to the market value of the Class B Shares on or about the date of vesting, as determined by the Board or its delegate(s) in its absolute discretion, less any tax, fees, levies, stamp duty and other charges applicable pursuant to the terms of the 2023 Share Incentive Scheme or the Post-IPO RSU Scheme, as the case may be
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

Definitions

“Shandong Yixiang”	Shandong Yixiang Culture Communication Co., Ltd. (山東翼想文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on February 20, 2021 and our Consolidated Affiliated Entity
“Shareholder(s)”	holder(s) of our Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of our Company, as the context so requires
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VIE” or “VIEs”	variable interest entity or variable interest entities
“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
“%”	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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