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# Kuaishou Technology

## 快手科技

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

(Stock Code: 1024)

### ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2023

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three months ended March 31, 2023. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “Auditor”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. These interim results have also been reviewed by the Audit Committee.

#### KEY HIGHLIGHTS

##### Financial Summary

	Unaudited Three Months Ended March 31, 2023		Unaudited Three Months Ended March 31, 2022		Year-over- year change
	Amount	As a percentage of revenues (RMB millions, except for percentages)	Amount	As a percentage of revenues	
Revenues	25,217	100.0	21,067	100.0	19.7%
Gross profit	11,712	46.4	8,782	41.7	33.4%
Operating loss	(698)	(2.8)	(5,643)	(26.8)	(87.6%)
Loss for the period	(876)	(3.5)	(6,254)	(29.7)	(86.0%)
<b>Non-IFRS Measures:</b>					
Adjusted net profit/(loss) <sup>(1)</sup>	42	0.2	(3,722)	(17.7)	N/A
Adjusted EBITDA <sup>(2)</sup>	1,996	7.9	(1,552)	(7.4)	N/A

Notes:

- (1) We define “adjusted net profit/(loss)” as 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 expenses, depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance (income)/expense, net.

## Financial Information by Segment

	Unaudited Three Months Ended March 31, 2023			Total
	Domestic	Overseas	Unallocated items <sup>(1)</sup>	
	<i>(RMB millions)</i>			
Revenues	24,879	338	—	25,217
Operating profit/(loss)	963	(823)	(838)	(698)

  

	Unaudited Three Months Ended March 31, 2022			Total
	Domestic	Overseas	Unallocated items <sup>(1)</sup>	
	<i>(RMB millions)</i>			
Revenues	21,019	48	—	21,067
Operating loss	(1,543)	(1,846)	(2,254)	(5,643)

  

	Year-over-year change			Total
	Domestic	Overseas	Unallocated items <sup>(1)</sup>	
Revenues	18.4%	604.2%	—	19.7%
Operating profit/(loss)	N/A	(55.4%)	(62.8%)	(87.6%)

Note:

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

## Operating Metrics

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

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Average DAUs ( <i>in millions</i> )	<b>374.3</b>	345.5
Average MAUs ( <i>in millions</i> )	<b>654.4</b>	597.9
Average online marketing services revenue per DAU ( <i>in RMB</i> )	<b>34.9</b>	32.9
Total e-commerce GMV <sup>(1)</sup> ( <i>RMB in millions</i> )	<b>224,766.5</b>	175,075.6

*Note:*

<sup>(1)</sup> Placed on or directed to our partners through our platform.

## BUSINESS REVIEW

In the first quarter of 2023, we recorded group level adjusted net profit for the first time since our listing on the Stock Exchange in 2021, representing a significant breakthrough in our profitability. This milestone was achieved on the back of a strong first quarter performance driven by new records in user metrics, revenues growth and efforts in operating efficiency improvement.

In addition to healthy growth in our DAUs and MAUs, we continued to grow the number of content creators, advertisers and merchants on our platform while promoting a more integrated commercialization and traffic ecosystem. We also made substantial progress with our store-wide ROI strategy in driving end-to-end sales funnel conversion for both advertising and e-commerce businesses. As a result of these, combined with macro-economic tailwinds, our revenue growth accelerated across all three business segments (online marketing services, e-commerce and live streaming) in the first quarter of 2023 and outperformed their respective industries.

Our success in enhancing monetization and operating efficiency while maintaining our pace of business growth played a pivotal role in our profitability turnaround. Our domestic business delivered an operating profit for the fourth consecutive quarter, while the operating loss in our overseas segment also narrowed by 45.1% quarter-over-quarter, leading to an adjusted net profit at the group level in the first quarter of 2023.

### User and content ecosystem

In the first quarter of 2023, we set a new record for the scale of our user community by capitalizing on the growth opportunities from some seasonal festivals including the Chinese New Year. Average DAUs and MAUs on the Kuaishou App reached 374.3 million and 654.4 million, representing a year-over-year increase of 8.3% and 9.4%, respectively. Average daily time spent per DAU on the Kuaishou App was 126.8 minutes, while total views of our short video and live streaming content increased by over 10% year-over-year, representing a higher growth rate than total user time spent.

With a focus on both the efficiency and quality of user growth, we lowered our user acquisition and retention costs in the first quarter of 2023 on both a quarter-over-quarter and year-over-year basis. This was the result of the refined management and technological tools as well as optimized placement strategies for original, high-quality short video and live streaming content. Meanwhile, we further improved our ROI on user acquisition through growing the proportion of users with higher lifetime value.

We reinforced the virtuous cycle of content supply and consumption by optimizing content supply through enhanced algorithm-based learning system targeting different user groups. We also continued to strengthen the social attributes and community vitality of our platform, key factors setting us apart from our competitors. By the end of the first quarter of 2023, pairs of mutual followers on the Kuaishou App reached a cumulative 29.6 billion, representing a 57.6% growth year-over-year.

The Chinese New Year period has been an important window for user growth and brand promotion. This year, through a combination of “content + interaction,” we provided users with dual venues to celebrate the new year on Kuaishou. In terms of content, we provided a diverse range of consumption choices including CCTV Spring Festival Gala, **Kuaishou 1001 Nights Fans’ Gala** (快手一千零一夜老鉄聯歡晚會), online festival fairs, short plays and more. Among them, **Kuaishou 1001 Nights Fans’ Gala**, Kuaishou’s self-produced program, attracted more than 270 million viewers and received over 520 million likes in the first run. On the interaction side, we offered a variety of interesting interactive features and social games.

In addition to our engaging event-driven content, we also continued to enrich our content supply across various verticals. In terms of short plays, we further augmented the genres on offer while maintaining our industry-leading ability to produce blockbuster short plays. We launched a total of 55 short plays produced by **Project Astral** (星芒計劃) during the 2023 winter break period. Among them, **Donglan Snow** (東欄雪) accumulated 100 million views within a record-breaking 40 hours of its launch. Our high-quality short play content and growing brand awareness in this area have also been recognized by advertisers. In the first quarter of 2023, revenue from advertising sponsorship of **Project Astral** (星芒計劃) short plays increased by more than 300% year-over-year. In terms of pan-knowledge content, we continued to enrich our inclusive education program **New Knowledge Open Class** (新知如師說). We have collaborated with top notch institutions such as Tsinghua University and Peking University to offer courses covering a wide variety of fields such as history, science and technology, economics and fine arts, attracting approximately ten million viewers.

We further refined the search function on our platform, which has led to stronger user habits on searching that facilitate content discovery. In the first quarter of 2023, Kuaishou search’s average monthly users exceeded 420 million, and the number of daily searches on our platform peaked at more than 650 million. Meanwhile, we have also achieved continuous progress in commercialization of our search function, as evidenced by a doubling of increase in search-generated e-commerce GMV year-over-year, as well as a year-over-year growth in search advertising revenue of over 50% in the first quarter of 2023.

## Online marketing services

Our revenue from online marketing services for the first quarter of 2023 grew by 15.1% year-over-year to reach approximately RMB13.1 billion, accounting for 51.8% of our total revenue, although a considerable number of advertisers also remained cautiously optimistic towards the recovery of macro-economy and consumption trends in 2023. This was primarily driven by our efforts to further strengthen our data infrastructure, optimize our product capabilities and refine our industry-specific management strategies. The number of advertisers on our platform also continued to grow rapidly year-over-year and quarter-over-quarter in the first quarter of 2023.

Our advertising services provided to our native e-commerce merchants experienced robust growth momentum, propelled by the strong growth in the e-commerce GMV on our platform in the first quarter of 2023. In addition, we pioneered the use of store-wide ROI as a key performance indicator and completed pilot runs for certain advertisers during the Valentines' Day and March 8 Women's Day shopping festivals. Those trials proved the effectiveness of our new system in end-to-end sales funnel conversion from brand promotion to performance ads, and ultimately to transactions. In addition, we launched a project to grow our small and medium-sized e-commerce merchant client base to capitalize on their advertising needs and optimize our merchant ecosystem. In particular, we strengthened our client acquisition and marketing capabilities and upgraded our *Magnetic Taurus* (磁力金牛) platform for e-commerce marketing solutions on mobile devices.

In terms of our external performance-based advertising services, to facilitate our advertisers to capture this recovery trend and achieve their long-term goals, we are leveraging products and algorithms that are well integrated with industry attributes to promote the discovery, accumulation and user-brand matching of high-value user cohorts. This enables us to empower advertisers to achieve in-depth conversion of their target users. At the same time, we actively monitor the healthiness of external advertisements on our platform, ensuring their penetration of high-value users through our optimized traffic allocation mechanism. In addition, we have established review standards and system for native advertisement materials to improve the quality of creative materials and reduce their negative impact on user experience and our ecosystem. These efforts, together with our "organic + commercial" traffic allocation mechanism to enhance conversion efficiency and ROI for advertisers, have propelled the growth of our external advertising services. An encouraging recovery trend gradually began to take shape during the first quarter of 2023 in industries such as information services, medical care, finance and education.

With respect to brand advertising, we focused on strengthening our product capabilities. We established a rich advertising product portfolio, which included splash ads and sponsorships for our self-produced IPs as well as KOLs' home pages and searches, further expanding our brand advertising scenarios and resources. Furthermore, we designed and customized solutions for brand advertisers at various stages across different industries. We systematically established user assets for brand advertisers and created an end-to-end conversion path integrating brand promotion, performance ads and transaction, leading to increased recognition of our platform's value from a growing number of brand advertisers. Driven by these initiatives to unlock our ecosystem's potential for brand advertisers and benefitting from key promotion events such as the Chinese New Year and March 8 Women's Day in the first quarter of 2023, our revenue from brand advertising maintained its growth momentum with a year-over-year increase of over 20%.

## E-commerce

In the first quarter of 2023, we continued to strengthen our trust-based e-commerce ecosystem and execute our omni-domain operating strategy. We further satisfied our users' needs by enriching our merchandise, improving matching accuracy between buyers and sellers and harnessing high-quality streamer resources and e-commerce content, which in turn drove a year-over-year increase in GMV of 28.4% to RMB224.8 billion.

On the merchandise side, we continued to reinforce our merchandising capabilities, amplifying the exposure of more high-quality products for recommendation through product evaluations and ratings based on a broader array of metrics. At the same time, we guided merchants to continue enhancing product information quality and quantity as well as elevating their service abilities.

On the merchant side, we further upgraded the cooperative mechanism between merchants and KOLs. We delved into users' needs and established connections between users and merchants leveraging high-quality recommendation content produced by KOLs. We also facilitated more accurate product matching for KOLs engaged in product distributions through a more refined, tiered operation strategy, leading to an over 50% year-over-year increase in GMV through the KOL distribution channel in this quarter. Since the first quarter of 2023, we started to generate commission revenue from KOL distribution. We also expect that it will contribute to incremental e-commerce revenue growth going forward. Moreover, by leveraging our "**Stream Initiative (川流計劃)**" to build a bridge between merchants and KOLs, we have created a flywheel of merchandise and traffic, driving increased flow of both on our platform.

Onboarding and development of merchants are also critical in driving the success of this segment. We established cooperation with more brand merchants across a growing range of industries, catering to our users' increasing needs and consumption of branded merchandise. Leveraging our deep insights into users' consumption behaviors, we carried out targeted on-boarding program of merchants, leading to a year-over-year increase of approximately 30% in the average number of brands onboarded per month in the first quarter of 2023. Aided by promotional events such as **Super Brand Day**, the increase rate of GMV from brands, including **Kwai Brands**, was much higher than the overall platform. We also facilitated brands' self-operated live streaming through creative content formats, such as press conferences, product launches and live streaming by bosses, to better cater to users' purchasing needs for brand merchandise. In the first quarter of 2023, GMV of brands' self-operated live streaming grew by approximately 70% year-over-year. Going forward, we aim to help more brands expand their user base, while achieving GMV ramp-up and sustainable operations.

Additionally, we worked with service providers to attract merchants in industry zones and improve our merchant empowerment system. In the first quarter of 2023, we launched the **Gold Rush Initiative (斗金計劃)** with exclusive policy and traffic support to help small and medium merchants grow. In March 2023, the number of both monthly onboarded business merchants and monthly active business merchants increased by over 50% year-over-year. As for merchants with steady operations on Kuaishou, we leveraged promotion activities, such as Spring Festival Goods Festivals and March 8 Women's Day promotions to refine our subsidy strategies, optimize traffic allocation and enhance conversion efficiency, thus fostering GMV scale-up for small and medium merchants.

On the user front, we continued to refine our tiered operations for e-commerce paying users. We cultivated user mindsets through recommendations and reinforced the conversions of new paying users and potential customers via smart subsidies, promotions and traffic allocation adjustments. In the first quarter of 2023, new e-commerce paying users' monthly purchase frequency increased continuously year-over-year and quarter-over-quarter, with retention rates improving every month. With respect to paying users who are relatively less active, we strengthened the identification and reactivation of users with subpar experience. As for e-commerce active paying users, we launched our early warning and targeted anti-churn strategies in the first quarter of 2023 to provide better services to high-value users. In the first quarter of 2023, the number of monthly active e-commerce paying users and average order price continued to increase year-over-year, with monthly ordering frequency rising year-over-year. Algorithm-wise, we mitigated the impact of e-commerce content on user time spent by modeling the relationship between e-commerce related user interactions and consumption time spent. This optimized users' e-commerce consumption experience, leading to more effective recommendations and conversion.

Shelf-based e-commerce is another major realm in Kuaishou's omni-domain e-commerce business strategy. In the first quarter of 2023, we started to test the new shopping mall entry button on the landing page of Kwai shop to better meet the intent-driven shopping needs of highly active paying users. Meanwhile, as we further optimized our search function to better identify user intentions, we improved the product relevance of search results, leading to a doubling of GMV generated from searches year-over-year in the first quarter of 2023.

### **Live streaming**

In the first quarter of 2023, live streaming revenue grew by 18.8% year-over-year to RMB9.3 billion, driven by year-over-year increases in both average MPUs and monthly ARPPU. Specifically, average MPUs increased by 6.4% year-over-year to 60.1 million, while monthly ARPPU rose by double digits year-over-year. These achievements are a result of our consistent improvement of live streaming content quality and optimization of user-content matching efficiency through algorithm iterations.

On the supply side, we focused on promoting the development of live streaming as a profession and continuously advanced our diverse cooperation with top talent agencies and streamers. In the first quarter of 2023, the number of active streamers from talent agencies increased by over 140% year-over-year. We also provided traffic support to high-quality mid-level streamers to optimize the constituents of our live streaming supply. At the same time, we continued to explore different live streaming categories, including knowledge-based live streaming and virtual person live streaming, to bring our users an endless flow of new types of live streaming content.

Our innovative "live streaming +" services made steady progress in the first quarter of 2023, with average daily resume submissions on **Kwai Hire (快聘)** growing by over 300% year-over-year and peak daily resume submissions exceeding 500,000. As at the end of the first quarter of 2023, **Ideal Housing (理想家)** covered more than 70 cities nationwide, with cumulative gross transaction value surpassing RMB8 billion in the first quarter of 2023.

## **Overseas**

In the first quarter of 2023, we further deepened our key country focus strategy to optimize resource allocation and improve our monetization capabilities. As a result, revenue from our overseas business grew at an accelerated pace to reach RMB338 million in the first quarter of 2023, increasing by over six times year-over-year driven by robust expansion of live streaming and online marketing services. In our core region markets such as Brazil and Indonesia, DAUs and user time spent continued to grow year-over-year and quarter-over-quarter thanks to ongoing content enhancement efforts and effective customer acquisition methods. Meanwhile, we continued to narrow our overall operating loss in the overseas markets by 45.1% quarter-over-quarter in the first quarter of 2023 as we further enhanced operating efficiency and continued to reduce costs through an ROI-based investment approach.

With respect to live streaming, we optimized our content supply by adding a vast array of talent agencies to our partner roster and energizing our existing talent agency partners to produce more and better live streaming content. Meanwhile, we ramped up our exploration in live streaming revenue products and rolled out new iterations of operational process, leading to steady improvements in live streaming paying ratio and ARPPU. In addition, we successfully enhanced the gross profit margin of our live streaming business through a series of measures to improve talent agencies' efficiency. On the advertising front, we achieved better-than-expected revenue growth, thanks to our efforts to strengthen local operation capabilities, expand advertiser coverage to more industries, and optimize our product portfolio and service capabilities. In addition, we launched our e-commerce services in Brazil in the first quarter of 2023 to test the waters and preliminarily verified our processes.

## **Corporate social responsibilities**

Given the accelerated digitalization of China's economy, digital technology has profoundly changed people's ways of living, working and learning. As digital technology becomes deeply integrated with all walks of life, Kuaishou has grown into an important learning platform for enhancing the digital literacy and skills of the Chinese people. In 2022, Kuaishou launched over 26 million agriculture-related live streaming sessions to help farmers sell their agriculture products, as well as improve their knowledge and skills through training. Over 5 million of Kuaishou's live streaming sessions throughout 2022 were about recruitment and employment, which promoted online recruitment. Due to our outstanding practices in strengthening the workforce's digital capabilities and competitiveness, along with our empowerment of employment and entrepreneurship through digital technology and tools, Kuaishou was selected as one of "Excellent Cases of Digital Work to Enhance Digital Literacy and Skills of the Chinese Population in 2022" in March 2023.



## MANAGEMENT DISCUSSION AND ANALYSIS

### First Quarter of 2023 Compared to First Quarter of 2022

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the first quarter of 2023 and 2022, respectively:

	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<b>Unaudited</b>			
	<b>Three Months Ended March 31,</b>			
	<i>(in millions, except for percentages)</i>			
<b>Revenues</b>	<b>25,217</b>	<b>100.0</b>	21,067	100.0
Cost of revenues	<u>(13,505)</u>	<u>(53.6)</u>	<u>(12,285)</u>	<u>(58.3)</u>
<b>Gross profit</b>	<b>11,712</b>	<b>46.4</b>	8,782	41.7
Selling and marketing expenses	<b>(8,723)</b>	<b>(34.6)</b>	(9,488)	(45.0)
Administrative expenses	<b>(919)</b>	<b>(3.6)</b>	(871)	(4.1)
Research and development expenses	<b>(2,920)</b>	<b>(11.6)</b>	(3,523)	(16.7)
Other income	<b>52</b>	<b>0.2</b>	263	1.2
Other gains/(losses), net	<u><b>100</b></u>	<u><b>0.4</b></u>	<u>(806)</u>	<u>(3.9)</u>
<b>Operating loss</b>	<b>(698)</b>	<b>(2.8)</b>	(5,643)	(26.8)
Finance income/(expense), net	<b>111</b>	<b>0.5</b>	(11)	(0.1)
Share of losses of investments accounted for using the equity method	<u><b>(14)</b></u>	<u><b>(0.1)</b></u>	<u>(37)</u>	<u>(0.1)</u>
<b>Loss before income tax</b>	<b>(601)</b>	<b>(2.4)</b>	(5,691)	(27.0)
Income tax expenses	<u><b>(275)</b></u>	<u><b>(1.1)</b></u>	<u>(563)</u>	<u>(2.7)</u>
<b>Loss for the period</b>	<u><u><b>(876)</b></u></u>	<u><u><b>(3.5)</b></u></u>	<u><u>(6,254)</u></u>	<u><u>(29.7)</u></u>
<b>Non-IFRS Measures:</b>				
Adjusted net profit/(loss)	<b>42</b>	<b>0.2</b>	(3,722)	(17.7)
Adjusted EBITDA	<b>1,996</b>	<b>7.9</b>	(1,552)	(7.4)

## Revenues

Our revenues increased by 19.7% to RMB25.2 billion for the first quarter of 2023 from RMB21.1 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 first quarter of 2023 and 2022, respectively:

	Unaudited			
	Three Months Ended March 31, 2023		2022	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Online marketing services	13,064	51.8	11,352	53.9
Live streaming	9,319	37.0	7,842	37.2
Other services	2,834	11.2	1,873	8.9
<b>Total</b>	<b>25,217</b>	<b>100.0</b>	<b>21,067</b>	<b>100.0</b>

### *Online marketing services*

Revenue from our online marketing services increased by 15.1% to RMB13.1 billion for the first quarter of 2023 from RMB11.4 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 our efforts to further strengthen our data infrastructure, optimize our product capabilities and refine our industry-specific management strategies.

### *Live streaming*

Revenue from our live streaming business increased by 18.8% to RMB9.3 billion for the first quarter of 2023 from RMB7.8 billion for the same period of 2022, as a result of a 6.4% year-over-year growth in MPUs, which was supported by our enriched content supply, evolving collaboration strategy with talent agencies, and continuous optimization of our live streaming ecosystem and algorithms.

### *Other services*

Revenue from our other services increased by 51.3% to RMB2.8 billion for the first quarter of 2023 from RMB1.9 billion for the same period of 2022, primarily due to the growth of our e-commerce business, evidenced by the growth in our e-commerce GMV and continuous improvement in our business strategy in e-commerce. The growth in e-commerce GMV was primarily driven by increases in the number of monthly active e-commerce paying users, average order price and monthly ordering frequency.

## Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the first quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended March 31,			
	2023		2022	
	RMB	%	RMB	%
<i>(in millions, except for percentages)</i>				
Revenue sharing costs and related taxes	8,251	32.7	7,049	33.5
Bandwidth expenses and server custody costs <sup>(1)</sup>	1,695	6.7	1,605	7.6
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets <sup>(1)</sup>	1,573	6.2	1,318	6.3
Employee benefit expenses	709	2.8	782	3.7
Payment processing costs	495	2.0	408	1.9
Other cost of revenues	782	3.2	1,123	5.3
<b>Total</b>	<b>13,505</b>	<b>53.6</b>	<b>12,285</b>	<b>58.3</b>

Note:

<sup>(1)</sup> 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 9.9% to RMB13.5 billion for the first quarter of 2023, from RMB12.3 billion for the same period of 2022, primarily attributable to an increase in revenue sharing costs and related taxes in line with our revenue growth.

## Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the first quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended March 31,			
	2023		2022	
	RMB	%	RMB	%
<i>(in millions, except for percentages)</i>				
Gross profit	11,712	46.4	8,782	41.7

As a result of the foregoing, our gross profit increased by 33.4% to RMB11.7 billion for the first quarter of 2023, from RMB8.8 billion for the same period of 2022. Our gross profit margin improved to 46.4% for the first quarter of 2023 from 41.7% for the same period of 2022.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 8.1% to RMB8.7 billion for the first quarter of 2023, from RMB9.5 billion for the same period of 2022, and decreased to 34.6% for the first quarter of 2023 from 45.0% 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 increased by 5.5% to RMB919 million for the first quarter of 2023, from RMB871 million for the same period of 2022, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

### ***Research and Development Expenses***

Our research and development expenses decreased by 17.1% to RMB2.9 billion for the first quarter of 2023, from RMB3.5 billion for the same period of 2022, primarily attributable to a decrease in employee benefit expenses, including the related share-based compensation expenses.

### ***Other Income***

Our other income decreased to RMB52 million for the first quarter of 2023, from RMB263 million for the same period of 2022, primarily due to a decrease in the value-added tax preferences and other tax refunds compared to the same period of 2022.

### ***Other Gains/(Losses), Net***

We had other gains, net of RMB100 million for the first quarter of 2023, compared to other losses, net of RMB806 million for the same period of 2022. The change was primarily due to the impairment provision for investments recorded in the first quarter of 2022.

### ***Operating Loss***

As a result of the foregoing, we had an operating loss of RMB698 million and a negative operating margin of 2.8% for the first quarter of 2023, compared to an operating loss of RMB5.6 billion and a negative operating margin of 26.8% for the same period of 2022.

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

	<b>Unaudited</b>		
	<b>Three Months Ended March 31,</b>		
	<b>2023</b>	2022	Year-over- year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	<b>963</b>	(1,543)	N/A
Overseas	<b>(823)</b>	(1,846)	(55.4%)
Unallocated items	<b>(838)</b>	(2,254)	(62.8%)
<b>Total</b>	<b><u>(698)</u></b>	<b><u>(5,643)</u></b>	(87.6%)

We had an operating profit from the domestic segment of RMB963 million for the first quarter of 2023, compared to an operating loss of RMB1.5 billion for the same period of 2022. The change was primarily attributable to an 18.4% year-over-year growth in domestic revenues.

We had an operating loss from the overseas segment of RMB823 million and RMB1.8 billion for the first quarter of 2023 and 2022, respectively. The decrease was primarily attributable to rapid growth in overseas revenues and more efficient spending on marketing.

#### ***Finance Income/(Expense), Net***

We had a finance income, net of RMB111 million for the first quarter of 2023, compared to a finance expense, net of RMB11 million for the same period of 2022. The change was primarily attributable 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 RMB14 million and RMB37 million for the first quarter of 2023 and 2022, respectively.

#### ***Loss before Income Tax***

As a result of the foregoing, we had a loss before income tax of RMB601 million and RMB5.7 billion for the first quarter of 2023 and 2022, respectively.

#### ***Income Tax Expenses***

We incurred income tax expenses of RMB275 million and RMB563 million for the first quarter of 2023 and 2022, respectively. The decrease was primarily due to deferred income tax benefits recognized for the first quarter of 2023, compared to deferred income tax expenses recognized for the same period of 2022.

#### ***Loss for the Period***

As a result of the foregoing, our loss for the period was RMB876 million and RMB6.3 billion for the first quarter of 2023 and 2022, respectively.

## First Quarter of 2023 Compared to Fourth Quarter of 2022

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the first quarter of 2023 and fourth quarter of 2022, respectively:

	<b>Unaudited</b>			
	<b>Three Months Ended</b>			
	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
<b>Revenues</b>	<b>25,217</b>	<b>100.0</b>	28,293	100.0
Cost of revenues	<u>(13,505)</u>	<u>(53.6)</u>	<u>(15,417)</u>	<u>(54.5)</u>
<b>Gross profit</b>	<b>11,712</b>	<b>46.4</b>	12,876	45.5
Selling and marketing expenses	<u>(8,723)</u>	<u>(34.6)</u>	<u>(9,740)</u>	<u>(34.4)</u>
Administrative expenses	<u>(919)</u>	<u>(3.6)</u>	<u>(1,034)</u>	<u>(3.7)</u>
Research and development expenses	<u>(2,920)</u>	<u>(11.6)</u>	<u>(3,446)</u>	<u>(12.2)</u>
Other income	<u>52</u>	<u>0.2</u>	<u>450</u>	<u>1.6</u>
Other gains/(losses), net	<u>100</u>	<u>0.4</u>	<u>(349)</u>	<u>(1.2)</u>
<b>Operating loss</b>	<b>(698)</b>	<b>(2.8)</b>	(1,243)	(4.4)
Finance income, net	<u>111</u>	<u>0.5</u>	<u>107</u>	<u>0.4</u>
Share of losses of investments accounted for using the equity method	<u>(14)</u>	<u>(0.1)</u>	<u>(27)</u>	<u>(0.1)</u>
<b>Loss before income tax</b>	<b>(601)</b>	<b>(2.4)</b>	(1,163)	(4.1)
Income tax expenses	<u>(275)</u>	<u>(1.1)</u>	<u>(384)</u>	<u>(1.4)</u>
<b>Loss for the period</b>	<b><u>(876)</u></b>	<b><u>(3.5)</u></b>	<b><u>(1,547)</u></b>	<b><u>(5.5)</u></b>
<b>Non-IFRS Measures:</b>				
Adjusted net profit/(loss)	<u>42</u>	<u>0.2</u>	<u>(45)</u>	<u>(0.2)</u>
Adjusted EBITDA	<u>1,996</u>	<u>7.9</u>	<u>1,936</u>	<u>6.8</u>

### **Revenues**

Our revenues were RMB25.2 billion for the first quarter of 2023, compared to RMB28.3 billion for the fourth quarter of 2022. The decrease was primarily attributable to revenue decreases in 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 first quarter of 2023 and the fourth quarter of 2022, respectively:

	<b>Unaudited</b>			
	<b>Three Months Ended</b>			
	<b>March 31, 2023</b>		<b>December 31, 2022</b>	
	<i><b>RMB</b></i>	<i><b>%</b></i>	<i><b>RMB</b></i>	<i><b>%</b></i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	<b>13,064</b>	<b>51.8</b>	15,094	53.4
Live streaming	<b>9,319</b>	<b>37.0</b>	10,034	35.5
Other services	<b>2,834</b>	<b>11.2</b>	3,165	11.1
<b>Total</b>	<b><u>25,217</u></b>	<b><u>100.0</u></b>	<b><u>28,293</u></b>	<b><u>100.0</u></b>

#### *Online marketing services*

Revenue from our online marketing services decreased by 13.4% to RMB13.1 billion for the first quarter of 2023, from RMB15.1 billion for the fourth quarter of 2022, primarily attributable to the seasonality of advertising industry.

#### *Live streaming*

Revenue from our live streaming business decreased by 7.1% to RMB9.3 billion for the first quarter of 2023, from RMB10.0 billion for the fourth quarter of 2022, primarily due to live streaming annual events at the end of 2022 which contributed to the increase of revenue during the fourth quarter of 2022.

#### *Other services*

Revenue from our other services decreased by 10.5% to RMB2.8 billion for the first quarter of 2023, from RMB3.2 billion for the fourth quarter of 2022, primarily due to a decline in revenue from e-commerce business, as the e-commerce promotional campaigns in the fourth quarter of 2022 resulted in higher revenue for the quarter.

## Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the first quarter of 2023 and fourth quarter of 2022, respectively:

	Unaudited Three Months Ended			
	March 31, 2023		December 31, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,251	32.7	9,987	35.3
Bandwidth expenses and server custody costs <sup>(1)</sup>	1,695	6.7	1,844	6.5
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets <sup>(1)</sup>	1,573	6.2	1,486	5.3
Employee benefit expenses	709	2.8	539	1.9
Payment processing costs	495	2.0	580	2.1
Other cost of revenues	782	3.2	981	3.4
<b>Total</b>	<b>13,505</b>	<b>53.6</b>	<b>15,417</b>	<b>54.5</b>

Note:

<sup>(1)</sup> 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 decreased by 12.4% to RMB13.5 billion for the first quarter of 2023, from RMB15.4 billion for the fourth quarter of 2022, primarily attributable to decreases in revenue sharing costs and related taxes in line with our revenue fluctuation.

## 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 first quarter of 2023 and the fourth quarter of 2022, respectively:

	Unaudited Three Months Ended			
	March 31, 2023		December 31, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	11,712	46.4	12,876	45.5

As a result of the foregoing, our gross profit decreased by 9.0% to RMB11.7 billion for the first quarter of 2023, from RMB12.9 billion for the fourth quarter of 2022. Our gross profit margin increased to 46.4% for the first quarter of 2023, from 45.5% for the fourth quarter of 2022.



### ***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 10.4% to RMB8.7 billion for the first quarter of 2023, from RMB9.7 billion for the fourth quarter of 2022. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

### ***Administrative Expenses***

Our administrative expenses decreased from RMB1.0 billion for the fourth quarter of 2022 to RMB919 million for the first quarter of 2023.

### ***Research and Development Expenses***

Our research and development expenses decreased by 15.3% to RMB2.9 billion for the first quarter of 2023, from RMB3.4 billion for the fourth quarter of 2022, primarily attributable to a decrease in employee benefit expenses, including the related share-based compensation expenses.

### ***Other Income***

Our other income decreased from RMB450 million for the fourth quarter of 2022 to RMB52 million for the first quarter of 2023, primarily due to decreases in the value-added tax preferences and other tax refunds compared to the fourth quarter of 2022.

### ***Other Gains/(Losses), Net***

We had other gains, net of RMB100 million for the first quarter of 2023, compared to other losses, net of RMB349 million for the fourth quarter of 2022. The change was primarily due to net fair value gains on financial assets at fair value through profit or loss of investments in listed and unlisted entities recognized in the first quarter of 2023, as compared to net fair value losses in the fourth quarter of 2022.

### ***Operating Loss***

As a result of the foregoing, we had operating loss of RMB698 million for the first quarter of 2023, and operating loss of RMB1.2 billion for the fourth quarter of 2022, and our operating margin was negative 2.8% for the first quarter of 2023, compared to negative 4.4% for the fourth quarter of 2022.

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

	<b>Unaudited</b>		
	<b>Three Months Ended</b>		
	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>Quarter-over- quarter change</b>
	<i>(RMB millions, except for percentages)</i>		
Domestic	<b>963</b>	1,267	(24.0%)
Overseas	<b>(823)</b>	(1,499)	(45.1%)
Unallocated items	<b>(838)</b>	(1,011)	(17.1%)
<b>Total</b>	<b><u>(698)</u></b>	<b><u>(1,243)</u></b>	<b>(43.8%)</b>

Our operating profit from the domestic segment decreased to RMB963 million for the first quarter of 2023, from RMB1.3 billion for the fourth quarter of 2022, mainly due to a quarter-over-quarter decrease in domestic revenues as a result of seasonality impact.

Our operating loss from the overseas segment decreased to RMB823 million for the first quarter of 2023, from RMB1.5 billion for the fourth quarter of 2022, mainly due to continued improvement in the efficiency of marketing spending under our ROI-based global strategy.

### ***Finance Income, Net***

We had finance income, net of RMB111 million and RMB107 million for the first quarter of 2023 and the fourth quarter of 2022, respectively.

### ***Share of Losses of Investments Accounted for Using the Equity Method***

Our share of losses of investments accounted for using the equity method was RMB14 million and RMB27 million for the first quarter of 2023 and the fourth quarter of 2022, respectively.

### ***Loss before Income Tax***

As a result of the foregoing, we had a loss before income tax of RMB601 million for the first quarter of 2023, compared to a loss before income tax of RMB1.2 billion for the fourth quarter of 2022.

### ***Income Tax Expenses***

We incurred income tax expenses of RMB275 million for the first quarter of 2023, compared to income tax expenses of RMB384 million for the fourth quarter of 2022.

### ***Loss for the Period***

As a result of the foregoing, our loss for the period was RMB876 million for the first quarter of 2023, compared to RMB1.5 billion for the fourth quarter of 2022.

### **Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures**

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the first quarter of 2023, the fourth quarter of 2022 and the first quarter of 2022, respectively, to the nearest measures prepared in accordance with IFRS:

	<b>Unaudited</b>		
	<b>Three Months Ended</b>		
	<b>March 31,</b>	December 31,	March 31,
	<b>2023</b>	2022	2022
	<i>(RMB millions)</i>		
<b>Loss for the period</b>	<b>(876)</b>	(1,547)	(6,254)
Add:			
Share-based compensation expenses	<b>990</b>	1,112	1,711
Net fair value changes on investments <sup>(1)</sup>	<b>(72)</b>	390	821
	<u><b>42</b></u>	<u>(45)</u>	<u>(3,722)</u>
<b>Adjusted net profit/(loss)</b>			
<b>Adjusted net profit/(loss)</b>	<b>42</b>	(45)	(3,722)
Add:			
Income tax expenses	<b>275</b>	384	563
Depreciation of property and equipment	<b>964</b>	891	733
Depreciation of right-of-use assets	<b>788</b>	776	828
Amortization of intangible assets	<b>38</b>	37	35
Finance (income)/expense, net	<b>(111)</b>	(107)	11
	<u><b>1,996</b></u>	<u>1,936</u>	<u>(1,552)</u>
<b>Adjusted EBITDA</b>			

*Note:*

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

## **Liquidity and Capital Resources**

Other than the funds raised through our global offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB12.5 billion as of March 31, 2023, compared to RMB13.3 billion as of December 31, 2022.

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 RMB44.8 billion as of March 31, 2023, compared to RMB44.7 billion as of December 31, 2022.

The following table sets forth a summary of our cash flows for the first quarter of 2023:

	<b>Unaudited Three Months Ended March 31, 2023 (RMB millions)</b>
Net cash generated from operating activities	<b>1,795</b>
Net cash used in investing activities	<b>(1,693)</b>
Net cash used in financing activities	<b>(818)</b>
	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(716)</b>
Cash and cash equivalents at the beginning of the period	<b>13,274</b>
Effects of exchange rate changes on cash and cash equivalents	<b>(85)</b>
	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>12,473</u></b>

#### ***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 loss before income tax, adjusted by non-cash items and changes in working capital.

For the first quarter of 2023, our net cash generated from operating activities was RMB1.8 billion, which was primarily attributable to our loss before income tax of RMB601 million, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB990 million, depreciation of property and equipment of RMB964 million, depreciation of right-of-use assets of RMB788 million. The amount was further adjusted by changes in working capital, which primarily comprised decrease in trade receivables of RMB1.2 billion and prepayments, other receivables and other current assets of RMB865 million, partially offset by decreases in accounts payables of RMB2.4 billion. We also paid income tax of RMB108 million.

#### ***Net Cash Used in Investing Activities***

For the first quarter of 2023, our net cash used in investing activities was RMB1.7 billion, which was primarily attributable to net investments in time deposits with initial terms of over three months of RMB2.1 billion, the net inflow from investments in financial assets at fair value through profit or loss of RMB1.8 billion as a result of the maturity of certain wealth management products, and purchase of property, equipment and intangible assets of RMB1.6 billion.

#### ***Net Cash Used in Financing Activities***

For the first quarter of 2023, our net cash used in financing activities was RMB818 million, which was primarily attributable to payments for principal elements of lease and the related interest of RMB723 million.

## FINANCIAL INFORMATION

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Three months ended March 31,</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB' Million</b>	<b>RMB' Million</b>
<b>Revenues</b>	3	<b>25,217</b>	21,067
Cost of revenues	4	<u>(13,505)</u>	<u>(12,285)</u>
<b>Gross profit</b>		<b>11,712</b>	8,782
Selling and marketing expenses	4	<b>(8,723)</b>	(9,488)
Administrative expenses	4	<b>(919)</b>	(871)
Research and development expenses	4	<b>(2,920)</b>	(3,523)
Other income		<b>52</b>	263
Other gains/(losses), net		<u><b>100</b></u>	<u>(806)</u>
<b>Operating loss</b>		<b>(698)</b>	(5,643)
Finance income/(expense), net		<b>111</b>	(11)
Share of losses of investments accounted for using the equity method		<u><b>(14)</b></u>	<u>(37)</u>
<b>Loss before income tax</b>		<b>(601)</b>	(5,691)
Income tax expenses		<u><b>(275)</b></u>	<u>(563)</u>
<b>Loss for the period</b>		<u><b>(876)</b></u>	<u>(6,254)</u>
<b>Attributable to:</b>			
— Equity holders of the Company		<b>(873)</b>	(6,254)
— Non-controlling interests		<u><b>(3)</b></u>	<u>—</u>
		<u><b>(876)</b></u>	<u>(6,254)</u>
<b>Loss per share attributable to the equity holders of the Company (expressed in RMB per share)</b>	5		
Basic loss per share		<u><b>(0.20)</b></u>	<u>(1.48)</u>
Diluted loss per share		<u><b>(0.20)</b></u>	<u>(1.48)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	<b>Unaudited</b>	
	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<i>Note</i>	<b><i>RMB'Million</i></b>	<b><i>RMB'Million</i></b>
<b>Loss for the period</b>	<u><b>(876)</b></u>	<u><b>(6,254)</b></u>
<b>Other comprehensive loss</b>		
<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	<b>(988)</b>	(302)
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u><b>711</b></u>	<u>192</u>
<b>Other comprehensive loss for the period, net of taxes</b>	<u><b>(270)</b></u>	<u><b>(120)</b></u>
<b>Total comprehensive loss for the period</b>	<u><u><b>(1,146)</b></u></u>	<u><u><b>(6,374)</b></u></u>
<b>Attributable to:</b>		
— Equity holders of the Company	<b>(1,143)</b>	(6,374)
— Non-controlling interests	<u><b>(3)</b></u>	<u>—</u>
	<u><u><b>(1,146)</b></u></u>	<u><u><b>(6,374)</b></u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As of March 31, 2023	Audited As of December 31, 2022
	<i>Note</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		12,407	13,215
Right-of-use assets		10,130	10,806
Intangible assets		1,145	1,123
Investments accounted for using the equity method		264	268
Financial assets at fair value through profit or loss	6	4,094	3,626
Other financial assets at amortized cost	6	697	670
Deferred tax assets		5,223	5,095
Long-term time deposits		7,776	7,870
Other non-current assets		415	776
		<u>42,151</u>	<u>43,449</u>
<b>Current assets</b>			
Trade receivables		5,117	6,288
Prepayments, other receivables and other current assets		3,071	4,106
Financial assets at fair value through profit or loss	6	10,885	13,087
Other financial assets at amortized cost	6	556	726
Short-term time deposits		11,031	8,318
Restricted cash		319	59
Cash and cash equivalents		12,473	13,274
		<u>43,452</u>	<u>45,858</u>
<b>Total assets</b>		<u><u>85,603</u></u>	<u><u>89,307</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited As of March 31, 2023 RMB' Million</b>	<b>Audited As of December 31, 2022 RMB' Million</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		—	—
Share premium		274,521	274,473
Other reserves		29,965	29,239
Accumulated losses		(264,755)	(263,882)
		<u>39,731</u>	<u>39,830</u>
<b>Non-controlling interests</b>		<u>5</u>	<u>8</u>
<b>Total equity</b>		<u><b>39,736</b></u>	<u><b>39,838</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		8,155	8,721
Deferred tax liabilities		22	23
Other non-current liabilities		5	16
		<u>8,182</u>	<u>8,760</u>
<b>Current liabilities</b>			
Accounts payables		18,951	22,868
Other payables and accruals		10,735	10,190
Advances from customers		3,281	3,240
Income tax liabilities		1,233	936
Lease liabilities		3,485	3,475
		<u>37,685</u>	<u>40,709</u>
<b>Total liabilities</b>		<u><b>45,867</b></u>	<u><b>49,469</b></u>
<b>Total equity and liabilities</b>		<u><b>85,603</b></u>	<u><b>89,307</b></u>



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Three months ended March 31,	
	2023	2022
	<i>RMB' Million</i>	<i>RMB' Million</i>
Net cash generated from/(used in) operating activities	1,795	(3,187)
Net cash used in investing activities	(1,693)	(13,232)
Net cash used in financing activities	(818)	(771)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(716)	(17,190)
Cash and cash equivalents at the beginning of the period	13,274	32,612
Effects of exchange rate changes on cash and cash equivalents	(85)	(92)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<u>12,473</u>	<u>15,330</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 Basis of preparation

This condensed consolidated interim financial information for the three months ended March 31, 2023 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board. The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2022 which have been prepared in accordance with International Financial Reporting Standards by the Group as set out in the 2022 annual report of the Company dated March 29, 2023 (the “**2022 Financial Statements**”).

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022, as described in the 2022 Financial Statements, except for the adoption of certain new standards and amendments which has had no significant impact on the results and the financial position of the Group.

In preparing the Interim Financial Information, the critical accounting estimates and judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2022 Financial Statements.

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

### 2 Segment information

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group. 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 ended March 31, 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 gains/(losses), net are not allocated to individual operating segments.

The segment results for the three months ended March 31, 2023 and 2022 are as follows:

	<b>Three months ended March 31, 2023</b>			
	<b>Domestic</b>	<b>Overseas</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenues</b>	<b>24,879</b>	<b>338</b>	<b>—</b>	<b>25,217</b>
Cost of revenues and operating expenses	(23,916)	(1,161)	—	(25,077)
Unallocated items	—	—	(838)	(838)
<b>Operating profit/(loss)</b>	<b><u>963</u></b>	<b><u>(823)</u></b>	<b><u>(838)</u></b>	<b><u>(698)</u></b>
	<b>Three months ended March 31, 2022</b>			
	<b>Domestic</b>	<b>Overseas</b>	<b>Unallocated</b>	<b>Total</b>
	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>	<i>RMB' Million</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenues</b>	21,019	48	—	21,067
Cost of revenues and operating expenses	(22,562)	(1,894)	—	(24,456)
Unallocated items	—	—	(2,254)	(2,254)
<b>Operating loss</b>	<b><u>(1,543)</u></b>	<b><u>(1,846)</u></b>	<b><u>(2,254)</u></b>	<b><u>(5,643)</u></b>

### 3 Revenues

The breakdown of revenues during the three months ended March 31, 2023 and 2022 is as follows:

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'Million</i></b>	<b><i>RMB'Million</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Online marketing services	<b>13,064</b>	11,352
Live streaming	<b>9,319</b>	7,842
Other services	<b>2,834</b>	1,873
	<b><u>25,217</u></b>	<b><u>21,067</u></b>

### 4 Expenses by nature

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'Million</i></b>	<b><i>RMB'Million</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue sharing costs and related taxes	<b>8,251</b>	7,049
Employee benefit expenses	<b>4,523</b>	5,136
Promotion and advertising expenses	<b>8,054</b>	8,790
Bandwidth expenses and server custody costs	<b>1,695</b>	1,605
Depreciation of property and equipment	<b>964</b>	733
Depreciation of right-of-use assets ( <i>Note a</i> )	<b>788</b>	828
Amortization of intangible assets	<b>38</b>	35
Outsourcing and other labor costs	<b>281</b>	365
Payment processing costs	<b>495</b>	408
Professional fees	<b>44</b>	58
Tax surcharges	<b>130</b>	239
Credit loss allowances on financial assets	<b>14</b>	(8)
Others ( <i>Note b</i> )	<b>790</b>	929
	<b><u>26,067</u></b>	<b><u>26,167</u></b>

*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.

## 5 Loss per share

### (a) *Basic loss per share*

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

	<b>Three months ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to equity holders of the Company <i>(RMB' Million)</i>	<u>(873)</u>	<u>(6,254)</u>
Weighted average number of ordinary shares in issue <i>(million shares)</i>	<u>4,301</u>	<u>4,225</u>
Basic loss per share <i>(expressed in RMB per share)</i>	<u><u>(0.20)</u></u>	<u><u>(1.48)</u></u>

### (b) *Diluted loss per share*

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

During the three months ended March 31, 2023 and 2022, the Company had two categories of potential ordinary shares: share options and restricted share units. As the Company incurred losses for the three months ended March 31, 2023 and 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 ended March 31, 2023 and 2022 were the same as basic loss per share for the respective periods.

## 6 Investments

	As of March 31, 2023 <i>RMB'Million</i> (Unaudited)	As of December 31, 2022 <i>RMB'Million</i> (Audited)
<b>Non-current assets</b>		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,896	2,876
— Investment in a listed entity	81	78
— Wealth management products and others	1,117	672
	<u>4,094</u>	<u>3,626</u>
Other financial assets at amortized cost	697	670
	<u>4,791</u>	<u>4,296</u>
<b>Current assets</b>		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	23	16
— Wealth management products and others	10,862	13,071
	<u>10,885</u>	<u>13,087</u>
Other financial assets at amortized cost	556	726
	<u>11,441</u>	<u>13,813</u>
<b>Total</b>	<u><u>16,232</u></u>	<u><u>18,109</u></u>

## **OTHER INFORMATION**

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

Neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities during the three months ended March 31, 2023.

### **Compliance with the Corporate Governance Code**

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. The Company complied with all applicable code provisions as set out in the Corporate Governance Code during the three months ended March 31, 2023.

### **Audit Committee**

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited interim financial statements for the three months ended March 31, 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 statements for the three months ended March 31, 2023 have been prepared in accordance with IFRS.

### **Significant Events after March 31, 2023**

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after March 31, 2023 and up to the date of this announcement.

## APPRECIATION

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

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

Hong Kong, May 22, 2023

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

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



## DEFINITIONS

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

<b>“ARPPU”</b>	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
<b>“Articles” or “Articles of Association”</b>	the articles of association of the Company adopted on January 18, 2021 with effect from the Listing Date, as amended from time to time
<b>“Audit Committee”</b>	the audit committee of the Board
<b>“Auditor”</b>	PricewaterhouseCoopers, the external auditor of the Company
<b>“Board” or “Board of Directors”</b>	the board of directors of the Company
<b>“Class A Shares”</b>	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
<b>“Class B Shares”</b>	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
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
<b>“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”</b>	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
<b>“Consolidated Affiliated Entities”</b>	the entities that the Company controls through a set of contractual arrangements
<b>“Corporate Governance Code”</b>	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
<b>“DAUs”</b>	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
<b>“Director(s)”</b>	the director(s) of the Company

<b>“GMV”</b>	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
<b>“Group”, “our Group” or “the Group”</b>	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
<b>“Hong Kong”</b>	Hong Kong Special Administrative Region of the PRC
<b>“IFRS”</b>	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
<b>“KOL”</b>	key opinion leader
<b>“Kuaishou App”</b>	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
<b>“Kuaishou Concept”</b>	an app that we launched in November 2018 to explore different user needs and preferences
<b>“Kuaishou Express”</b>	a variant of Kuaishou Flagship that was officially launched in August 2019
<b>“Kuaishou Flagship”</b>	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
<b>“Listing Date”</b>	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
<b>“Listing Rules”</b>	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)
<b>“Main Board”</b>	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
<b>“MAUs”</b>	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

<b>“Memorandum”</b>	the memorandum of association of the Company (as amended from time to time), adopted on January 18, 2021, which has become effective since the Listing Date
<b>“MPUs”</b>	monthly paying users, which refers to the number of user accounts that purchase a particular service at least once in a given month
<b>“paying user”</b>	a user account that purchases a particular service at least once during a given period
<b>“PRC” or “China”</b>	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
<b>“Reserved Matters”</b>	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company’s auditors; and (iv) the voluntary liquidation or winding-up of the Company
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC
<b>“ROI”</b>	return on investment
<b>“Shareholder(s)”</b>	holder(s) of the Shares
<b>“Share(s)”</b>	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under the Companies Ordinance
<b>“US\$” or “US Dollars”</b>	the lawful currency of the United States of America
<b>“%”</b>	per cent