KUAISHOU

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)

ANNUAL REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHENG Yixiao (程一笑) *(Chairman of the Board and Chief Executive Officer)*
Mr. SU Hua (宿華)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
Mr. LIN Frank (林欣禾) *(alias LIN Frank Hurst)*
Mr. WANG Huiwen (王慧文) *(re-designated from an independent non-executive Director to a non-executive Director with effect from May 15, 2023)*
Dr. SHEN Dou (沈抖) *(resigned with effect from September 13, 2023)*

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星) *(appointed with effect from September 13, 2023)*

AUDIT COMMITTEE

Mr. HUANG Sidney Xuande (黃宣德) *(Chairman)*
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星)

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)
Prof. XIAO Xing (肖星)

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)
Prof. XIAO Xing (肖星)

CORPORATE GOVERNANCE COMMITTEE

Mr. MA Yin (馬寅) *(Chairman)*
Mr. HUANG Sidney Xuande (黃宣德)
Prof. XIAO Xing (肖星)

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. CHENG Yixiao (程一笑)
Ms. SO Ka Man (蘇嘉敏)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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COMPLIANCE ADVISOR

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Hong Kong

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

Financial Summary and Operation Highlights

FINANCIAL SUMMARY

	Year Ended December 31,				
	2023		2022		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Year-over-year change
	(RMB millions, except for percentages)				
Revenues	**113,470**	**100.0**	94,183	100.0	20.5%
Gross profit	**57,391**	**50.6**	42,131	44.7	36.2%
Operating profit/(loss)	**6,431**	**5.7**	(12,558)	(13.3)	N/A
Profit/(loss) for the year	**6,399**	**5.6**	(13,689)	(14.5)	N/A
Non-IFRS Accounting Standards Measures:					
Adjusted net profit/(loss)[1] (unaudited)	**10,271**	**9.1**	(5,751)	(6.1)	N/A
Adjusted EBITDA[2] (unaudited)	**17,424**	**15.4**	1,815	1.9	860.0%

	Unaudited Three Months Ended December 31,				
	2023		2022		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Year-over-year change
	(RMB millions, except for percentages)				
Revenues	**32,561**	**100.0**	28,293	100.0	15.1%
Gross profit	**17,292**	**53.1**	12,876	45.5	34.3%
Operating profit/(loss)	**3,622**	**11.1**	(1,243)	(4.4)	N/A
Profit/(loss) for the period	**3,612**	**11.1**	(1,547)	(5.5)	N/A
Non-IFRS Accounting Standards Measures:					
Adjusted net profit/(loss)[1]	**4,362**	**13.4**	(45)	(0.2)	N/A
Adjusted EBITDA[2]	**6,132**	**18.8**	1,936	6.8	216.7%

Notes:

(1) We define "adjusted net profit/(loss)" as profit/(loss) for the year or 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 year or period adjusted by income tax expenses, depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance income, net.

Financial Summary and Operation Highlights

FINANCIAL INFORMATION BY SEGMENT

	Year Ended December 31, 2023			
	Domestic	**Overseas**	**Unallocated items(1)**	**Total**
		(RMB millions)		
Revenues	**111,186**	**2,284**	**—**	**113,470**
Operating profit/(loss)	**11,402**	**(2,789)**	**(2,182)**	**6,431**

	Year Ended December 31, 2022			
	Domestic	Overseas	Unallocated items(1)	Total
		(RMB millions)		
Revenues	93,558	625	—	94,183
Operating profit/(loss)	192	(6,638)	(6,112)	(12,558)

	Year-over-year change			
	Domestic	Overseas	Unallocated items(1)	Total
Revenues	18.8%	265.4%	—	20.5%
Operating profit/(loss)	5,838.5%	(58.0%)	(64.3%)	N/A

Financial Summary and Operation Highlights

	Unaudited Three Months Ended December 31, 2023			
	Domestic	**Overseas**	**Unallocated items[1]**	**Total**
	(RMB millions)			
Revenues	**31,714**	**847**	**—**	**32,561**
Operating profit/(loss)	**4,250**	**(551)**	**(77)**	**3,622**

	Unaudited Three Months Ended December 31, 2022			
	Domestic	Overseas	Unallocated items[1]	Total
	(RMB millions)			
Revenues	28,008	285	—	28,293
Operating profit/(loss)	1,267	(1,499)	(1,011)	(1,243)

	Year-over-year change			
	Domestic	Overseas	Unallocated items[1]	Total
Revenues	13.2%	197.2%	—	15.1%
Operating profit/(loss)	235.4%	(63.2%)	(92.4%)	N/A

Note:

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

Financial Summary and Operation Highlights

OPERATING METRICS

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

	Year Ended December 31,		Three Months Ended December 31,	
	2023	2022	**2023**	2022
Average DAUs *(in millions)*	**379.9**	355.7	**382.5**	366.2
Average MAUs *(in millions)*	**678.2**	612.7	**700.4**	640.0
Average online marketing services revenue per DAU *(in RMB)*	**158.7**	137.9	**47.6**	41.2
Total e-commerce GMV[1] *(RMB in millions)*	**1,184,370.8**	901,156.6	**403,908.2**	312,386.7

Note:

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

Financial Summary and Operation Highlights

FIVE-YEAR FINANCIAL SUMMARY

Condensed Consolidated Income Statements and Statements of Comprehensive (Loss)/Income

	Year Ended December 31,				
	2019	2020	2021	2022	**2023**
			(RMB in millions)		
Revenues	39,120	58,776	81,082	94,183	**113,470**
Gross profit	14,104	23,815	34,030	42,131	**57,391**
(Loss)/profit before income tax	(19,265)	(117,201)	(79,102)	(12,531)	**6,889**
(Loss)/profit for the year	(19,652)	(116,635)	(78,077)	(13,689)	**6,399**
(Loss)/profit for the year attributable to equity holders of the Company	(19,652)	(116,635)	(78,074)	(13,690)	**6,396**
Total comprehensive (loss)/income for the year	(20,580)	(105,996)	(77,054)	(11,621)	**6,761**
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	(20,580)	(105,996)	(77,051)	(11,622)	**6,758**

Condensed Consolidated Balance Sheets

	As of December 31,				
	2019	2020	2021	2022	**2023**
			(RMB in millions)		
ASSETS					
Non-current assets	15,103	20,619	39,504	43,449	**45,935**
Current assets	17,311	31,528	53,011	45,858	**60,361**
Total assets	32,414	52,147	92,515	89,307	**106,296**
EQUITY					
Total Equity	(55,729)	(160,050)	45,096	39,838	**49,074**
LIABILITIES					
Non-current liabilities	72,770	189,012	10,164	8,760	**8,444**
Current liabilities	15,373	23,185	37,255	40,709	**48,778**
Total liabilities	88,143	212,197	47,419	49,469	**57,222**
Total equity and liabilities	32,414	52,147	92,515	89,307	**106,296**

Dear Shareholders,

We achieved a significant milestone in 2023 by further expanding our user base, rapidly increasing revenue, and attaining both full-year adjusted and IFRS Accounting Standards profitability for the first time. Despite the ongoing external macro challenges in 2023, we remained true to our long-term vision to create a healthier, more inclusive, and better-integrated content and commercial ecosystem for our users. We improved content quality, optimized our traffic distribution systems, and further integrated monetization opportunities across our platform while striking a harmonious balance between community growth and monetization. Each of these strategic initiatives strengthened our market position and empowered us to redefine the digital experience for hundreds of millions of users. As a result, we closed the year with a record-level adjusted net profit of over RMB10 billion for 2023. Our expanded user base, coupled with significant growth in our e-commerce and online marketing sectors, underscores our platform's appeal as a long-term operational base for merchants and marketing customers alike. We also increased our commitment to social responsibility, promoting the digital evolution and upgrade of traditional jobs that support our society's advancement.

BUSINESS REVIEW AND OUTLOOK

Business Review

Despite the ongoing external macro challenges in 2023, we remained true to our long-term vision and commitment of creating value for our users and partners by building and maintaining a healthier and more inclusive content and commercial ecosystem. We supported good quality content and broadened recommendations for useful and entertaining content including short video and live streaming, cultivating a good quality content ecosystem. We also continuously deepened the construction of the entertainment live streaming ecosystem by supporting small and medium-level streamers and Chinese traditional cultural streamers to create a healthier and sustainable entertainment live streaming ecosystem. Moreover, we nurtured a more satisfactory e-commerce ecosystem for users by leveraging the scoring system for merchandise, store experience and KOLs' reputation in our e-commerce traffic distribution. We upgraded our traffic distribution mechanism by incorporating users' experience indicators into our recommendation algorithm. This better aligned our content quality and commercialization efficiency. Lastly, we further optimized our organization structure, strengthened the integration of content and commercial ecosystem, and enhanced overall organization efficiency.

As a result of these efforts, our user base repeatedly reached greater heights throughout the year. In the fourth quarter of 2023, average MAUs on the Kuaishou App exceeded 700 million, marking another new record. Additionally, a growing number of e-commerce merchants and marketing clients chose Kuaishou as their go-to platform for long-term operations. This was underscored by over 50% year-over-year increase in the number of monthly active merchants on Kuaishou as well as over 100% year-over-year increase in the number of marketing clients in 2023. Both our e-commerce and online marketing services outshined the overall average market performance in terms of growth rate, leading to a steady increase in their market share. In our overseas business, we focused on key markets, which considerably increased our revenues and decreased our losses. As for our innovative businesses, such as local services, ***Kwai Hire (快聘)*** and ***Ideal Housing (理想家)***, we zeroed in on building our strength and establishing a solid foundation for rapid future expansion. The advancements we achieved in our content and commercial ecosystem also drove robust financial improvement. Our total revenue reached RMB113.5 billion in 2023, representing a 20.5% year-over-year increase. Moreover, we turned losses into gains in both adjusted net profit and profit for the year in 2023. Our full-year adjusted net profit surpassed RMB10 billion mark to reach RMB10.3 billion, which demonstrated that the Company ushered in an era of sustainable profitability.

Chairman's Statement

User and content ecosystem

In the fourth quarter of 2023, we optimized our user growth strategies, built scenarios for user demand insight and explored user interests with refined algorithms. As a result, average DAUs and MAUs on the Kuaishou App reached 382.5 million and 700.4 million, representing a 4.5% and 9.4% year-over-year increase, respectively. The average daily time spent per DAU on the Kuaishou App was 124.5 minutes in the same period.

In terms of user growth, we prioritized acquiring high-value users with high retention potentials to achieve quality growth. By optimizing efficiency in growth from various channels, we continuously reduced the acquisition cost per new user year-over-year. Based on our refined operation strategy, the subsidy cost per DAU of Kuaishou Express declined year-over-year in the fourth quarter of 2023.

Content consumption is the core value provided by Kuaishou App for users. We have successfully built a sustainable content supply ecosystem that identifies and magnifies advantageous content featuring distinctive Kuaishou characteristics. The short play industry, for example, is an area in which Kuaishou has always been a pioneer and leader. As of the end of 2023, we launched almost 1,000 short plays produced by ***Kuaishou Astral Short Plays (快手星芒短劇)***, including more than 300 blockbusters each of which received more than 100 million views. In addition, we have also introduced tens of thousands of short plays for subscription produced by third parties. We created a superior native user experience by building our self-developed sales funnel conversion path, and drove the rapid growth of both supply and demand sides through efficient traffic distribution. In the fourth quarter of 2023, heavy users of short plays, who watched over 10 episodes a day, reached 94 million, representing a year-over-year increase of over 50%. With a stream of frequent blockbuster releases, our high quality short plays also stimulated users' willingness to pay for content. In the fourth quarter of 2023, daily average paying users of short plays on Kuaishou grew by over three times year-over-year. In the ***Three Rural (三農)*** content vertical including agriculture, rural areas and rural inhabitants, we created a heartwarming online community for the rural population based on our fair and inclusive traffic distribution mechanism. In the fourth quarter of 2023, the number of short videos posted by active creators with over 10,000 followers in the ***Three Rural*** vertical increased by over 30%, while the daily average views of ***Three Rural*** themed videos climbed by more than 20%, both on a year-over-year basis. Growth in this vertical demonstrates that more rural creators were gaining exposure on Kuaishou. We also provided diverse monetization channels to support this burgeoning group of creators. As a result, the number of creators with 10,000 followers in the ***Three Rural*** vertical who earned income from our commercial ecosystem including e-commerce increased by over 30% year-over-year in the fourth quarter of 2023, playing an important role in promoting rural revitalization.

For our search business, we improved the construction of the "search after watching" scenario and increased the weight of social relationships and useful content in the ranking of searching results. In this way, we enhanced search user penetration and search experience. In the fourth quarter of 2023, Kuaishou search's average monthly users increased by more than 16%, and the number of average daily searches continuously increased, both on a year-over-year basis. In terms of commercialization, revenue from search marketing services grew by nearly 100% year-over-year in the fourth quarter of 2023.

Online marketing services

In the fourth quarter of 2023, revenue from online marketing services grew by 20.6% year-over-year to RMB18.2 billion. This robust growth was primarily attributable to our refined industry-specific operations, our upgraded smart marketing placement products, and the continuous optimization of our algorithms. In the fourth quarter of 2023, the number of active marketing clients increased by more than 160% year-over-year.

In the fourth quarter of 2023, native marketing services remained the major driver of our online marketing revenue growth. We unveiled new features for our omni-platform marketing solution, including in-placement analysis, post-placement review and real-time material analysis. These enhancements further helped merchants leverage our high-quality traffic and maximize their GMV across our platform. In the fourth quarter of 2023, merchants' consumption on omni-platform marketing solutions soared by more than 200% quarter-over-quarter. In addition, our smart hosting products were broadly applied to various scenarios, including live streaming hosting, merchandise hosting and search hosting. These products lowered the placement threshold for small and medium-sized merchants, contributing to improvements in marketing consumption and performance. In the fourth quarter of 2023, merchants' consumption through live-streaming hosting leaped by over 150% quarter-over-quarter.

In the fourth quarter of 2023, the year-over-year revenue growth rate of our external performance marketing services continued to increase, compared with the third quarter of 2023. This was particularly evident in industries such as media information, education and training, and gaming. For example, for paid short plays in the media information industry, we consistently optimized our self-developed sales funnel conversion path, where we created a higher-quality short play ecosystem and enhanced user experience. Meanwhile, we improved our real-time forecasting model through algorithms, which fortified users' willingness to pay as well as stimulated marketing clients' inclination to place advertisements on our platform. In the fourth quarter of 2023, the marketing consumption of the paid short play vertical increased by more than three-fold year-over-year. To enhance our product capabilities, we rolled out the ***Universal Auto Ads for Leads (UAL, 線索全自動營銷產品)*** while leveraging AIGC to improve production efficiency and quality of marketing materials. This provided our clients with smart marketing capabilities for targeted demographics. To promote native marketing materials, we reinforced the integration of native marketing content and organic content in terms of underlying data and traffic synergy, achieving a true "marketing as content" approach. In the fourth quarter of 2023, the consumption of external native marketing materials increased by more than 50% quarter-over-quarter. The share of external marketing consumption from native marketing materials consistently increased.

Our brand marketing revenue grew by over 80% quarter-over-quarter in the fourth quarter of 2023, boosted by key promotion events, including the Double 11 Sales Promotion and our own marketing programs. We launched marketing solutions that integrated brand awareness, sales conversion, and marketing operations for marketing clients in the automotive industry. These solutions reached potential users and amplified conversion efficiency through optimal scenarios, operations and models. Driven by our distinctive brand portfolios and unique traffic, we established in-depth marketing collaborations with many leading automotive brands, including FAW-Volkswagen Audi and Nio. Moreover, we stimulated the growth in budget placement from brands by leveraging quality content. ***Kuaishou Astral Short Plays*** became a preferred marketing tool for many brands. In the fourth quarter of 2023, revenue from marketing sponsorship of ***Kuaishou Astral Short Plays*** surged by more than six-fold quarter-over-quarter, with a diverse range of customers from industries such as fast moving consumer goods, e-commerce as well as cosmetics and skincare.

E-commerce

In the fourth quarter of 2023, our e-commerce GMV maintained a rapid growth rate of 29.3% year-over-year, reaching RMB403.9 billion. We continued to gain market share, achieving favorable progress in terms of users, goods and venues.

On the user side, in the fourth quarter of 2023, the average number of MPUs reached a new high, exceeding 130 million, with the MAU penetration rate increasing to 18.6%. This was mainly due to our continuous enrichment of shopping scenarios such as shelf-based e-commerce, and the constant upgrade of our products and features. Meanwhile, we refined our smart subsidies and strengthened the governance of our e-commerce ecosystem. Bolstered by the Double 11 and Double 12 Sales Promotions, we maintained a year-over-year increase in both monthly purchasing frequency and ARPPU.

On the supply side, more than one million merchants participated in the Double 11 Sales Promotion. The high participation level accelerated growth in the number of monthly active merchants by over 50% year-over-year. To better help merchants grow on Kuaishou platform, we unveiled policies to assist cold-start stage, such as our ***Merchants' Training Camp (商家訓練營)*** and our ***Uplift Initiative (扶搖計劃)***. We also built service centers and product selection centers in the industry zones of 14 core cities. Leveraging service provider resources, we offered localized operations and training tailored to small and medium-sized merchants.

Regarding brands, we maintained robust growth in the fourth quarter of 2023. During the sales promotion period, GMV from brands increased by 155% year-over-year, with nearly 2,500 brands doubling their GMV. In the fourth quarter of 2023, GMV from well-known brands' self-operated live-streaming maintained a more than two-fold year-over-year increase, primarily driven by brand-intensive industries including consumer electronics, home appliances, men's apparel and sports. Additionally, we strengthened the retrieval of brands with outperforming distribution products through the ***Stream Initiative (川流計劃)*** and encouraged them to focus on self-operated live streaming. With respect to KOLs, we continued to focus on the health of our KOL ecosystem. We encouraged new KOLs to live streaming through our ***Spark Initiative (花火計劃)***. KOLs also leveraged short videos for product recommendations, adding shopping links, and optimizing shop window displays to synergize with their live streaming. On the distribution side, we stimulated KOLs' selling enthusiasm through precise matching services and promotional events.

In terms of e-commerce scenarios, we continued to fortify the infrastructure of our e-commerce ecosystem, laying a solid foundation for exploring and further meeting user demand. Meanwhile, we also made significant strides in the shelf-based and short video e-commerce realm.

In the fourth quarter of 2023, the growth of shelf-based e-commerce GMV outpaced that of our overall platform, accounting for more than 20% of total GMV. This was mainly driven by parallel growth in both supply and demand. Specifically, for the shopping mall, we provided full access to the shopping mall tab on our homepage during the promotional season to expand traffic. With a deep understanding of users' shopping preferences, we enriched the merchandise supply on our platform, complementing content e-commerce by expanding standard merchandise categories and brand merchandise. At the same time, we strengthened users' mindset for most value-for-money shopping through marketing initiatives, which also helped us unlock more shopping needs. In addition, we explored the diversity of users' shopping needs through algorithms and dynamically adjusted exploration traffic to incrementally reinforce users' shopping mindset at our shopping mall. In the search realm, users' search-induced e-commerce mentality was continuously strengthened. We enhanced the accuracy of users' intention identification and merchandise display, leading to a sustained increase in conversion efficiency. As a result, GMV expanded by more than 60% year-over-year.

Short video e-commerce GMV grew rapidly in the fourth quarter of 2023 and more than doubled year-over-year. This was mainly attributable to an enriched short video supply and improved content quality. During the pre-sale period of the Double 11 Sales Promotion, merchants expanded their exposure through short video, setting new pre-sale GMV records. Throughout the promotion period, merchants created blockbusters by leveraging both short video and live streaming. After the promotion, short videos were used as steady and high-quality e-commerce content that was widely disseminated to convert more viewers into buyers.

With respect to the infrastructure of our e-commerce ecosystem, we strengthened our pricing capabilities in the fourth quarter of 2023. Incorporating pricing signals into short video and shelf-based e-commerce scenarios, we improved the display of highly cost-effective merchandise. This further boosted our platform's efficiency and optimized user experience. Meanwhile, we stepped up our efforts to refine labeling for new merchandise and blockbusters, and upgraded the three-score system, which heightened traffic allocation efficiency.

Live streaming

In the fourth quarter of 2023, revenue from our live streaming business remained stable year-over-year, increasing by 3.4% quarter-over-quarter to RMB10.0 billion. This was attributable to our unwavering commitment to fostering our ecosystem's long-term health and our focus on high-quality content as the core driving force behind our live-streaming business. On the supply side, we have deepened and broadened our local operations in major regions nationwide, driving increasing number of regional talent agencies and streamers while increasing talent agencies' gross revenue. As of the end of the fourth quarter of 2023, the number of regional talent agencies collaborating with us exceeded 1,300. Meanwhile, we continued to develop new content, interactive scenarios and product features on our platform to meet users' diverse consumption needs. Notably, we are consistently promoting emerging product categories such as multi-host live streaming and "Grand Stage", while iterating our policies, refining product features and expanding user scenarios. These concerted efforts have been instrumental in driving our steady revenue growth. In the fourth quarter of 2023, the number of streamers on Kuaishou managed by talent agencies increased by nearly 40%, and the average daily live-streaming time of streamers increased by more than 30%, both on a year-over-year basis.

We continued to explore and cultivate good quality live-streaming content and streamers, carving out Kuaishou's distinctive characteristics under robust category operations. We strongly supported key categories of traditional culture, such as opera and folk music. In 2023, the number of traditional cultural streamers, including those involved in intangible cultural heritage inheritance, exceeded 190,000. Additionally, at the 2023 Annual Grand Ceremony, we expanded multi-dimensional tracks, established growth pathways for streamers, and extended coverage to more mid-tier streamers. The proportion of streamers with professional talents and abilities has consistently increased, demonstrating greater long-term ecosystem value.

As a prime example of our "live streaming+" services empowering traditional industries, ***Kwai Hire*** experienced an increase of over 200% year-over-year in average daily resume submissions during the fourth quarter of 2023, while the daily average number of users submitting resumes grew by over 100% year-over-year. In the fourth quarter of 2023, ***Ideal Housing*** achieved a cumulative gross transaction value of more than RMB16 billion.

Overseas

In the fourth quarter of 2023, we continued advancing our strategy focused on key overseas markets. DAUs and user time spent in core overseas markets such as Brazil and Indonesia grew steadily year-over-year. While developing our user ecosystem, we promoted the production of localized original content, adding diversified offerings across short plays, mini-games and sports, among others. We also sponsored popular shows in Latin America, continuing to enhance our media brand influence. On top of that, we intensified our monetization efforts. In the fourth quarter of 2023, total revenue of our overseas business reached RMB847 million, increasing by nearly 200% year-over-year. Meanwhile, we continued to improve operating efficiency, which led to a significant reduction in user growth costs by more than 30% year-over-year. We narrowed our overseas operating loss by 63.2% year-over-year in the fourth quarter of 2023 and further reduced our operating loss quarter-over-quarter. Our full-year operating loss from the overseas business narrowed from RMB6.6 billion in 2022 to RMB2.8 billion in 2023.

On the overseas online marketing services front, we focused on deep industry cultivation at the content level and fostered the development of key industries and localized capabilities. We continued to advance the development and enhance our product ecosystem with a focus on bid products, live streaming traffic and original content, stimulating rapid growth of revenue and consumption for clients across multiple industries, such as e-commerce and gaming. In the fourth quarter of 2023, online marketing revenue of our overseas business increased by over 300% year-over-year. Additionally, we continued to expand the scale of high-quality KOLs and create a carefully curated pool of KOLs, providing clients with a conducive environment and the creative capabilities to produce high-quality content, as well as enhancing marketing efficiency.

Corporate social responsibilities

The digital economy has become a key driver of high-quality growth in China's economy. By leveraging innovative technology for short video and live streaming, Kuaishou is empowering offline recruitment and revolutionizing traditional jobs with video content and fostering the rise of new digital professions, integrating the digital economy with the physical economy.

As of the end of 2023, we facilitated over 40.2 million job opportunities. In addition, our ***Kwai Hire*** conducted 5.5 million live streaming sessions in 2023, which significantly enhanced recruitment efficiency and helped more users find jobs. According to the "Report on the Role of the Short Video and Live Streaming Ecosystem in Fostering New Professions and Promoting High-quality Full Employment" published by the Ministry of Human Resources and Social Security in November 2023, the short video and live streaming ecosystem exemplified by platforms such as Kuaishou has created and cultivated 174 new job categories. These include career positions such as "Internet Recruitment Specialist" and "Real Estate Live Streaming Agents".

Looking ahead, we are committed to harnessing our evolving content and commercial ecosystem to promote the digital evolution and upgrade of traditional jobs. By embracing new business formats, we will introduce new professions, facilitating and solidifying high-quality employment. Through these efforts, we aim to meaningfully contribute to the development of the digital economy.

Business Outlook

As we move forward, our commitment to progress across our multiple growth engines remains steadfast. We will be dedicated to enhancing our infrastructure, algorithms, content and commercial scenarios.

Despite ongoing macro challenges, we are doubling down on internal efforts to optimize cost structure and improve our operating efficiency, gearing up for improved economic conditions that enable us to swiftly unlock potential and achieve faster development. Upholding our founding aspiration to enable everyone to be seen, we will continue to provide our users good content and valuable services. At the same time, we will strive to create greater economic value for our partners, thereby unleashing the energy and vitality of our unique, trust-based content and commercial ecosystem.

Mr. CHENG Yixiao
Chairman

YEAR ENDED DECEMBER 31, 2023 COMPARED TO YEAR ENDED DECEMBER 31, 2022

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the years ended December 31, 2023 and 2022, respectively:

	Year Ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	(in millions, except for percentages)			
Revenues	113,470	100.0	94,183	100.0
Cost of revenues	(56,079)	(49.4)	(52,052)	(55.3)
Gross profit	57,391	50.6	42,131	44.7
Selling and marketing expenses	(36,496)	(32.2)	(37,121)	(39.4)
Administrative expenses	(3,514)	(3.1)	(3,921)	(4.2)
Research and development expenses	(12,338)	(10.9)	(13,784)	(14.6)
Other income	978	0.9	1,547	1.6
Other gains/(losses), net	410	0.4	(1,410)	(1.4)
Operating profit/(loss)	6,431	5.7	(12,558)	(13.3)
Finance income, net	539	0.5	166	0.1
Share of losses of investments accounted for using the equity method	(81)	(0.1)	(139)	(0.1)
Profit/(loss) before income tax	6,889	6.1	(12,531)	(13.3)
Income tax expenses	(490)	(0.5)	(1,158)	(1.2)
Profit/(loss) for the year	6,399	5.6	(13,689)	(14.5)
Non-IFRS Accounting Standards Measures:				
Adjusted net profit/(loss) (unaudited)	10,271	9.1	(5,751)	(6.1)
Adjusted EBITDA (unaudited)	17,424	15.4	1,815	1.9

Revenues

Our revenues increased by 20.5% to RMB113.5 billion in 2023, from RMB94.2 billion in 2022. The increase was primarily attributable to the growth of our online marketing services, e-commerce business and live streaming business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues in 2023 and 2022, respectively:

	Year Ended December 31,			
	2023		2022	
	RMB	%	*RMB*	%
	(in millions, except for percentages)			
Online marketing services	60,304	53.1	49,042	52.1
Live streaming	39,054	34.4	35,388	37.6
Other services	14,112	12.5	9,753	10.3
Total	113,470	100.0	94,183	100.0

Online marketing services

Revenue from our online marketing services increased by 23.0% to RMB60.3 billion in 2023 from RMB49.0 billion in 2022, primarily attributable to the growth in the number of marketing clients and increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined industry-specific operating strategies and continuous efforts in enhancing product capabilities.

Live streaming

Revenue from our live streaming business increased by 10.4% to RMB39.1 billion in 2023 from RMB35.4 billion in 2022, benefiting from consistent enrichment of content supply and continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 44.7% to RMB14.1 billion in 2023 from RMB9.8 billion in 2022, primarily attributable to the growth of our e-commerce business, represented by the growth in our e-commerce GMV. Along with our continuous improvement of operating strategy in e-commerce, the increases in the number of active e-commerce paying users and active merchants contributed to the growth in e-commerce GMV.

Cost of Revenues

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

	Year Ended December 31,			
	2023		2022	
	RMB	**%**	*RMB*	%
	(in millions, except for percentages)			
Revenue sharing costs and related taxes	**34,957**	**30.8**	30,924	32.8
Bandwidth expenses and server custody costs[1]	**5,987**	**5.3**	6,624	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets[1]	**6,389**	**5.6**	5,603	5.9
Employee benefit expenses	**2,823**	**2.5**	2,798	3.0
Payment processing costs	**2,569**	**2.3**	1,946	2.1
Other cost of revenues	**3,354**	**2.9**	4,157	4.5
Total	**56,079**	**49.4**	52,052	55.3

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 7.7% to RMB56.1 billion in 2023 from RMB52.1 billion in 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth.

Gross Profit and Gross Profit Margin

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

	Year Ended December 31,			
	2023		2022	
	RMB	**%**	*RMB*	%
	(in millions, except for percentages)			
Gross profit	**57,391**	**50.6**	42,131	44.7

As a result of the foregoing, our gross profit increased by 36.2% to RMB57.4 billion in 2023 from RMB42.1 billion in 2022. Our gross profit margin increased to 50.6% in 2023 from 44.7% in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 1.7% to RMB36.5 billion in 2023 from RMB37.1 billion in 2022, and decreased to 32.2% in 2023 from 39.4% in 2022 as a percentage of our total revenues. The decrease was primarily attributable to more disciplined and efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses decreased by 10.4% to RMB3.5 billion in 2023 from RMB3.9 billion in 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 10.5% to RMB12.3 billion in 2023 from RMB13.8 billion in 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income decreased from RMB1.5 billion in 2022 to RMB978 million in 2023, primarily due to a decrease in the value-added tax preferences, as a result of change in tax regulations.

Other Gains/(Losses), Net

We had other gains, net of RMB410 million in 2023, compared to other losses, net of RMB1.4 billion in 2022. The change was primarily due to the impairment provision for investments recorded in 2022.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB6.4 billion and an operating margin of 5.7% in 2023, compared to an operating loss of RMB12.6 billion and a negative operating margin of 13.3% in 2022.

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

	Year Ended December 31,		
	2023	2022	Year-over-year change
	(RMB millions, except for percentages)		
Domestic	**11,402**	**192**	5,838.5%
Overseas	**(2,789)**	**(6,638)**	(58.0%)
Unallocated items	**(2,182)**	**(6,112)**	(64.3%)
Total	**6,431**	**(12,558)**	N/A

Our operating profit from the domestic segment increased to RMB11.4 billion in 2023 from RMB192 million in 2022. The increase was primarily attributable to a 18.8% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment narrowed to RMB2.8 billion in 2023 from RMB6.6 billion in 2022, primarily attributable to rapid growth in overseas revenues and more efficient spending on marketing.

Finance Income, Net

Our finance income, net increased to RMB539 million in 2023, from RMB166 million in 2022, 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 RMB81 million in 2023, compared to RMB139 million in 2022.

Profit/(Loss) before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB6.9 billion in 2023, compared to a loss before income tax of RMB12.5 billion in 2022.

Income Tax Expenses

We incurred income tax expenses of RMB490 million and RMB1.2 billion in 2023 and 2022, respectively. The decrease was primarily due to deferred income tax benefits recognized in 2023, compared to deferred income tax expenses recognized in 2022.

Profit/(Loss) for the Year

As a result of the foregoing, we had a profit of RMB6.4 billion in 2023, compared to a loss of RMB13.7 billion in 2022.

FOURTH 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 fourth quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended December 31,			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(in millions, except for percentages)			
Revenues	**32,561**	**100.0**	28,293	100.0
Cost of revenues	**(15,269)**	**(46.9)**	(15,417)	(54.5)
Gross profit	**17,292**	**53.1**	12,876	45.5
Selling and marketing expenses	**(10,198)**	**(31.3)**	(9,740)	(34.4)
Administrative expenses	**(752)**	**(2.3)**	(1,034)	(3.7)
Research and development expenses	**(3,296)**	**(10.1)**	(3,446)	(12.2)
Other income	**379**	**1.2**	450	1.6
Other gains/(losses), net	**197**	**0.5**	(349)	(1.2)
Operating profit/(loss)	**3,622**	**11.1**	(1,243)	(4.4)
Finance income, net	**135**	**0.5**	107	0.4
Share of losses of investments accounted for using the equity method	**(23)**	**(0.1)**	(27)	(0.1)
Profit/(loss) before income tax	**3,734**	**11.5**	(1,163)	(4.1)
Income tax expenses	**(122)**	**(0.4)**	(384)	(1.4)
Profit/(loss) for the period	**3,612**	**11.1**	(1,547)	(5.5)
Non-IFRS Accounting Standards Measures:				
Adjusted net profit/(loss)	**4,362**	**13.4**	(45)	(0.2)
Adjusted EBITDA	**6,132**	**18.8**	1,936	6.8

Revenues

Our revenues increased by 15.1% to RMB32.6 billion for the fourth quarter of 2023, from RMB28.3 billion for the same period of 2022. The increase was primarily attributable to the growth of our online marketing services and e-commerce business.

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

	Unaudited Three Months Ended December 31,			
	2023		2022	
	RMB	***%***	*RMB*	*%*
	(in millions, except for percentages)			
Online marketing services	**18,203**	**55.9**	15,094	53.4
Live streaming	**10,048**	**30.9**	10,034	35.5
Other services	**4,310**	**13.2**	3,165	11.1
Total	**32,561**	**100.0**	28,293	100.0

Online marketing services

Revenue from our online marketing services increased by 20.6% to RMB18.2 billion for the fourth quarter of 2023, from RMB15.1 billion for the same period of 2022, primarily attributable to the growth in the number of marketing clients and increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined operating strategies based on industry attributes, consistent improvements in products capabilities and continuous optimization of algorithms.

Live streaming

Revenue from our live streaming business remained stable at RMB10.0 billion for the fourth quarter of 2023 and 2022, respectively.

Other services

Revenue from our other services increased by 36.2% to RMB4.3 billion for the fourth quarter of 2023, from RMB3.2 billion for the same period of 2022, primarily due to the growth of our e-commerce business, represented by the growth in our e-commerce GMV. The growth in e-commerce GMV was driven by increases in the number of active e-commerce paying users and active merchants, benefiting from our continuous refined operation strategy.

Cost of Revenues

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

	Unaudited Three Months Ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	(in millions, except for percentages)			
Revenue sharing costs and related taxes	9,706	29.8	9,987	35.3
Bandwidth expenses and server custody costs[1]	1,496	4.6	1,844	6.5
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets[1]	1,600	4.9	1,486	5.3
Employee benefit expenses	764	2.3	539	1.9
Payment processing costs	800	2.5	580	2.1
Other cost of revenues	903	2.8	981	3.4
Total	15,269	46.9	15,417	54.5

Note:

(1) Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under 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 slightly decreased by 1.0% to RMB15.3 billion for the fourth quarter of 2023, from RMB15.4 billion for the same period of 2022.

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 fourth quarter of 2023 and 2022, respectively:

	Unaudited Three Months Ended December 31,			
	2023		2022	
	RMB	***%***	*RMB*	%
	(in millions, except for percentages)			
Gross profit	**17,292**	**53.1**	12,876	45.5

As a result of the foregoing, our gross profit increased by 34.3% to RMB17.3 billion for the fourth quarter of 2023, from RMB12.9 billion for the same period of 2022. Our gross profit margin improved to 53.1% for the fourth quarter of 2023, from 45.5% for the same period of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 4.7% to RMB10.2 billion for the fourth quarter of 2023, from RMB9.7 billion for the same period of 2022, primarily attributable to an increase in promotion and marketing expenses as a result of the increased spending for promotion of our products and marketing campaigns. As a percentage of revenues, selling and marketing expenses decreased to 31.3% for the fourth quarter of 2023 from 34.4% for the same period of 2022, primarily due to our efforts to improve operating efficiency.

Administrative Expenses

Our administrative expenses decreased by 27.3% to RMB752 million for the fourth quarter of 2023, from RMB1.0 billion for the same period of 2022, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 4.4% to RMB3.3 billion for the fourth quarter of 2023, from RMB3.4 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 RMB379 million for the fourth quarter of 2023, from RMB450 million for the same period of 2022, primarily due to a decrease in the value-added tax preferences, as a result of change in tax regulations.

Other Gains/(Losses), Net

We had other gains, net of RMB197 million for the fourth quarter of 2023, compared to other losses, net of RMB349 million for the same period of 2022. The change was primarily due to the fair value change of financial assets at fair value through profit or loss.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB3.6 billion and an operating margin of 11.1% for the fourth quarter of 2023, compared to an operating loss of RMB1.2 billion and a negative operating margin of 4.4% for the same period of 2022.

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

	Unaudited Three Months Ended December 31,		
	2023	2022	Year-over-year change
	(RMB millions, except for percentages)		
Domestic	**4,250**	1,267	235.4%
Overseas	**(551)**	(1,499)	(63.2%)
Unallocated items	**(77)**	(1,011)	(92.4%)
Total	**3,622**	(1,243)	N/A

Our operating profit from the domestic segment increased to RMB4.3 billion for the fourth quarter of 2023, from RMB1.3 billion for the same period of 2022, mainly due to a 13.2% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB551 million for the fourth quarter of 2023, from RMB1.5 billion for the same period of 2022. The decrease was primarily attributable to rapid growth in overseas revenues and more efficient spending on marketing.

Finance Income, Net

Our finance income, net was RMB135 million for the fourth quarter of 2023, compared to RMB107 million for the same period of 2022.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB23 million and RMB27 million for the fourth 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 RMB3.7 billion for the fourth quarter of 2023, compared to a loss before income tax of RMB1.2 billion for the same period of 2022.

Income Tax Expenses

We incurred income tax expenses of RMB122 million and RMB384 million for the fourth quarter of 2023 and 2022, respectively. The decrease was primarily due to the recognition of deferred tax assets based on the evaluation of future taxable income incurred by certain subsidiaries.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion for the fourth quarter of 2023, compared to a loss of RMB1.5 billion for the same period of 2022.

FOURTH QUARTER OF 2023 COMPARED TO THIRD QUARTER OF 2023

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

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	RMB	*%*	*RMB*	*%*
	(in millions, except for percentages)			
Revenues	32,561	100.0	27,948	100.0
Cost of revenues	(15,269)	(46.9)	(13,495)	(48.3)
Gross profit	17,292	53.1	14,453	51.7
Selling and marketing expenses	(10,198)	(31.3)	(8,939)	(32.0)
Administrative expenses	(752)	(2.3)	(898)	(3.2)
Research and development expenses	(3,296)	(10.1)	(2,967)	(10.6)
Other income	379	1.2	434	1.6
Other gains, net	197	0.5	128	0.4
Operating profit	3,622	11.1	2,211	7.9
Finance income, net	135	0.5	135	0.5
Share of losses of investments accounted for using the equity method	(23)	(0.1)	(26)	(0.1)
Profit before income tax	3,734	11.5	2,320	8.3
Income tax expenses	(122)	(0.4)	(138)	(0.5)
Profit for the period	3,612	11.1	2,182	7.8
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	4,362	13.4	3,173	11.4
Adjusted EBITDA	6,132	18.8	4,980	17.8

Revenues

Our revenues increased by 16.5% to RMB32.6 billion for the fourth quarter of 2023, from RMB27.9 billion for the third quarter of 2023, primarily attributable to the growth of our online marketing services, e-commerce business and live streaming business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues for the fourth and third quarter of 2023, respectively:

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	RMB	*%*	*RMB*	*%*
	(in millions, except for percentages)			
Online marketing services	**18,203**	**55.9**	14,690	52.6
Live streaming	**10,048**	**30.9**	9,719	34.8
Other services	**4,310**	**13.2**	3,539	12.6
Total	**32,561**	**100.0**	27,948	100.0

Online marketing services

Revenue from our online marketing services increased by 23.9% to RMB18.2 billion for the fourth quarter of 2023, from RMB14.7 billion for the third quarter of 2023, primarily attributable to increased consumption from marketing clients, especially from our e-commerce merchants, driven by our refined operation, continuous improvements in products capabilities and increased consumption of native marketing materials.

Live streaming

Revenue from our live streaming business increased by 3.4% to RMB10.0 billion for the fourth quarter of 2023 from RMB9.7 billion for the third quarter of 2023, as a result of our efforts to build a healthy live streaming ecosystem and high-quality content supply.

Other services

Revenue from our other services increased by 21.8% to RMB4.3 billion for the fourth quarter of 2023, from RMB3.5 billion for the third quarter of 2023, primarily attributable to the growth of our e-commerce business, represented by the growth in e-commerce GMV. The growth in e-commerce GMV was driven by the e-commerce promotional campaigns in the fourth quarter of 2023.

Cost of Revenues

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

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	RMB	**%**	*RMB*	%
	(in millions, except for percentages)			
Revenue sharing costs and related taxes	**9,706**	**29.8**	8,320	29.8
Bandwidth expenses and server custody costs[1]	**1,496**	**4.6**	1,343	4.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets[1]	**1,600**	**4.9**	1,614	5.8
Employee benefit expenses	**764**	**2.3**	690	2.5
Payment processing costs	**800**	**2.5**	623	2.2
Other cost of revenues	**903**	**2.8**	905	3.2
Total	**15,269**	**46.9**	13,495	48.3

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 13.1% to RMB15.3 billion for the fourth quarter of 2023, from RMB13.5 billion for the third quarter of 2023, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth, payment processing costs, and bandwidth expenses and server custody costs.

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 fourth and third quarter of 2023, respectively:

	Unaudited Three Months Ended			
	December 31, 2023		September 30, 2023	
	RMB	***%***	*RMB*	*%*
	(in millions, except for percentages)			
Gross profit	**17,292**	**53.1**	14,453	51.7

As a result of the foregoing, our gross profit increased by 19.6% to RMB17.3 billion for the fourth quarter of 2023, from RMB14.5 billion for the third quarter of 2023. Our gross profit margin increased to 53.1% for the fourth quarter of 2023, from 51.7% for the third quarter of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 14.1% to RMB10.2 billion for the fourth quarter of 2023 from RMB8.9 billion for the third quarter of 2023, primarily attributable to an increase in promotion and marketing expenses as a result of the increased spending for promotion of our products and marketing campaigns. As a percentage of revenues, selling and marketing expenses decreased to 31.3% for the fourth quarter of 2023 from 32.0% for the third quarter of 2023, primarily because of optimized operating efficiency.

Administrative Expenses

Our administrative expenses decreased from RMB898 million for the third quarter of 2023 to RMB752 million for the fourth quarter of 2023.

Research and Development Expenses

Our research and development expenses increased by 11.1% to RMB3.3 billion for the fourth quarter of 2023, from RMB3.0 billion for the third quarter of 2023, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income was RMB379 million for the fourth quarter of 2023, compared to RMB434 million for the third quarter of 2023.

Other Gains, Net

We had other gains, net of RMB197 million and RMB128 million for the fourth and third quarter of 2023, respectively.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB3.6 billion for the fourth quarter of 2023, compared to an operating profit of RMB2.2 billion for the third quarter of 2023, and our operating margin was 11.1% for the fourth quarter of 2023, compared to 7.9% for the third quarter of 2023.

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

	Unaudited Three Months Ended		
	December 31, 2023	September 30, 2023	Quarter-over-quarter change
	(RMB millions, except for percentages)		
Domestic	**4,250**	3,155	34.7%
Overseas	**(551)**	(635)	(13.2%)
Unallocated items	**(77)**	(309)	(75.1%)
Total	**3,622**	2,211	63.8%

We had an operating profit from the domestic segment of RMB4.3 billion and RMB3.2 billion for the fourth and third quarter of 2023. The increase was primarily attributable to a 16.2% quarter-over-quarter growth in domestic revenues.

We had an operating loss from the overseas segment of RMB551 million and RMB635 million for the fourth and third quarter of 2023. The decrease was primarily attributable to growth in overseas revenues.

Finance Income, Net

Our finance income, net was stable at RMB135 million for the fourth and third quarter of 2023, 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 RMB23 million and RMB26 million for the fourth and third quarter of 2023, respectively.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB3.7 billion and RMB2.3 billion for the fourth and third quarter of 2023, respectively.

Income Tax Expenses

We incurred income tax expenses of RMB122 million for the fourth quarter of 2023, compared to RMB138 million for the third quarter of 2023.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.6 billion and RMB2.2 billion for the fourth and third quarter of 2023, respectively.

RECONCILIATION OF NON-IFRS ACCOUNTING STANDARDS MEASURES TO THE NEAREST IFRS ACCOUNTING STANDARDS MEASURES

We believe that the presentation of non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards. In addition, these non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards financial measures for the years ended December 31, 2023 and 2022, respectively, to the nearest measures prepared in accordance with IFRS Accounting Standards:

	Year Ended December 31,	
	2023	2022
	(RMB millions)	
Profit/(loss) for the year	**6,399**	(13,689)
Add:		
Share-based compensation expenses	**3,570**	6,249
Net fair value changes on investments[1]	**302**	1,689
Adjusted net profit/(loss) (unaudited)	**10,271**	(5,751)
Adjusted net profit/(loss) (unaudited)	**10,271**	(5,751)
Add:		
Income tax expenses	**490**	1,158
Depreciation of property and equipment	**3,989**	3,212
Depreciation of right-of-use assets	**3,065**	3,222
Amortization of intangible assets	**148**	140
Finance income, net	**(539)**	(166)
Adjusted EBITDA (unaudited)	**17,424**	1,815

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

	Unaudited Three Months Ended		
	December 31, 2023	September 30, 2023	December 31, 2022
	(RMB millions)		
Profit/(loss) for the period	**3,612**	2,182	(1,547)
Add:			
Share-based compensation expenses	**653**	871	1,112
Net fair value changes on investments[1]	**97**	120	390
Adjusted net profit/(loss)	**4,362**	3,173	(45)
Adjusted net profit/(loss)	**4,362**	3,173	(45)
Add:			
Income tax expenses	**122**	138	384
Depreciation of property and equipment	**1,018**	1,029	891
Depreciation of right-of-use assets	**732**	737	776
Amortization of intangible assets	**33**	38	37
Finance income, net	**(135)**	(135)	(107)
Adjusted EBITDA	**6,132**	4,980	1,936

Note:

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

LIQUIDITY AND FINANCIAL RESOURCES

Other than the funds raised through our Global Offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from 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 RMB12.9 billion as of December 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 RMB61.6 billion as of December 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 years ended December 31, 2023 and 2022, respectively:

	Year Ended December 31,	
	2023	2022*
	(RMB millions)	
Net cash generated from operating activities	**20,781**	795
Net cash used in investing activities	**(19,865)**	(18,028)
Net cash used in financing activities	**(1,364)**	(2,599)
Net decrease in cash and cash equivalents	**(448)**	(19,832)
Cash and cash equivalents at the beginning of the year	**13,274**	32,612
Effects of exchange rate changes on cash and cash equivalents	**79**	494
Cash and cash equivalents at the end of the year	**12,905**	13,274

* The consolidated statement of cash flows for the year ended December 31, 2022 has been adjusted for the voluntary change in accounting policy as described in note 2.1.1(c) to the Consolidated Financial Statements in this annual report.

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 year ended December 31, 2023, our net cash generated from operating activities was RMB20.8 billion, which was primarily attributable to our profit before income tax of RMB6.9 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB3.6 billion, depreciation of property and equipment of RMB4.0 billion and depreciation of right-of-use assets of RMB3.1 billion. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB3.5 billion. We also paid income tax of RMB1.2 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2023, our net cash used in investing activities was RMB19.9 billion, which was primarily attributable to the net investments in financial assets at fair value through profit or loss of RMB13.2 billion, purchase of property, equipment and intangible assets of RMB4.9 billion and net investments of time deposits with initial terms of over three months of RMB2.4 billion.

Net Cash Used in Financing Activities

For the year ended December 31, 2023, our net cash used in financing activities was RMB1.4 billion, which was primarily attributable to payments for principal elements of lease and related interests of RMB3.5 billion, payments for repurchase of shares of RMB1.3 billion and net proceeds under notes arrangements of RMB3.2 billion.

Details of the currencies in which cash and cash equivalents were held as of December 31, 2023 are set out in Note 23(a) to the Consolidated Financial Statements in this annual report.

BORROWINGS

We did not have any borrowings as of December 31, 2023.

GEARING RATIO

As of December 31, 2023, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was zero.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2023.

SIGNIFICANT INVESTMENTS HELD

As of December 31, 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 December 31, 2023, we had not pledged any assets of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as otherwise disclosed in this annual report, as of December 31, 2023, we had 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, while a limited number of transactions was denominated in foreign currencies such as Brazilian real. Thus, our business was not exposed to significant foreign exchange risk and our exposure was limited in general, as the Group has no significant assets or liabilities denominated in the currencies other than the respective functional currencies of the entities within the Group.

During the Reporting Period, the Group managed its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tried to minimize these exposures through natural hedges, wherever possible and entered into several foreign exchange forward contracts with credible financial institutions. We will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate foreign exchange risk.

The Board is pleased to present its report together with the audited Consolidated Financial Statements of the Group for the Reporting Period.

USE OF PROCEEDS

Use of Proceeds from 2020 Issuance of Convertible Redeemable Preferred Shares

The Company raised net proceeds of approximately RMB20,956.5 million from issuance of convertible redeemable series F-1 & F-2 preferred shares during the year ended December 31, 2020 (the "**2020 Issuance of Convertible Redeemable Preferred Shares**"). The convertible redeemable series F-1 & F-2 preferred shares were automatically converted into Class B Shares upon the Listing.

There has been no change in the intended use of net proceeds. The Group has utilized the net proceeds from the 2020 Issuance of Convertible Redeemable Preferred Shares as set out in the table below:

Net proceeds raised *(RMB million)*	**Proposed use of net proceeds**	**Amount of net proceeds utilized as of December 31, 2023** *(RMB million)*	**Balance of net proceeds as of December 31, 2023** *(RMB million)*	**Expected timeline of full utilization of net proceeds**
20,956.5	Business operations and other general corporate purposes	11,152.8	4,940.3	Before December 31, 2024
	Capital expenditure	4,863.4		Before December 31, 2024

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.

As disclosed in the results announcement for the three and six months ended June 30, 2023 of the Company dated August 22, 2023 (the "**Interim Results Announcement**"), after taking into account the business strategy of the Group and limited quality acquisition and investment targets with appropriate values, the Board resolved to reallocate the unutilized net proceeds as of June 30, 2023 to enhance and grow the ecosystem, strengthen research and development and technological capabilities, supplement working capital and serve other general corporate purposes, which can improve the utilization efficiency of the capital, and boost the healthy and sustainable development of the Group (the "**Reallocation**").

There was no change in the intended use of net proceeds after the Reallocation as previously disclosed in the Interim Results Announcement. Please refer to the Interim Results Announcement for details.

As of December 31, 2023, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds as set out in the Prospectus *(HK$ million)*	Amounts of net proceeds utilized immediately before the Reallocation *(HK$ million)*	Amounts of unutilized net proceeds immediately before the Reallocation *(HK$ million)*	Amount of net proceeds unutilized immediately after the Reallocation *(HK$ million)*	Amount of net proceeds utilized after the Reallocation up to December 31, 2023 *(HK$ million)*	Balance of net proceeds after the Reallocation as of December 31, 2023 *(HK$ million)*	Expected timeline for balance of net proceeds as of December 31, 2023
Enhance and grow the ecosystem	16,437.5	15,859.3	578.2	4,737.3	683.2	4,054.1	Before December 31, 2025
Strengthen research and development and technological capabilities	14,089.3	13,367.2	722.1	4,237.3	587.5	3,649.8	Before December 31, 2025
Selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	500.0	—	500.0	Before December 31, 2025
Working capital and general corporate purposes	4,696.5	4,600.0	96.5	3,158.3	1,279.9	1,878.4	Before December 31, 2025
Total	46,964.4	34,331.5	12,632.9	12,632.9	2,550.6	10,082.3	

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.

BUSINESS AND COMPANY-RELATED INFORMATION

Principal Activities

The Group is a leading content community and social platform. As the various parts of the Group's platform work together, they enable numerous interactions among the Group's ecosystem participants and generate a significant network effect:

- **Content**: The Group's users have contributed to a vast and organically growing repository of short video and live streaming content, as well as the community and the myriad of social interactions and connections that springs from it. The Group promotes content on its platform that embraces all lifestyles and reflects the lives of its users.

- **Business**: The Group works with its business partners to provide products and services that address the various needs that arise naturally on its platform. These products and services include entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more.

- **Technology and Data**: The Group's advanced technologies and massive data repository support its ecosystem. The Group's technological capabilities enable it to serve the interests and needs of users and cover various aspects of content creation, compression, transmissions, analysis, recommendation, search and other fields.

Results of Operations

The results of the Group for the Reporting Period are set out in the consolidated income statement contained in this annual report.

Five-Year Financial Summary

A summary of the condensed consolidated income statements and statements of comprehensive (loss)/income, and condensed consolidated balance sheets of the Group is set out on page 8 of this annual report.

Dividend Policy and Final Dividends

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from its subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS Accounting Standards. PRC laws also require foreign-invested enterprises to set aside at least 10% of their after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

Subject to the requirements of the Articles of Association, Cayman Islands laws and other applicable laws and regulations, the Board has discretion to recommend any dividend. No dividend or other distribution shall be paid except out of the realized or unreleased profits of the Company, out of the share premium account or as otherwise permitted by laws. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's earnings and financial condition, operating requirements, capital and investment requirements, level of indebtedness and any other factors that the Board may deem relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment. Dividend distribution to the Shareholders is recognized as a liability in the period in which the dividends are approved by the Shareholders or Directors, where appropriate.

After due consideration of the Shareholders' as well as the Company's long-term interests, the Board did not recommend the payment of a final dividend for the Reporting Period. The Company may distribute dividends in the future by way of cash or by other means that the Board considers appropriate.

As of the Latest Practicable Date, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including analysis of the Group's financial performance, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. These discussions form part of the Group's business review.

Future Development

The Company aims to be the most customer-obsessed company in the world. The Group's mission is to help people discover their needs and use their talents in order to find their unique brand of happiness. To achieve such mission and further strengthen the Group's market leadership, the Group intends to pursue the following strategies:

- continue to exceed users' expectations;
- continue to strengthen our technological capabilities;
- further expand on our ecosystem and monetization capabilities; and
- selectively pursue strategic alliances, investments and acquisitions.

Environmental Policies and Performance

The Group is not subject to significant environmental risks. During the Reporting Period, the Group had not been subject to any fines or other penalties due to non-compliance with environmental regulations, which would likely to have a material and adverse effect on its business, financial conditions or results of operations.

More details of the environmental policies and performance of the Company are set forth in the section headed "Environmental, Social and Governance Report" of this annual report.

Relationships with Stakeholders

Employees

The Group had 26,418 full-time employees as of December 31, 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, Hangzhou, Wuhan, Wuxi 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 laws 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 10 to the Consolidated Financial Statements in this annual report.

Customers and Suppliers

The Group's major customers primarily include advertisers, merchants and individuals. The Group's top five customers accounted for less than 30% of the Group's total revenues for the Reporting Period. The Group's major suppliers primarily include marketing service providers, cloud service providers and bandwidth service providers. The Group's top five suppliers accounted for less than 30% of the Group's purchases for the Reporting Period.

Property and Equipment

Details of movements in the property and equipment of the Group during the Reporting Period are set out in Note 15 to the Consolidated Financial Statements in this annual report.

Share Capital

Details of the movements in the Company's share capital during the Reporting Period are set out in Note 24 to the Consolidated Financial Statements in this annual report.

Reserves and Distributable Reserves

Details of movements in the reserves of the Company during the Reporting Period are set out in Note 37 to the Consolidated Financial Statements in this annual report. As of December 31, 2023, the Company had distributable reserves amounting to RMB95,393 million.

Bank Loans and Other Borrowings

As of December 31, 2023, the Group did not have any bank loans or other borrowings.

Issue of Debentures

The Group has not issued any debentures during the Reporting Period.

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

During the year ended December 31, 2023 and up to the Latest Practicable Date, the Company repurchased a total of 57,128,000 Class B Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration of HK$2,852,630,653.36. The repurchase was effected for the enhancement of shareholder value in the long term. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share Highest *(HK$)*	Price paid per Share Lowest *(HK$)*	Aggregate Consideration *(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
August 2023	800,000	65.95	62.60	51,953,520.00
September 2023	2,673,500	65.25	59.50	166,785,304.06
October 2023	6,362,200	64.90	55.60	366,215,727.32
November 2023	3,030,900	58.85	55.40	173,074,148.73
December 2023	6,371,600	57.80	48.95	339,907,848.47
January 2024	12,986,000	51.85	38.85	573,165,403.11
February 2024	9,793,200	46.25	38.45	426,284,299.06
March 2024	7,226,900	51.75	43.10	342,663,422.95
April 2024 *(up to the Latest Practicable Date)*	1,838,200	50.00	48.90	90,982,571.51
Total	57,128,000			2,852,630,653.36

As of the Latest Practicable Date, a total of 52,744,900 Class B Shares repurchased from May 2023 to March 2024 have been cancelled on June 9, July 31, September 28, October 20, December 21, 2023, January 31, February 29 and March 28, 2024 respectively, and the number of Class B Shares in issue was reduced by 52,744,900 shares as a result of the cancellation. Upon cancellation of such Class B Shares, Reach Best, a holder of Class A Shares, simultaneously converted a total of 9,229,408 Class A Shares into Class B Shares on a one-to-one ratio on June 9, July 31, September 28, October 20 and December 21, 2023, January 31, February 29 and March 28, 2024 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. As of the Latest Practicable Date, a total of 4,383,100 Class B Shares repurchased had not been cancelled.

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 Reporting Period and up to the Latest Practicable Date.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Tax Relief and Exemption and Professional Tax Advice Recommended

The Company is not aware of any tax relief or exemption available to the Shareholders by reasons of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

Charitable Donations

During the Reporting Period, the Group made approximately RMB27 million charitable and other donations.

Contracts with the Controlling Shareholders

Save as disclosed in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Consolidated Affiliated Entities, and the Controlling Shareholders or any of their subsidiaries during the Reporting Period.

Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the Reporting Period.

Corporate Governance

The Company is committed to maintaining and promoting high standards of corporate governance which are crucial to the Company'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 during the Reporting Period. Information on the corporate governance practices adopted by the Company is set forth in the section headed "Corporate Governance Report" of this annual report.

Sufficiency of Public Float

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public during the Reporting Period and up to the Latest Practicable Date.

Legal Proceedings and Compliance

The Group may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. During the Reporting Period, the Group had not been a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which, in its opinion, would likely to have a material and adverse effect on its business, financial conditions or results of operations.

The Group is subject to applicable laws and regulations in the PRC in respect of its business operations. During the Reporting Period, the Group had not been involved in any non-compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition or results of operations, and the Group had been in compliance with applicable laws and regulations in all material respects.

Important Events after December 31, 2023

Save as otherwise disclosed in this annual report, there were no other significant events affecting the Group which occurred after December 31, 2023 and up to the Latest Practicable Date.

Annual General Meeting

The 2024 AGM of the Company will be held on Thursday, June 13, 2024. A notice convening the 2024 AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, June 7, 2024 to Thursday, June 13, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, June 6, 2024.

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.

As of the Latest Practicable Date, the WVR Beneficiaries are Mr. SU Hua and Mr. CHENG Yixiao.

(1) Mr. SU Hua is interested in and controls, through Reach Best, 418,240,113 Class A Shares and 9,229,408 Class B Shares, representing approximately 9.84% of the Company's total issued share capital, approximately 9.84% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 37.57% with respect to matters other than the Reserved Matters.

(2) 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 8.81% of the Company's total issued share capital, approximately 8.81% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 30.76% 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 757,007,593 Class B Shares, representing approximately 21.11% 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:

(1) 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;

(2) 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;

(3) 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

(4) when all of the Class A Shares have been converted to Class B Shares.

DIRECTORS AND SENIOR MANAGEMENT

The Directors during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. CHENG Yixiao (程一笑) *(Chairman of the Board)*
Mr. SU Hua (宿華)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
Mr. LIN Frank (林欣禾) *(alias LIN Frank Hurst)*
Mr. WANG Huiwen (王慧文) *(re-designated from an independent non-executive Director to a non-executive Director with effect from May 15, 2023)*
Dr. SHEN Dou (沈抖) *(resigned with effect from September 13, 2023)*

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星) *(appointed with effect from September 13, 2023)*

Report of the Board of Directors

The biographical details of the Directors are set out in "— Biographical Details and Other Information of the Directors" below.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment. Accordingly, Mr. CHENG Yixiao, Mr. SU Hua and Mr. ZHANG Fei shall retire by rotation, and Prof. XIAO Xing shall hold office until the 2024 AGM. All of them are being eligible for re-election at the 2024 AGM. Details of the Directors to be re-elected at the 2024 AGM are set out in the circular to the Shareholders to be dispatched in due course.

Confirmation of Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Biographical Details and Other Information of the Directors

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

Executive Directors

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 40, is our co-founder, executive Director, Chairman of the Board 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 formulating the Group's long-term strategies, 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 in 2011, 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.

Mr. SU Hua (宿華先生)

Mr. SU Hua, aged 41, is our co-founder and executive Director. He is also a member of the Remuneration Committee and holds directorship in certain subsidiaries of the Group. Mr. SU is responsible for contributing long-term value to the Group.

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.

Non-executive Directors

Mr. LI Zhaohui (李朝暉先生)

Mr. LI Zhaohui, aged 48, is a non-executive Director. He is also a member of the Remuneration Committee. Mr. LI joined the Group in March 2017 and is primarily responsible for providing professional advice to the Board.

Mr. LI joined Tencent Holdings Ltd (a company listed on the Stock Exchange with stock code of 700) in 2011, and currently serves as the managing partner of Tencent Investment and the vice president of Tencent. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010.

Mr. LI also holds directorships at various other companies. He has been a non-executive director of KE Holdings Inc. (a company listed on the New York Stock Exchange with stock symbol of BEKE and on the Stock Exchange with stock code of 2423) since December 2018. He has been a non-executive director of Zhihu Inc. (a company listed on the New York Stock Exchange with stock symbol of ZH and on the 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 (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 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 51, is a non-executive Director. He is also a member of the Nomination Committee. Mr. ZHANG joined the Group in February 2014 and is primarily responsible for participating in 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.

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

Mr. LIN Frank, aged 59, is a non-executive Director. Mr. LIN joined the Group in May 2016 and 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 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, QuantaSing Group Ltd (a company listed on Nasdaq with stock symbol QSG) since May 2022 and YSB Inc. (a company listed on the Stock Exchange on June 28, 2023 with stock code of 9885) from December 2018 to November 2023.

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 45, is a non-executive Director. Mr. WANG had been an independent non-executive Director and re-designated as a non-executive Director with effect from May 2023. He joined the Group in February 2021 and is primarily responsible for strategic planning, major business decisions, and corporate governance of 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.

Dr. SHEN Dou (沈抖博士)

Dr. SHEN Dou, aged 44, has resigned as a non-executive Director with effect from September 13, 2023. For details, please refer to the announcement of the Company dated September 13, 2023.

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德先生)

Mr. HUANG Sidney Xuande, aged 58, 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 joined the Group in February 2021 and 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 VanceInfo Technologies Inc. and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the chief operating officer of VanceInfo 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 joined the Group in February 2021 and is primarily responsible for supervising and providing independent judgment to the Board.

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.

Prof. XIAO Xing (肖星教授)

Prof. XIAO Xing, aged 53, is an independent non-executive Director since September 2023. She is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. She is primarily responsible for supervising and providing independent judgment to the Board.

Prof. XIAO is a professor and the head of the accounting department of the School of Economics and Management of Tsinghua University, where she has taught classes since April 1997. During her time at the Tsinghua University, Prof. XIAO visited Massachusetts Institute of Technology and University of Wisconsin as a visiting scholar and received the Fulbright Scholar award in 2011. Prof. XIAO also served as a faculty co-chair in the senior executive program which was jointly held by the School of Economics and Management of Tsinghua University, China Europe International Business School and Harvard Business School. Prof. XIAO's main research areas are corporate governance, financial management, financial statement analysis and financial accounting.

Prof. XIAO has served as an independent non-executive director of Li Auto Inc. (a company listed on Nasdaq with stock symbol of LI and on the Stock Exchange with stock code of 02015) since August 2021; an independent director of Mango Excellent Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code of 300413) since January 2019; an independent director of Bloomage Biotechnology Corporation Limited (a company listed on the Shanghai Stock Exchange with stock code of 688363) from March 2019 to April 2022; an independent non-executive director of Agricultural Bank of China Limited (a company listed on the Shanghai Stock Exchange with stock code of 601288 and the Stock Exchange with stock code of 01288) from March 2015 to November 2021; and an independent director of Aixin Life Co., Ltd. since August 2017. Prof. XIAO accumulated corporate governance knowledge and experience through her academic research and the foregoing directorships.

Prof. XIAO received a bachelor's degree in mechanical engineering and a second bachelor's degree in business management from Tsinghua University in July 1994 and a master's degree in industrial foreign trade (accounting) from Tsinghua University in March 1997. Prof. XIAO obtained her doctorate degree in business administration from Tsinghua University in January 2004.

Biographical Details and Other Information of the Senior Management

We set forth below the updated biographical details and other information of our senior management members.

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 40, is our co-founder, executive Director, Chairman of the Board and Chief Executive Officer. For details, see "— Biographical Details and Other Information of the Directors — Executive Directors" above.

Mr. SU Hua (宿華先生)

Mr. SU Hua, aged 41, is our co-founder and executive Director. For details, see "— Biographical Details and Other Information of the Directors — Executive Directors" above.

Mr. CHEN Dingjia (陳定佳先生)

Mr. CHEN Dingjia, aged 42, has resigned from his role as the chief technology officer of the Company with effect from January 18, 2023. For details, please refer to the announcement of the Company dated January 17, 2023.

Mr. JIN Bing (金秉先生)

Mr. JIN Bing, aged 46, is the chief financial officer of the Company. He joined the Group in January 2022 and is primarily responsible for overall finance (accounting, financial management, etc.), audit and internal controls, and capital market activities of the Group.

Mr. JIN has strong and diversified financial background and experience. From August 2010 to March 2014, Mr. JIN worked at Citi's China Investment Banking Department. From March 2014 to April 2017, Mr. JIN served several positions including as the Head of China Technology of Investment Banking and Capital Markets, Asia Pacific, at Credit Suisse, where he worked with many listed and private Chinese technology companies for various financing and mergers and acquisitions transactions. From May 2017 to April 2021, Mr. JIN served as the chief financial officer of Joyy Inc. (formerly known as YY Inc., a company listed on Nasdaq with stock code of YY). From May 2021 to January 2022, Mr. JIN served as the chief financial officer of Zuoyebang. He also previously worked in other areas including public service, consulting and corporate banking.

Mr. JIN received his bachelor's degree in English from Beijing Foreign Studies University, the PRC, in June 2000, his master's degree in Pacific International Affairs from the University of California, San Diego, the United States, in June 2004, and his MBA degree from the Wharton School of the University of Pennsylvania, the United States, in May 2010.

Mr. Yin Xin (銀鑫先生)

Mr. YIN Xin, aged 39, is one of the founding team members of the Group. Mr. YIN also holds directorship in certain subsidiaries of the Group. He is primarily responsible for centralized procurement, administration, IT center and infrastructure construction of the Group.

Mr. YIN joined the Group in 2012. He has been in charge of, among others, server-side research and development, software and hardware architecture, system maintenance, and investment and business proposals. Prior to joining the Group, Mr. YIN has accumulated a deep understanding and experience in the technology and internet industry and worked at Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN) from September 2009 to March 2012.

Mr. YIN received his bachelor's degree in software engineering in July 2007 and his master's degree in software engineering in July 2009, both from the Northeastern University in Liaoning Province, the PRC.

Mr. YANG Yuanxi (楊遠熙先生)

Mr. YANG Yuanxi, aged 39, is one of the founding team members of the Group. Mr. YANG also holds directorship in certain subsidiaries of the Group. He is primarily responsible for corporate social responsibility and content security of the Group.

Mr. YANG joined the Group in 2011. He has been in charge of, among others, Android client-side research and development, internal data platform development, business development for user growth, and overseas new product initiatives. Prior to joining the Group, Mr. YANG worked at Hewlett-Packard from August 2007 to August 2009. He served at Deke Software (Dalian) Limited Company, a China-based company engaged in internet and technology business, from September 2009 to September 2010. He also worked at Huawei from October 2010 to December 2011.

Mr. YANG received his bachelor's degree in computer science and technology from Dalian University of Technology in Liaoning Province, the PRC, in July 2007.

Directors' service Contracts and Appointment Letters

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years from January 1, 2023 to December 31, 2025, subject to retirement as and when required under the Articles of Association. The service contract could be terminated in accordance with its terms and conditions or by either party giving to the other not less than three months' prior notice in writing. No annual director's fees are payable to the executive Directors under the current arrangement.

Non-executive Directors

Each of Mr. LI Zhaohui, Mr. ZHANG Fei and Mr. LIN Frank, as a non-executive Director, has entered into an appointment letter with the Company for a term of three years from January 1, 2024 to December 31, 2026. Mr. WANG Huiwen, as a non-executive Director, has entered into an appointment letter with the Company for a term of three years, from May 15, 2023 to May 14, 2026. Their appointments shall be subject to retirement as and when required under the Articles of Association. The appointment letter could be terminated in accordance with its terms and conditions or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, except for Mr. WANG Huiwen who is entitled to an annual director's fee of HK$500,000, the other non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors.

Independent Non-executive Directors

Each of Mr. HUANG Sidney Xuande and Mr. MA Yin, as an independent non-executive Director, has entered into an appointment letter with the Company for a term of three years from January 1, 2024 to December 31, 2026. Prof. XIAO Xing, as an independent non-executive Director, has entered into an appointment letter with the Company for a term of three years from September 13, 2023 to September 12, 2026. Their appointment shall be subject to retirement as and when required under the Articles of Association. The appointment letter could be terminated in accordance with its terms and conditions or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of HK$750,000.

Save as disclosed above, none of the Directors (including the Directors proposed for re-election at the 2024 AGM) has a service contract with members of the Group that is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Details of the emoluments of the Directors during the Reporting Period are set out in Note 10(b) to the Consolidated Financial Statements in this annual report.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in Note 10(b)(v) to the Consolidated Financial Statements in this annual report and in "— Connected Transactions" in this section below, to the best knowledge of the Directors, none of the Directors or any entity connected with a Director, is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in "— Pre-IPO and Post-IPO Share Incentive Plans" in this section below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Directors' Interest in Competing Business

Save as disclosed in this annual report and except for the interests of the Controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Emolument Policy

The remuneration of the Directors is paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments.

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, having regard to the factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of the Directors and senior management, and the employment conditions of the Group.

The Directors and the senior management members are eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme, Post-IPO RSU Scheme and 2023 Share Incentive Scheme.

Mr. SU Hua waived his discretionary bonus entitlement from the Company for the year ended December 31, 2023, and agreed to waive his discretionary bonus entitlement from the Company for the year ending December 31, 2024. Save as disclosed above, none of the other Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in Note 10 to the Consolidated Financial Statements in this annual report.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in Note 10 to the Consolidated Financial Statements in this annual report.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force. Pursuant to article 39.1 of the Articles of Association, a Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted. The Company has taken out and maintained appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

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 December 31, 2023, the interests or short positions of the Directors 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[1]	Number and class of shares held	Approximate percentage of shareholding of relevant class of shares in the Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of the Company[2]
Class A Shares — Mr. SU Hua				
Reach Best[3]	Beneficial interest (L)	423,357,367 Class A Shares	55.55%	9.74%
Vistra Trust (Singapore) Pte. Limited	Trustee[3] (L)	423,357,367 Class A Shares	55.55%	9.74%
Mr. SU Hua	Beneficiary of a trust[3] Founder of a trust[3] (L)	423,357,367 Class A Shares	55.55%	9.74%
Class A Shares — Mr. CHENG Yixiao				
Ke Yong[4]	Beneficial interest (L)	338,767,480 Class A Shares	44.45%	7.79%
Vistra Trust (Singapore) Pte. Limited	Trustee[4] (L)	338,767,480 Class A Shares	44.45%	7.79%
Mr. CHENG Yixiao	Beneficiary of a trust[4] Founder of a trust[4] (L)	338,767,480 Class A Shares	44.45%	7.79%
Class B Shares — Mr. SU Hua				
Reach Best[3]	Beneficial interest (L)	4,112,154 Class B Shares	0.11%	0.09%
Vistra Trust (Singapore) Pte. Limited	Trustee[3] (L)	4,112,154 Class B Shares	0.11%	0.09%
Mr. SU Hua	Beneficiary of a trust[3] Founder of a trust and other[3] (L)	9,811,257 Class B Shares	0.27%	0.23%
Class B Shares — Mr. CHENG Yixiao				
Ke Yong[4]	Beneficial interest (L)	43,770,873 Class B Shares	1.22%	1.01%
Vistra Trust (Singapore) Pte. Limited	Trustee[4] (L)	43,770,873 Class B Shares	1.22%	1.01%
Mr. CHENG Yixiao	Beneficiary of a trust[4] Founder of a trust[4] Beneficial interest[4] (L)	60,017,629 Class B Shares	1.67%	1.38%
Class B Shares — Mr. ZHANG Fei				
Mr. ZHANG Fei	Founder of a trust[5] (L)	26,728,522 Class B Shares	0.75%	0.61%

Notes:

(1) The letter "L" denotes long position.

(2) As of December 31, 2023, the Company had 4,346,653,215 issued and outstanding share capital in total, comprising 762,124,847 Class A Shares and 3,584,528,368 Class B Shares.

(3) 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 423,357,367 Class A Shares and 4,112,154 Class B Shares held by Reach Best under the SFO as of December 31, 2023.

As of December 31, 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.

(4) 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 December 31, 2023.

As of December 31, 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.

(5) Mr. ZHANG Fei is deemed to be interested in the 26,728,522 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.

(b) *Interest in associated corporations*

Name of director or chief executive	Nature of interest[1]	Associated corporations	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation[2]
Mr. SU Hua	Beneficial interest (L)	Hangzhou Youqu[3]	10,000,000	90.00%
		Beijing One Smile[4]	10,000,000	32.32%
Mr. CHENG Yixiao	Beneficial interest (L)	Beijing One Smile[4]	10,000,000	25.86%

Notes:

(1) The letter "L" denotes long position.

(2) The calculation is based on the registered capital of Hangzhou Youqu and Beijing One Smile, respectively.

(3) Hangzhou Youqu is a Consolidated Affiliated Entity and is owned as to 90% and 10% by Mr. SU Hua and Ms. PENG Xiaochun, respectively.

(4) 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, and (iv) 12.58% by Mr. YIN Xin.

Save as disclosed above, as far as the Directors are aware and as of December 31, 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 December 31, 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	Nature of interest[1]	Number and class of shares held	Approximate percentage of shareholding of relevant class of shares in the Company[2]	Approximate percentage of shareholding in the issued and outstanding share capital of the Company[2]
Class B Shares — Tencent Shareholders				
Tencent Mobility Limited[3]	Beneficial interest (L)	506,143,854 Class B Shares	14.12%	11.64%
Image Frame Investment (HK) Limited[3]	Beneficial interest (L)	80,048,189 Class B Shares	2.23%	1.84%
Morespark Limited[3]	Beneficial interest (L)	53,619,657 Class B Shares	1.50%	1.23%
Parallel Nebula Investment Limited[3]	Beneficial interest (L)	31,972,215 Class B Shares	0.89%	0.74%
TPP Follow-on I Holding F Limited[3]	Beneficial interest (L)	6,003,614 Class B Shares	0.17%	0.14%
THL A25 Limited[3]	Beneficial interest (L)	656,867 Class B Shares	0.02%	0.02%
THL A6 Limited[3]	Beneficial interest (L)	138,711 Class B Shares	0.004%	0.003%

Notes:

(1) The letter "L" denotes long position.

(2) As of December 31, 2023, the Company had 4,346,653,215 issued and outstanding share capital in total, comprising 762,124,847 Class A Shares and 3,584,528,368 Class B Shares.

(3) Tencent Mobility Limited, Image Frame Investment (HK) Limited, Morespark Limited, Parallel Nebula Investment Limited, TPP Follow-on I Holding F Limited, THL A25 Limited and THL A6 Limited are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700). Accordingly, Tencent Holdings Limited is deemed to be interested in 678,583,107 Class B Shares under the SFO.

Save as disclosed above, as of December 31, 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

The following is a summary of the principal terms of the amended and restated share incentive plan of the Company as approved and adopted pursuant to the written resolutions of all Shareholders dated February 6, 2018. The terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. For detailed information of share options granted to the Directors, members of the senior management and other connected persons of the Company under the Pre-IPO ESOP, please refer to "Statutory and General Information — 4. Pre-IPO ESOP" in Appendix V of the Prospectus.

Purpose

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 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 Shareholders generally.

Selected participants to the Pre-IPO ESOP

Awards under the Pre-IPO ESOP may be granted only to those persons that the Administrator (as defined below) determines to be Eligible Persons. An "Eligible Person" means any person who qualifies as one of the following at the time of grant of the respective Award (as defined below):

(a) an officer (whether or not a Director) or employee of the Company or any of its affiliates;

(b) any member of the Board; or

(c) any director of one of the Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its affiliates.

An advisor or consultant may be selected as an Eligible Person pursuant to paragraph (c) above only if such person's participation in the Pre-IPO ESOP would not adversely affect the Company's compliance with any applicable laws. Subject to the provisions of the Pre-IPO ESOP, the Administrator may, from time to time, select from among all Eligible Persons to whom Awards in the form of options ("**Options**") and restricted share awards ("**Restricted Shares**") (collectively "**Awards**") shall be granted and shall determine the nature and amount of each option.

Maximum number of shares

The maximum aggregate number of Shares which may be issued is 711,946,697, subject to any adjustments for other dilutive issuances, representing approximately 16.39% of the issued share capital of the Company as of the date of this annual report.

Administration

The Pre-IPO ESOP is administered by and all Awards under the Pre-IPO ESOP are authorized by the Administrator. The "**Administrator**" under the Pre-IPO ESOP means the Board or a committee(s) of the Board to administer all or certain aspects of the Pre-IPO ESOP. Any such committee shall be comprised solely of one or more Directors or such number of Directors as may be required under applicable laws and the Memorandum and Articles of Association. The Board or the committee, as the case may be, may delegate its powers under the Pre-IPO ESOP or different levels of authority to different committees or one or more officers of the Company to the extent permitted by the Companies Act and any other applicable laws. Pursuant to the delegation of power and authority, actions by such committees or officers shall constitute actions by the Administrator. Unless otherwise provided in the Memorandum and Articles of Association or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

Subject to the express provisions of the Pre-IPO ESOP, the Administrator is authorized and empowered to do all things it deems necessary or desirable in connection with the authorization of Awards and the administration of the Pre-IPO ESOP (in the case of a committee(s) or delegation to one or more officers, within the authority delegated to that committee(s) or person(s)).

Grant of Awards

The Administrator is authorized to approve and grant Awards to participants in accordance with the terms of the Pre-IPO ESOP. Awards granted will be evidenced by an agreement ("**Award Agreement**") between the Company and the participant in the form approved by the Administrator. The Award Agreement evidencing an Award shall contain the terms established by the Administrator for that Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Award; in each case subject to the applicable provisions and limitations under the Pre-IPO ESOP. The Administrator may require that the recipient of an Award promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the Administrator may require that the spouse of any married recipient of an Award also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Award. There is no amount payable on application or acceptance of the Awards that is specified under the terms of the Pre-IPO ESOP.

Options

(a) *Exercise price*

Subject to the following provisions under the Pre-IPO ESOP, the Administrator will determine the purchase price per share of the ordinary shares covered by each Option (the "**exercise price**" of the Option) at the time of the grant of the Option, which exercise price will be set out in the applicable Award Agreement subject to certain pricing limit as set out in the Pre-IPO ESOP.

(b) *Payment*

The Company will not be obligated to deliver certificates for the ordinary shares to be purchased on exercise of an Option unless and until it receives full payment of the exercise price therefor, all related withholding obligations have been satisfied, and all other conditions to the exercise of the Option set forth in the Pre-IPO ESOP or in the Award Agreement have been satisfied. The purchase price of any ordinary shares purchased on exercise of an Option must be paid in full at the time of each purchase in such lawful consideration as may be permitted or required by the Administrator.

(c) *Vesting and Term*

The Administrator will determine the vesting and/or exercisability provisions of each Option (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set out in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an Option will remain exercisable until the expiration or earlier termination of the Option. To the extent required to satisfy applicable securities laws and subject to early termination as set out the Pre-IPO ESOP, no Option (except an Option granted to an officer, Director, or consultant of the Company or any of its Affiliates) shall vest at a rate of less than 20% per year over five years after the date the Option is granted unless otherwise provided by the Administrator.

Each Option shall expire not more than 10 years after its date of grant, subject to earlier termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for or pursuant to an Option may be delayed until a future date if specifically authorized by the Administrator in writing and by the participant.

(d) *Exercise*

The Option, to the extent then vested, shall become exercisable upon the earlier of (i) the Listing Date, (ii) the occurrence of a change in control event (as defined under the Pre-IPO ESOP); except that, the Administrator, subject to applicable laws and regulations, expressly provides that the Option could also become exercisable during one or several window periods before either of the dates mentioned above. Any exercisable Option will be deemed to be exercised when the Company receives written notice of such exercise from the participant (on a form and in such manner as may be required by the Administrator), together with any required payment and any written statement required under the Pre-IPO ESOP.

Restricted Shares

(a) Purchase Price

Subject to paragraph (b) below, the Administrator will determine the purchase price per share of the ordinary shares covered by each award of Restricted Shares ("**Share Award**") at the time of grant of the Award. In no case will such purchase price be less than the par value of the ordinary shares.

(b) Payment

The Company will not be obligated to record in the Company's register of members, or issue certificates evidencing, ordinary shares awarded under the Share Award unless and until it receives full payment of the purchase price therefor and all other conditions to the purchase, as determined by the Administrator, have been satisfied, at which point the relevant shares shall be issued and noted in the Company's register of members. The purchase price of any shares subject to a Share Award must be paid in full at the time of the purchase in such lawful consideration as may be permitted or required by the Administrator.

(c) Vesting and Term

The restrictions imposed on the ordinary shares subject to a Share Award (which may be based on performance criteria, passage of time or other factors or any combination thereof) will be set out in the applicable Award Agreement. To the extent required to satisfy applicable securities laws, the restrictions imposed on the ordinary shares subject to a Share Award (other than an Award granted to an officer, Director, or consultant of the Company or any of its Affiliates, which may include more restrictive provisions) shall lapse as to such shares, subject to repurchase as set out in the Pre-IPO ESOP, at a rate of at least 20% of the shares subject to the Award per year over the five years after the date the Award is granted.

A Share Award shall either vest or be repurchased by the Company not more than 10 years after the date of grant subject to repurchase and early termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for a Share Award may be delayed until a future date if specifically authorized by the Administrator in writing and by the participant.

Duration

The Pre-IPO ESOP was terminated upon the Listing and the Company did not grant further Awards under the Pre-IPO ESOP thereafter, but in all other respects the terms of the Pre-IPO ESOP shall remain in full force and effect and the Awards granted prior to the termination shall continue to be valid and exercisable in accordance with the terms of the Pre-IPO ESOP.

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 Shares available for grant under the Pre-IPO ESOP upon the Listing.

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

Name	Date of grant	Vesting period[(1)]	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 price of class B Shares immediately before the dates of exercise	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 December 31, 2023
Director										
Mr. SU Hua	2017/06/30–2020/04/01	4 years	2021/08/06–2030/03/31	0.0422	5,699,103	0	—	0	0	5,699,103
Other grantees										
Employees	2014/12/22–2021/01/07	0–4 years	2021/08/06–2031/03/31	0.0422–16.66	82,421,649	(22,084,289)	59.78	(11,618)	(8,533,487)	51,792,255
Total					88,120,752	(22,084,289)		(11,618)	(8,533,487)	57,491,358

Note:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the Options granted.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved and adopted by all the then Shareholders on January 18, 2021. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The following is a summary of certain principal terms of the Post-IPO Share Option Scheme.

Purpose

The purposes of the Post-IPO Share Option Scheme are 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 the 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.

Selected Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options ("**Options**"). However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations where of such place or, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted Options.

Maximum Entitlement of a Grantee

Unless approved by the Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the Options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue (the "**Individual Limit**"). Any further grant of Options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all Options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders (with such selected participant and his associates abstaining from voting).

Grant of Options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the Option is to be granted. Such terms may include any minimum period(s) for which an Option must be held and/or any minimum performance target(s) that must be achieved, before the Option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the Option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof are received by the Company, provided such are received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Subscription Price

The amount payable for each Class B Share to be subscribed for under an Option in the event of the Option being exercised shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or

(c) the nominal value of a Class B Share on the date of grant.

Vesting of Options

The Board or its delegate(s) may from time to time while the Post-IPO Share Option Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Options to be vested.

Time of Exercise of an Option

An Option may, subject to the terms and conditions upon which such Option is granted, be exercised in whole or in part by the grantee at any time or times during the period to be determined and notified by the Board or its delegates to the grantee, which may commence on a day after the date of grant and in any event shall end not later than 10 years from the date of grant.

Maximum Number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes is 334,195,773 Class B Shares, being no more than 10% of the Class B Shares in issue on the Listing Date (the "**Option Scheme Mandate Limit**") (excluding any Class B Shares which may be issued pursuant to the exercise of the over-allotment option and the Options granted under the Pre-IPO Share Option Scheme and grants under the Post-IPO RSU Scheme). The Option Scheme Mandate Limit represented approximately 7.69% of the issued share capital of the Company as of the date of this annual report. Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Class B Shares in issue from time to time (the "**Option Scheme Limit**"). No Options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Class B Shares in issue as of the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Company may also grant Options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by the Shareholders in general meeting.

Duration

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 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 December 31, 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 sublimit under the Post-IPO Share Option Scheme.

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

Name	Date of grant	Vesting period[1]	Exercise period	Exercise price (HK$)	Number of Class B Shares underlying Options outstanding as of January 1, 2023	Particulars of Options granted during the Reporting Period: Number of Class B Shares underlying Options granted during the Reporting Period	Particulars of Options granted during the Reporting Period: Performance Targets of the Options granted during the Reporting Period	Particulars of Options granted during the Reporting Period: Closing price of the Class B Shares immediately before the date on which the Options were granted (HK$)	Particulars of Options granted during the Reporting Period: Fair value of Options at the date of grant[2] (HK$)	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise	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 December 31, 2023
Director														
Mr. CHENG Yixiao	2022/04/14	4 years	2023/04/13–2029/04/13	66.46	3,246,770	N/A	N/A	N/A	N/A	0	—	0	0	3,246,770
	2023/03/30	3 years	2024/03/30–2030/03/29	59.4	0	12,999,986	The vesting and exercise of the Options are conditional upon the achievement by the grantee 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	—	0	0	12,999,986

Name	Date of grant	Vesting period[1]	Exercise period	Exercise price (HK$)	Number of Class B Shares underlying Options outstanding as of January 1, 2023	Particulars of Options granted during the Reporting Period: Number of Class B Shares underlying Options granted during the Reporting Period	Performance Targets of the Options granted during the Reporting Period	Closing price of the Class B Shares immediately before the date on which the Options were granted (HK$)	Fair value of Options at the date of grant[2] (HK$)	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise	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 December 31, 2023
Other grantees														
Employees	2022/01/24	4 years	2023/01/23–2029/01/23	86.85	6,244,884	N/A	N/A	N/A	N/A	0	—	0	0	6,244,884
Employees	2022/03/30	2–4 years	2022/06/29–2029/03/29	76.29	16,239,976	N/A	N/A	N/A	N/A	0	—	0	(682,481)	15,557,495
Employees	2022/04/21	2–4 years	2022/07/20–2029/04/20	62.30	50,171,175	N/A	N/A	N/A	N/A	(3,298,182)	68.02	(25,700)	(9,133,365)	37,713,928
Employees	2022/06/23	1 year	2023/06/22–2026/06/22	83.55	6,251	N/A	N/A	N/A	N/A	0	—	0	0	6,251
Employees	2022/07/21	3.69–4 years	2023/03/29–2029/07/20	82.40	3,779,720	N/A	N/A	N/A	N/A	0	—	0	0	3,779,720
Employees	2022/09/27	4 years	2023/09/26–2029/09/26	56.15	67,922	N/A	N/A	N/A	N/A	0	—	0	0	67,922
Employees	2022/10/20	2–4 years	2023/10/19–2029/10/19	48.86	188,537	N/A	N/A	N/A	N/A	0	—	0	(127,331)	61,206
Employees	2022/11/29	2.34 years	2023/04/01–2029/11/28	54.80	3,068,293	N/A	N/A	N/A	N/A	(20,615)	59.01	0	(66,325)	2,981,353
Employees	2022/12/29	4 years	2023/12/28–2029/12/28	70.65	418,030	N/A	N/A	N/A	N/A	0	—	0	(240,095)	177,935
Employees	2023/01/19	3 years	2024/01/19–2030/01/18	72.63	0	3,096,824	—	72.5	34.45	0	—	0	0	3,096,824
Total					83,431,558	16,096,810				(3,318,797)		(25,700)	(10,249,597)	85,934,274

Notes:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the Options granted.

(2) 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 27 to the Consolidated Financial Statements in this annual report.

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was approved and adopted by all the then Shareholders 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 Company may appoint a trustee (the "**Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below) by the Board or its delegate(s) (including a committee of the Board, the Chief Executive Officer or person(s) to which the Board has delegated its authority) which may vest in the form of Class B Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme. The following is a summary of certain principal terms of the Post-IPO RSU Scheme.

Purpose

The purposes of the Post-IPO RSU Scheme are to recognize and reward Eligible Persons (as defined below) 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.

RSU Participants

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider 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**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

Maximum Entitlement of a Grantee

There is no maximum entitlement of a grantee under the Post-IPO RSU Scheme. The grant of Awards to Eligible Persons will be made in accordance with the requirements of Listing Rules.

RSU Awards

An award of restricted share units under the Post-IPO RSU Scheme (the "**Award(s)**") gives a participant in the Post-IPO RSU Scheme a conditional right when the Award vests to obtain either the Award Shares or an equivalent value in cash with reference to the market value of the Award Shares on or about the date of vesting, as determined by the Board or its delegate(s) in its absolute discretion. An Award may include, if so specified by the Board or its delegate(s) in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests. For the avoidance of doubt, the Board or its delegate(s) at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Grant of Awards

The Board or its delegate(s) may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary. There is no amount payable on application or acceptance of the Awards or purchase price of the Awards, that are specified under the terms of the Post-IPO RSU Scheme.

Vesting of Awards

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Post-IPO RSU Scheme Limit

No Award shall be granted pursuant to the Post-IPO RSU Scheme without Shareholders' approval if as a result of such grant (assumed accepted), the aggregate number of Class B Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Class B Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Post-IPO RSU Scheme) will exceed in total 205,409,736 Shares (the "**Post-IPO RSU Scheme Limit**"), representing approximately 4.73% of the issued share capital of the Company as of the date of this annual report, subject to an annual limit of 3% of the total number of issued shares of the Company at the relevant time. The Post-IPO RSU Scheme Limit may be refreshed from time to time pursuant to the paragraph below.

Refresh of Post-IPO RSU Scheme Limit

The Post-IPO RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but in any event, the total number of Shares that underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 3% of the number of Shares in issue as of the relevant New Approval Date. Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme (excluding Shares underlying RSUs that have lapsed or been cancelled in accordance with the Post-IPO RSU Scheme) prior to such New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed.

Duration

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.

Appointment of Trustee

The Company may appoint a Trustee to assist with the administration and vesting of RSUs granted pursuant to the Post-IPO RSU Scheme. Subject to the approval of the Board or its delegate(s), the Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon vesting and/or (ii) direct and procure the Trustee to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market) to satisfy the RSUs upon vesting. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board or its delegate(s) may determine to enable the Trustee to satisfy its obligations in connection with the administration of the Post-IPO RSU Scheme.

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 December 31, 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.

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[(1)]	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[(2)] (HK$)	Number of RSUs vested during the Reporting Period	Weighted average price of Class B Shares immediately before the date of vesting (HK$)	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 December 31, 2023
Employees	2021/02/23	0.45–4 years	0	3,957	N/A	N/A	N/A	N/A	(1,199)	58.42	0	0	2,758
Employees	2021/04/02	4 years	0–0.3273	6,886,452	N/A	N/A	N/A	N/A	(2,507,424)	59.56	0	(1,526,574)	2,852,454
Employees	2021/04/23	0.48–4 years	0–0.3273	5,410,691	N/A	N/A	N/A	N/A	(1,652,176)	58.07	0	(1,323,968)	2,434,547
Employees	2021/05/30	0.19–4 years	0–0.3273	2,022,758	N/A	N/A	N/A	N/A	(624,587)	57.01	0	(482,179)	915,992
Employees	2021/06/29	4 years	0–0.3273	1,494,968	N/A	N/A	N/A	N/A	(409,706)	56.34	0	(436,557)	648,705
Employees	2021/07/21	0.04–4 years	0–0.3273	2,210,780	N/A	N/A	N/A	N/A	(651,369)	58.21	0	(475,165)	1,084,246
Employees	2021/08/27	0.95–4 years	0	2,822,629	N/A	N/A	N/A	N/A	(843,800)	65.08	0	(597,613)	1,381,216
Employees	2021/09/26	0–4 years	0–0.3273	6,742,602	N/A	N/A	N/A	N/A	(1,882,961)	63.32	0	(1,459,617)	3,400,024
Employees	2021/10/22	4 years	0–0.3273	19,962,058	N/A	N/A	N/A	N/A	(5,436,296)	56.57	0	(4,304,762)	10,221,000
Employees	2021/11/30	3.74–4 years	0	2,499,095	N/A	N/A	N/A	N/A	(690,982)	56.49	0	(448,100)	1,360,013
Employees	2021/12/28	4 years	0	2,412,768	N/A	N/A	N/A	N/A	(664,027)	50.24	0	(430,869)	1,317,872
Employees	2022/01/24	4 years	0	5,250,238	N/A	N/A	N/A	N/A	(1,023,548)	69.95	0	(305,590)	3,921,100
Employees	2022/02/25	4 years	0	829,556	N/A	N/A	N/A	N/A	(206,784)	55.05	0	(278,474)	344,298
Employees	2022/03/30	4 years	0	3,734,044	N/A	N/A	N/A	N/A	(998,995)	55.9	0	(225,807)	2,509,242
Employees	2022/04/21	4 years	0	11,612,327	N/A	N/A	N/A	N/A	(2,507,901)	51.71	0	(2,525,013)	6,579,413
Employees	2022/05/30	4 years	0	3,027,455	N/A	N/A	N/A	N/A	(736,854)	53.79	0	(270,418)	2,020,183
Employees	2022/06/23	4 years	0	2,223,606	N/A	N/A	N/A	N/A	(517,939)	55.99	0	(379,539)	1,326,128
Employees	2022/07/21	4 years	0	3,083,754	N/A	N/A	N/A	N/A	(724,190)	58.01	0	(305,168)	2,054,396
Employees	2022/08/31	4 years	0	1,934,748	N/A	N/A	N/A	N/A	(381,567)	68.65	0	(237,577)	1,315,604
Employees	2022/09/27	1–4 years	0	3,662,442	N/A	N/A	N/A	N/A	(820,687)	61.85	0	(452,522)	2,389,233
Employees	2022/10/20	2–4 years	0	29,447,745	N/A	N/A	N/A	N/A	(6,391,551)	56.05	0	(4,787,063)	18,269,131
Employees	2022/11/29	0–4 years	0	7,052,130	N/A	N/A	N/A	N/A	(2,154,219)	58.6	0	(667,547)	4,230,364
Employees	2022/12/29	0–4 years	0	4,233,414	N/A	N/A	N/A	N/A	(917,817)	50.6	0	(837,516)	2,478,081
Employees	2023/01/19	4 years	0	0	1,621,566	—	72.5	68.15	0	—	0	(339,472)	1,282,094
Employees	2023/04/21	1–4 years	0	0	32,209,974	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	49	48.55	0	—	0	(2,875,469)	29,334,505
Total				128,560,217	33,831,540				(32,746,579)		0	(25,972,579)	103,672,599

Notes:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the RSUs granted.

(2) 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 ("**Adoption Date**") and becoming unconditional on June 23, 2023, which shall be valid and effective for a period of ten years commencing from the Adoption Date. The terms of the 2023 Share Incentive Scheme complied with the provisions of Chapter 17 of the Listing Rules. The following is a summary of certain principal terms of the 2023 Share Incentive Scheme.

Purpose

The purposes of the 2023 Share Incentive Scheme include (a) recognize and reward Eligible Participants (as defined below) 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.

Eligible Participants

The eligible participants who may be selected to become a grantee of the 2023 Share Incentive Scheme are any individuals or corporate entities (where applicable) being an Employee Participant, a Related Entity Participant or a Service Provider (collectively, the "**Eligible Participants**").

Maximum Number of Class B Shares

The total number of Class B Shares which may be issued in respect of all awards to be granted under the 2023 Share Incentive Scheme and any other share schemes of the Company is 433,510,190, being no more than 10% of the total number of Shares (including the Class A Shares and Class B Shares) in issue as of the Adoption Date (the "**Scheme Mandate Limit**"), unless the Company obtains an approval from the Shareholders according to the scheme rules. The Scheme Mandate Limit represented approximately 9.98% of the issued share capital of the Company as of the date of this annual report.

Subject to above, the total number of Class B Shares which may be issued in respect of all awards to be granted to Service Providers under the 2023 Share Incentive Scheme and any other share schemes of the Company is 21,675,509, being not more than 0.5% of the total number of Shares (including the Class A Shares and Class B Shares) in issue as of the Adoption Date or 5% of the Scheme Mandate Limit (the "**Service Provider Sublimit**") unless the Company obtains an approval from the Shareholders according to the scheme rules. The Service Provider Sublimit represented approximately 0.50% of the issued share capital of the Company as of the date of this annual report. For the avoidance of doubt, the Service Provider Sublimit is set within the Scheme Mandate Limit.

The Scheme Mandate Limit (and the Service Provider Sublimit) may be refreshed at any time by obtaining approval of the Shareholders in general meeting after three years from Adoption Date or the date of Shareholders' approval for the last refreshment, provided that, among others, the total number of Shares which may be issued in respect of all awards to be granted under the 2023 Share Incentive Scheme and any other share schemes of the Company under the Scheme Mandate Limit as refreshed (the "**New Scheme Mandate Limit**") must not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") must not exceed 0.5% (or 5% of the Scheme Mandate Limit)) of the total number of shares of the Company (including the Class A Shares and Class B Shares) in issue at the date of the Shareholders' approval of such New Scheme Mandate Limit (and New Service Provider Sublimit).

Maximum Entitlement of a Grantee

Where any grant of awards to an Eligible Participant under the 2023 Share Incentive Scheme would result in the Class B Shares issued and to be issued in respect of all awards granted to such person (excluding any awards lapsed or clawed back in accordance with the terms of the Scheme) in the 12-month period up to and including the grant date representing in aggregate over 1% of the total number of Shares (including the Class A Shares and Class B Shares) in issue, such grant must be separately approved by the Shareholders in general meeting in accordance with the Listing Rules, with such Eligible Participant and his/her close associates (or associates if the Eligible Participant is a connected person) abstaining from voting.

Grant of Awards

An award under the 2023 Share Incentive Scheme shall be made to an Eligible Participant by an award letter in such form as the Board or its delegate(s) may from time to time determine requiring the Eligible Participant to undertake to hold the award on the terms on which it is to be granted and to be bound by the terms of the 2023 Share Incentive Scheme (the "**Award Letter**"). The Award Letter shall specify the terms on which the award is to be granted, including: (a) whether the award is in the form of an option and/or an RSU; (b) the number of Class B Shares underlying the award; (c) the vesting date and any conditions, restrictions or limitations that must be satisfied in order for the award to vest in whole or in part (including, without limitation, as to the performance targets and clawback mechanism attached to the award); (d) in the case of an award of an option, the exercise price and the exercise period, and in the case of an award of an RSU, the purchase price (if any); and (e) any other terms which may be imposed either on a specific award or generally, provided such terms shall not be inconsistent with any other terms and conditions of the 2023 Share Incentive Scheme.

Unless the Board or its delegate(s) otherwise determines and states in the Award Letter, a grantee is not required to pay any amount on application or acceptance of an award.

Vesting of Awards

The Board or its delegate(s) may from time to time while 2023 Share Incentive Scheme is in force and subject to all applicable laws, determine such vesting period, vesting criteria and conditions or periods for the award to be vested thereunder, provided however that the vesting period for awards shall not be less than 12 months, unless the Board or its delegate(s) determines that the awards granted to Employee Participants may be subject to a vesting period of less than 12 months in the circumstances as prescribed in the 2023 Share Incentive Scheme.

Subject to above, the Board or its delegate(s) may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an award vests, to the extent set forth in the terms of the Award Letter or otherwise.

Exercise Period for Options Granted

The exercise period for options granted under the 2023 Share Incentive Scheme would be determined by the Board or its delegate(s) and notified to a grantee in the Award Letter, which may commence on a day after the grant date and in any event shall end not later than 10 years from the grant date but subject to the provisions for early termination thereof contained therein.

Exercise Price, Purchase Price and the Basis of Determination

The exercise price in respect of any options granted under the 2023 Share Incentive Scheme shall be a price determined by the Board or its delegate(s) in its absolute discretion and notified to a grantee (subject to any adjustments made pursuant to scheme rules) which shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; or (c) the nominal value of a Share.

The purchase price in respect of any RSUs granted under the 2023 Share Incentive Scheme, if any, will be set out in the Award Letter and will be determined by the Board or its delegate(s) in its absolute discretion, taking into account the purpose of the Scheme, the interests of the Company and the individual circumstances of the Grantee.

Duration

Subject to any early termination as may be determined by the Board or its delegate(s) pursuant to the scheme rules, the 2023 Share Incentive Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date, after which no further awards will be granted, but the provisions of the scheme shall in all other respects remain in full force and effect and the awards granted during the term of the scheme may continue to be valid and exercisable in accordance with their terms of grant. Accordingly, as of December 31, 2023, the remaining life of the 2023 Share Incentive Scheme is approximately, nine years and six months.

Options and RSUs Granted under the 2023 Share Incentive Scheme

From the Adoption Date to the end of the Reporting Period, no option was granted under the 2023 Share Incentive Scheme. During the same period, 15,580,769 RSUs were granted to Eligible Participants under the 2023 Share Incentive Scheme. As of January 1, 2023, being the beginning of the Reporting Period, there was no award available for grant under the 2023 Share Incentive Scheme as it was not yet adopted; while as of December 31, 2023, being the end of the Reporting Period, the total number of awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit of 2023 Share Incentive Scheme were 418,435,328 and 21,675,509, respectively.

Details of movements of RSUs granted to each category of participants under the 2023 Share Incentive Scheme are as follows:

Name	Date of grant	Vesting period[1]	Purchase price (HK$)	Number of Class B Shares underlying RSUs outstanding as of January 1, 2023	Particulars of RSUs granted during the Reporting Period: Number of Class B Shares underlying RSUs granted during the Reporting Period	Particulars of RSUs granted during the Reporting Period: Performance Targets of RSUs granted during the Reporting Period	Particulars of RSUs granted during the Reporting Period: Closing price of the Class B Shares immediately before the date on which the RSUs were granted (HK$)	Particulars of RSUs granted during the Reporting Period: Fair value of RSUs at the date of grant[2] (HK$)	Number of RSUs vested during the Reporting Period	Weighted average price of Class B Shares immediately before the date of vesting (HK$)	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 December 31, 2023
Employees	2023/08/23	0.66–3.92 years	0	N/A	7,154,164	There is no performance target attached to the RSUs granted to a Grantee if he/she is not a Designated Employee. The vesting of the RSUs granted to a Designated Employee is conditional upon the achievement of the performance targets as determined by the Board or its delegate(s) 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 Board or its delegate(s) from time to time	62.5	64.4	(288)	68.65	0	(424,590)	6,729,286
Employees	2023/11/22	1.91–3.91 years	0	N/A	8,426,605	—	58.5	60.2	0	—	0	(81,317)	8,345,288
Total				N/A	15,580,769				(288)		0	(505,907)	15,074,574

Notes:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the RSUs granted.

(2) 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 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 65,509,119 Class B Shares, represented approximately 1.83% the weighted average number of Class B Shares of the Company for the Reporting Period.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme, Post-IPO RSU Scheme and 2023 Share Incentive Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted as of December 31, 2023.

CONNECTED TRANSACTIONS

Upon Listing, transactions between members of the Group and the Company's connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the non-exempt continuing connected transactions and partially-exempt continuing connected transactions of the Group for the year ended December 31, 2023 are set out below, which are entered into with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("**Tencent Computer**"). During the Reporting Period, the Group has followed the pricing policies and terms under the relevant framework agreements when conducting transactions thereunder. Tencent Computer is a subsidiary of Tencent, which is a substantial shareholder of the Company, and therefore Tencent Computer is a connected person of the Company.

In anticipation of the expiration of the Marketing and Promotion Services Framework Agreement (as defined below), the Supplemental Marketing and Promotion Services Agreement (as defined below), the Other Marketing and Promotion Services Framework Agreement (as defined below), the Cloud Services and Technical Services Framework Agreement (as defined below), the Supplemental Cloud Services and Technical Services Agreement (as defined below), the Payment Services Framework Agreement (as defined below), the Game Events Copyrights Licensing Framework Agreement (as defined below) and 2022 Game Cooperation Framework Agreement (as defined below) (collectively, the "**Existing CCT Agreements**") on December 31, 2023, Beijing Dajia (for itself and on behalf of the Group) and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on November 21, 2023 entered into (i) the 2023 Marketing and Promotion Services Framework Agreement, (ii) the 2023 Cloud Services and Technical Services Framework Agreement, (iii) the 2023 Payment Services Framework Agreement, and (iv) the 2023 Game Co-operation Framework Agreement (collectively, the "**New CCT Agreements**"), to renew the continuing connected transactions under the Existing CCT Agreements. Each of the New CCT Agreements has a term that commenced from January 1, 2024 and will end on December 31, 2026. For details, please refer to the announcement of the Company dated November 21, 2023.

Non-exempt Continuing Connected Transactions

Marketing and Promotion Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a marketing and promotion services framework agreement (the "**Marketing and Promotion Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)).

Pursuant to the Marketing and Promotion Services Framework Agreement, the Represented Tencent Group will market and promote the Group's products and services on its platforms, and the Group will provide marketing and promotion services to the Represented Tencent Group. In return for the marketing and promotion services provided by the Represented Tencent Group to the Group, the Group will pay service fees in one or more of the following manners, depending on the type of marketing and promotion services and the platforms of the Represented Tencent Group through which such services are provided, including Cost-Per-Click, Cost-Per-Mille, Cost-Per-Time, Cost-Per-Activity, Cost-Per-Sale and Cost-Per-Download. In return for the marketing and promotion services provided by the Group to the Represented Tencent Group, the Represented Tencent Group will pay service fees in one or more of the following manners, depending on the type of our marketing and promotion services and the platforms through which such services are provided, including Cost-Per-Click, Cost-Per-Mille and Cost-Per-Time.

On August 25, 2021, Beijing Dajia entered into the supplemental agreement to the Marketing and Promotion Services Framework Agreement (the "**Supplemental Marketing and Promotion Services Agreement**") with Tencent Computer, pursuant to which the scope of the Represented Tencent Group under the Marketing and Promotion Services Framework Agreement shall be Tencent and its group members, including China Literature Limited and TME Group and their respective subsidiaries, and the existing annual caps for the service fees chargeable by the Group from the Represented Tencent Group under the Marketing and Promotion Services Framework Agreement shall be revised from approximately RMB740.2 million, RMB962.2 million and RMB1,250.9 million to approximately RMB1,292.0 million, RMB1,698.0 million and RMB2,210.0 million for the years ending December 31, 2021, 2022 and 2023, respectively.

The term of the Marketing and Promotion Services Framework Agreement and the Supplemental Marketing and Promotion Services Agreement both commenced on the Listing Date and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been entered into which 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 Marketing and Promotion Services Framework Agreement and the Supplemental Marketing and Promotion Services Agreement. For further details, please refer to the Prospectus and the announcement of the Company dated August 25, 2021.

The annual cap of service fees to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2023 is approximately RMB2,210.0 million, while the actual transaction amount for the year ended December 31, 2023 were approximately RMB637.8 million. The annual cap of service fees to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2023 is approximately RMB5,403.2 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB2,476.4 million.

Cloud Services and Technical Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a cloud services and technical services framework agreement (the "**Cloud Services and Technical Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will provide cloud services and other cloud-related technical services to the Group for service fees.

Pursuant to the Cloud Services and Technical Services Framework Agreement, the service fees will be determined after arm's length negotiation between the parties based on the fee rates disclosed on the relevant official platforms or websites of the Represented Tencent Group.

On August 25, 2021, Beijing Dajia entered into the supplemental agreement to the Cloud Services and Technical Services Framework Agreement (the "**Supplemental Cloud Services and Technical Services Agreement**") with Tencent Computer, pursuant to which the annual caps under the Cloud Services and Technical Services Framework Agreement shall be revised from approximately RMB1,970.0 million, RMB2,320.0 million and RMB2,645.0 million to approximately RMB2,600.0 million, RMB2,800.0 million and RMB2,900.0 million for the years ending December 31, 2021, 2022 and 2023, respectively.

The term of the Cloud Services and Technical Services Framework Agreement and the Supplemental Cloud Services and Technical Services Agreement both commenced on the Listing Date and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been entered into which 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 Cloud Services and Technical Services Framework Agreement and the Supplemental Cloud Services and Technical Services Agreement. For further details, please refer to the Prospectus and the announcement of the Company dated August 25, 2021.

The annual cap for the year ended December 31, 2023 is approximately RMB2,900.0 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB909.4 million.

Payment Services Framework Agreement

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of the Group) entered into a payment services framework agreement (the "**Payment Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will provide the Group with payment services through its payment channels to enable the Group's users to conduct online transactions on the Group's platform through Tencent payment channel. The Group shall in return pay payment processing costs to Tencent.

Pursuant to the Payment Services Framework Agreement, the payment processing costs will be determined after arm's length negotiation between the parties with reference to the market rates. The charge rates and calculation method shall be agreed between the parties separately.

The term of the Payment Services Framework Agreement commenced on the Listing Date and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been 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 Payment Services Framework Agreement. For further details, please refer to the Prospectus.

The annual cap for the year ended December 31, 2023 is approximately RMB2,781.6 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB1,581.1 million.

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 Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited and TME Group and their respective subsidiaries)). Under the Game Co-operation Framework Agreement, the Group will display and recommend designated mobile and computer games developed or distributed by the Represented Tencent Group. The Group's users interested in such games appearing on our platform (the "**Interested Users**") will be re-directed to downloading pages to download such games.

The revenue arising out of the Game Co-operation Framework Agreement shall be split between the Group and the Represented Tencent Group in accordance with the following formula:

Net proceeds x revenue sharing percentage

Net proceeds refers to the aggregate amount of revenue received by the Represented Tencent Group from such Interested Users through purchasing virtual items connected with the relevant games after deduction of the payment platform commissions charged by payment channels. The amount to be shared by the Group shall be separately determined for each designated game. The exact prescribed revenue sharing percentage for individual game shall be determined after arm's length negotiation between the relevant parties. The basis for determining the revenue sharing percentage includes (a) the revenue sharing percentage in respect of the game co-operation between the Group and business partners who are independent third parties of the Group; (b) the revenue sharing percentage in respect of the game co-operation between the Represented Tencent Group and its business partners; and (c) the general industry practice of revenue sharing in respect of game co-operation.

The term of the Game Co-operation Framework Agreement commenced on the Listing Date and has ended 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 have been entered into which set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Game Co-operation Framework Agreement. For further details, please refer to the Prospectus.

The sharing of revenue based on the formula provided under the Game Co-operation Framework Agreement (i.e. revenue split based on a prescribed ratio) is consistent with historical and the prevailing market practices in relation to online game co-operation arrangements with the Represented Tencent Group or independent third parties. We are of the view that it would be unsuitable to adopt monetary annual caps for the Game Co-operation Framework Agreement. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual cap for the Game Co-operation Framework Agreement in terms of monetary value.

For the year ended December 31, 2023, our game co-operation with the Represented Tencent Group under the Game Co-operation Framework Agreement involved 98 games and the actual transaction amount thereunder was approximately RMB11.3 million.

Partially-exempt Continuing Connected Transactions

Game Events Copyrights Licensing Framework Agreement

On August 25, 2021, Beijing Dajia (as licensee, and for itself and on behalf of other members of the Group) entered into the game events copyrights licensing framework agreement (the "**Game Events Copyrights Licensing Framework Agreement**") with Tencent Computer (as licensor, and for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Represented Tencent Group will grant the Group a license to use the game events copyrights of the Represented Tencent Group (including the game events copyrights owned by or legally authorized to the Represented Tencent Group) on the internet live streaming and short video platforms operated by the Group. The Group will in return pay license fees to the Represented Tencent Group.

Pursuant to the Game Events Copyrights Licensing Framework Agreement, the license fees payable by the Group to the Represented Tencent Group will be determined after arm's length negotiation between the parties after taking into account factors including the procurement demands of the Group for game events copyrights, the number of game events copyrights owned by the Represented Tencent Group, as well as the market performance and popularity of such game events.

The term of the Game Events Copyrights Licensing Framework Agreement commenced on August 25, 2021 and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been entered into which 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 Events Copyrights Licensing Framework Agreement. For further details, please refer to the announcement of the Company dated August 25, 2021.

The annual cap for the year ended December 31, 2023 is approximately RMB500.0 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB66.9 million.

2022 Game Cooperation Framework Agreement

On May 24, 2022, Beijing Dajia (for itself and on behalf of other members of the Group) entered into the game cooperation framework agreement (the "**2022 Game Cooperation Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Group and Represented Tencent Group agreed to conduct various cooperation on games, including game publication, operation, distribution and promotion as well as eSports.

Pursuant to the 2022 Game Cooperation Framework Agreement:

(i) the fees or bonus payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of (i) the publication, operation, distribution and/or promotion of the games developed, operated and copyrighted by, or legally licensed to, the Represented Tencent Group or the Group (as the case may be), and (ii) the license of intellectual property rights by the Represented Tencent Group to the Group for the development of games, shall be determined after arm's length negotiation between the parties with reference to the prevailing market price in the industry and considering various commercial factors, including the nature, popularity, quality and commercial potential of the relevant games, as well as the range of ancillary rights to be agreed upon; and

(ii) the fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the Group's operation of its eSports club(s), set-up and adjustment of its team(s) as a member of the eSports league of the Represented Tencent Group and its participation in the eSports events of the Represented Tencent Group shall be determined in accordance with the operating rules of the eSports league and the eSports events formulated by the Represented Tencent Group, which is equally applicable to all league members of the same league.

The term of the 2022 Game Cooperation Framework Agreement commenced on May 24, 2022 and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been entered into which set out the specific scope of the license granted and/or services provided, fees calculation, method of payment and other details of the arrangements in the manner provided in the 2022 Game Cooperation Framework Agreement. For further details, please refer to the announcement of the Company dated May 24, 2022.

The annual cap of the amount to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2023 is approximately RMB323.1 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB15.0 million. The annual cap of the amount to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2023 is approximately RMB198.1 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB8.9 million.

Other Marketing and Promotion Services Framework Agreement

On May 24, 2022, Beijing Dajia (for itself and on behalf of other members of the Group) entered into the marketing and promotion services framework agreement (the "**Other Marketing and Promotion Services Framework Agreement**") with Tencent Computer (for itself and on behalf of the Represented Tencent Group (i.e. the group members of Tencent, excluding China Literature Limited, TME Group and their respective subsidiaries)), pursuant to which the Group and Represented Tencent Group agreed to provide certain new types of marketing and promotion services to each other.

Pursuant to the Other Marketing and Promotion Services Framework Agreement, the fees payable and/or revenue/profit to be shared by the Group to the Represented Tencent Group or by the Represented Tencent Group to the Group in respect of the provision of marketing and promotion services to each other shall be determined after arm's length negotiation between the parties with reference to (i) the effectiveness of the marketing and promotion services provided by different service providers; (ii) the breadth of user base of various marketing and promotion platforms; (iii) the cost of resources devoted in the marketing and promotion activities; and (iv) the prevailing market rates in the industry.

The term of the Other Marketing and Promotion Services Framework Agreement commenced on May 24, 2022 and has ended on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. Separate underlying agreements have been entered into which will set out the specific scope of services, fees calculation, method of payment and other details of the arrangements in the manner provided in the Other Marketing and Promotion Services Framework Agreement. For further details, please refer to the announcement of the Company dated May 24, 2022.

The annual cap of the service fees to be paid by the Represented Tencent Group to the Group for the year ended December 31, 2023 is approximately RMB108.1 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB16.8 million. The annual cap of the service fees to be paid by the Group to the Represented Tencent Group for the year ended December 31, 2023 is approximately RMB40.0 million, while the actual transaction amount for the year ended December 31, 2023 was approximately RMB0.7 million.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

The Auditor has confirmed in a letter to the Board with respect to the aforesaid continuing connected transactions entered into during the Reporting Period:

(a) nothing has come to the Auditor's attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes the Auditor to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to the Auditor's attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to the Auditor's attention that causes the Auditor to believe that such continuing connected transactions have exceeded the annual caps as set by the Company.

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which were required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

CONTRACTUAL ARRANGEMENTS

Reasons for Adopting the Contractual Arrangements

Because foreign investment in certain areas of the industry in which the Group currently operates is subject to restrictions under current PRC laws and regulations, the Company has determined that it was not viable for the Company to hold the Consolidated Affiliated Entities directly through equity ownership. Instead, the Company has decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements between WFOE, on the one hand, and the PRC Holdcos and the registered shareholders of the PRC Holdcos (the "**Registered Shareholders**"), on the other hand. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of the Group's operations, the Group has implemented the Contractual Arrangements with regards to the Consolidated Affiliated Entities.

Transfer of Equity Interests of Consolidated Affiliated Entities

Reference is made to the Interim Results Announcement. In order to allow for more efficient corporate management of the Group, and in conjunction with future development plans, the Company has implemented the Transfers (as defined below) in the following manner:

(a) the equity interests held by each of the registered shareholder(s) of Beijing Mufei, Beijing Hanyu, Huai'an Shuangxin, Beijing Murong, Beijing Qingque and Beijing Zhongbo Keyuan (together, the "**Certain Consolidated Affiliated Entities**") has been transferred to Huayi Huilong or Hangzhou Youqu (or their respective subsidiaries) (as the case may be), taking into account the similarity and/or synergies of the businesses as well as the locality of these entities (the "**Transfer 1**"). Upon completion of the Transfer 1, each of the Certain Consolidated Affiliated Entities has become a wholly-owned subsidiary of Huayi Huilong or Hangzhou Youqu (as the case may be); and

(b) Mr. YIN Xin, one of the existing registered shareholders of Beijing One Smile, has been transferred an additional 5.18% of the registered share capital held by Ms. HU Changjuan, the transferor, together with all rights and obligations of the transferor under the Contractual Arrangements (the "**Transfer 2**", together with Transfer 1, the "**Transfers**"). Mr. YIN Xin has entered into a restated and amended equity pledge agreement with WFOE and Beijing One Smile to pledge to WFOE his entire equity interests in Beijing One Smile. Upon completion of the Transfer 2, Beijing One Smile has been held as to (i) 32.32% by Mr. SU Hua, (ii) 29.24% by Mr. YANG Yuanxi, (iii) 25.86% by Mr. CHENG Yixiao, and (iv) 12.58% by Mr. YIN Xin.

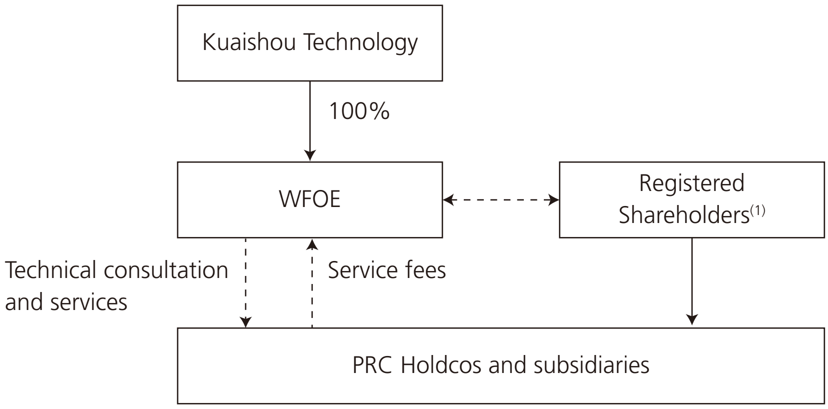
No new Contractual Arrangements have been or will be entered into involving the Certain Consolidated Affiliated Entities, Beijing One Smile, Huayi Huilong or Hangzhou Youqu. The Transfers did not result in any change to the Company's ownership or control in the relevant companies, and the economic interests of all those companies continued to be consolidated into the Group.

The Transfers reduced the number of the Contractual Arrangements as well as the individual registered shareholders involved, and led to improved operating efficiency in terms of decision making process and more centralized management of the Group.

At the time of the Listing, the Company had applied to the Stock Exchange for, and the Stock Exchange had granted to the Company, a waiver (the "**IPO Waiver**") in respect of continuing connected transactions in the form of the Contractual Arrangements, subject to certain conditions as set out therein.

The Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that upon the completion of the Transfers, the transactions contemplated under the Contractual Arrangements would continue to fall within the scope of the waiver from the requirements of Chapter 14A of the Listing Rules as set out in the IPO Waiver and are exempt from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject to the same conditions of the IPO Waiver. The Stock Exchange also confirmed that the Transfers are not considered as a change to the Contractual Arrangements as set forth in the IPO Waiver and therefore are not subject to the approval of the independent non-executive Directors or independent Shareholders.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to WFOE and the Company as stipulated under the Contractual Arrangements as of December 31, 2023:



Notes:

(1) As of the Latest Practicable Date, Registered Shareholders refer to the registered shareholders of the PRC Holdcos, namely (i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile and (iv) Shandong Yixiang. Among these Registered Shareholders, (i) SU Hua is the Company's co-founder, a Controlling Shareholder and an executive Director and holds the Shares through Reach Best; (ii) CHENG Yixiao is the Company's co-founder, a Controlling Shareholder and an executive Director and holds the Shares through Ke Yong; (iii) YIN Xin is the director of Beijing Kuaishou and holds the Shares through Fortune One; (v) YANG Yuanxi is the director of Beijing Kuaishou Ads and holds the Shares through Jovial Star; and (vi) the information of other Registered Shareholders of the PRC Holdcos is set forth below.

(2) Upon completion of the Transfers, the details of the shareholding structure of the PRC Holdcos and certain Consolidated Affiliated Entities as of the Latest Practicable Date are set out below:

(i) Hangzhou Youqu is owned by SU Hua as to 90% and PENG Xiaochun (a former employee of the Group) as to 10%.

(ii) Huayi Huilong is owned by YANG Yuanxi as to 90% and PENG Xiaochun (a former employee of the Group) as to 10%.

(iii) Beijing One Smile is owned by SU Hua as to 32.32%, YANG Yuanxi as to 29.24%, CHENG Yixiao as to 25.86% and YIN Xin as to 12.58%.

(iv) Shandong Yixiang is owned by JIAO Xiang (an employee of the Group) as to 50% and SUN Junyi (a former employee of the Group) as to 50%.

(v) Guizhou Fankuai, a former Consolidated Affiliated Entity of the Group, has been deregistered on December 20, 2023.

(vi) Guizhou Fanxin Lingzhi, a former Consolidated Affiliated Entity of the Group, has been deregistered on December 20, 2023.

(vii) Yunshitai Beijing, a former Consolidated Affiliated Entity of the Group, has been deregistered on August 2, 2023.

(3) "—>" denotes direct legal and beneficial ownership in the equity interest.

(4) "– –>" denotes contractual relationship.

(5) "– –" denotes the control by WFOE over the Registered Shareholders and the PRC Holdcos through (i) powers of attorney to exercise all shareholders' rights in the PRC Holdcos, (ii) exclusive options to acquire all or part of the equity interests in the PRC Holdcos and (iii) equity pledges over the equity interests in the PRC Holdcos.

The Consolidated Affiliated Entities are primarily engaged in the businesses of short video and live streaming, online games and online advertising facilitation business. The Consolidated Affiliated Entities contributed a significant portion of the Group's financial positions and results of operations. The revenue of the Consolidated Affiliated Entities amounted to RMB60.8 billion for the Reporting Period, representing approximately 53.6% of the total revenue of the Group. As of December 31, 2023, the total assets of the Consolidated Affiliated Entities amounted to RMB26.3 billion, representing approximately 24.7% of the total assets of the Group.

Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period, and none of the Contractual Arrangements had been unwound because none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. We had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

Summary of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements entered into by each of the WFOEs, the PRC Holdcos and the relevant Registered Shareholders is set out as follows:

Exclusive Technical Consultation and Service Agreements

Pursuant to the exclusive technical consultation and service agreements (the "**Exclusive Technical Consultation and Service Agreements**"), in exchange for service fees, the PRC Holdcos have agreed to engage WFOE as their respective exclusive provider of the following technical consultation and services:

(1) the research and development of technologies required by the PRC Holdcos' businesses, including the development, design and production of database software for business information, user interface software and other related technologies, and to grant them for the PRC Holdcos' use;

(2) the application and implementation of technologies relating to the operation of the PRC Holdcos' businesses, including but not limited to system design, system installation and debugging and system trial runs;

(3) the daily maintenance, monitoring, debugging and troubleshooting for the PRC Holdcos' computers and network software equipment (including information databases), including the timely entering users' information into the database, or timely updating the database, regularly updating the user interface and providing other related technical services according to other business information provided by the PRC Holdcos at any time;

(4) providing consultation services for the procurement of required equipment, software and hardware for the PRC Holdcos' network operations, including but not limited to utility software, applications and selection of technology platforms, system installation and testing, and advise on their complementary hardware facilities, equipment models and their respective performances;

(5) providing suitable training and technical support and assistance to employees of the PRC Holdcos, including but not limited to customer service and technological training, introduction to the installation and operation of systems and equipment, resolving problems that may arise during the installation and operation of systems and equipment, providing consultation and suggestions on online editing platforms and software, helping the PRC Holdcos collect and compile all kinds of information;

(6) providing technical consultations and solutions to technical questions raised by the PRC Holdcos in relation to network equipment, technical products and software; and

(7) other relevant services and consultation as required by the PRC Holdcos' businesses.

The service fees shall consist all of the total consolidated profit of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes, other statutory contributions, and any reasonable operating profits calculated based on the application of PRC tax law principles and tax practices. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of the PRC Holdcos, and the PRC Holdcos will accept any such adjustment. The WFOE will calculate the service fees on a monthly basis and issue a corresponding invoice to the PRC Holdcos. Notwithstanding the payment arrangements in the Exclusive Technical Consultation and Service Agreements, WFOE may adjust the payment time and method, and the PRC Holdcos will accept any such adjustment.

In addition, absent the prior written consent of WFOE, during the term of the Exclusive Technical Consultation and Service Agreements, with respect to the services subject to the Exclusive Technical Consultation and Service Agreements, the PRC Holdcos shall not accept the same or any similar consultation or services provided by any third party. The Exclusive Technical Consultation and Service Agreements also provide that WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Holdcos during the performance of the Exclusive Technical Consultation and Service Agreements.

Exclusive Option Agreements

Pursuant to the exclusive option agreements (the "**Exclusive Option Agreements**"), WFOE has the exclusive and irrevocable right to purchase, or to designate one or more persons/entities to purchase, from the Registered Shareholders of the PRC Holdcos all or any part of their equity interests in the PRC Holdcos and from the PRC Holdcos all or any part of the assets of the PRC Holdcos at any time in WFOE's absolute discretion in accordance with the provisions of the Exclusive Option Agreements and to the extent permitted by the PRC laws. The consideration in relation to purchasing shares from the Registered Shareholders of the PRC Holdcos shall be RMB1 or the lowest price as permitted by the applicable PRC laws. The consideration in relation to purchasing assets from the PRC Holdcos shall be the lowest price as permitted under the applicable PRC laws.

Equity Pledge Agreements

Pursuant to the equity pledge agreements (the "**Equity Pledge Agreements**"), the Registered Shareholders of the PRC Holdcos agreed to pledge all their respective equity interests in the PRC Holdcos that they own, including any interest or dividend paid for the shares, to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreements and any applicable PRC law, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders of the PRC Holdcos.

All the Equity Pledge Agreements in relation to the PRC Holdcos had been properly registered with competent authorities.

Shareholder Voting Rights Proxy Agreements

Under the shareholder voting rights proxy agreements (the "**Proxy Agreements**"), the Registered Shareholders of the PRC Holdcos irrevocably appointed WFOE and its designated persons (including but not limited to the directors of the holding companies of WFOE and their successors and the liquidators replacing such directors or successors) as their exclusive agent to exercise on their behalf, any and all rights that they have in respect of their equity interests in the PRC Holdcos.

Confirmation from the Registered Shareholders

Each of the Registered Shareholders has confirmed to the effect that (i) his/her interests do not fall within the scope of communal properties, and his/her spouse does not have the right to claim any interests in the respective PRC Holdcos (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the respective PRC Holdcos; and (ii) in the event of his/her death, disappearance, incapacity, divorce, marriage or any other event which causes his/her inability to exercise his/her rights as a shareholder of the respective PRC Holdcos, his/her successors (including his/her spouse) will not take any actions that would affect his/her obligations under the Contractual Arrangements.

Spouse Undertakings

The spouse of the relevant Registered Shareholders, where applicable, has signed amended and restated undertakings to the effect that (i) he/she has no right to or control over such interests of the respective registered shareholder and will not have any claim on such interests; (ii) confirms that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her; (iii) the respective spouse's interests in the PRC Holdcos (together with any interests therein) do not fall within the scope of communal properties; and (iv) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of the PRC Holdcos, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly performed.

PRC Foreign Investment Law

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**PRC Foreign Investment Law**" or "**FIL**") became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus a "negative list" with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The current negative list, namely, the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the "**2021 Negative List**"), sets out the industries in which foreign investments are prohibited or restricted. Generally, foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions and requirements stipulated in the 2021 Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the 2021 Negative List shall be treated equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations**") which became effective on January 1, 2020. The Implementation Regulations provide that foreign investments in prohibited sectors on the negative list are not allowed, while foreign investments in restricted sectors on the negative list shall comply with special administrative measures in respect of shareholding, senior management personnel and other matters stipulated under the negative list.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Haiwen & Partners, our PRC legal advisor confirmed that the FIL does not specify contractual arrangements as a form of foreign investment. In that regard, if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected.

Risks Relating to the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, including:

(1) if the PRC government determines that the agreements establishing the structure for operating our online businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Company's interest in our Consolidated Affiliated Entities;

(2) substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as "foreign investment" and how it may impact the viability of our current corporate structure and operations;

(3) the Group relies on the Contractual Arrangements for its operations in China, which may not be as effective in providing operational control as direct ownership. The PRC Holdcos and/or their Registered Shareholders may fail to perform their obligations under our Contractual Arrangements, which may result in us resorting to litigation to enforce the Group's rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation;

(4) as some of the Contractual Arrangements may not have fully detailed the parties' rights and obligations, the remedies for a breach of these arrangements may not be guaranteed;

(5) the Group may not be able to conduct its operations without the services provided by certain of its Consolidated Affiliated Entities;

(6) the Company may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

(7) the Registered Shareholders of the PRC Holdcos may have conflicts of interest with the Group, which may materially and adversely affect the Group's business;

(8) the Group conducts its business operations in China through the Consolidated Affiliated Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws and regulations;

(9) the Contractual Arrangements between Beijing Dajia and the PRC Holdcos may be subject to scrutiny by the PRC tax authorities and may subject the Group to increased income tax due to the different income tax rates applicable to Beijing Dajia and our PRC Holdcos. A finding that the Group owes additional taxes could negatively affect the Group's financial condition and the value of the Shareholders' investment;

(10) if the Company exercises the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs; and

(11) a transfer of shares in some of the Consolidated Affiliated Entities may trigger tax liability.

Further details of these risks are set out in "Risk Factors — Risks Related to our Corporate Structure" in the Prospectus.

Actions Taken by the Group to Mitigate the Risks relating to the Contractual Arrangements

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements:

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(3) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

(4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under certain Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. CHENG Yixiao and Mr. SU Hua, are connected persons of the Group.

In respect of these Contractual Arrangements constituting continuing connected transactions of the Company under the Listing Rules, the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Class B Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(1) no change to the Contractual Arrangements (including with respect to any fees payable to Beijing Dajia thereunder) will be made without the approval of the independent non-executive Directors;

(2) save as described in paragraph (4) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of the Company will, however, continue to be applicable;

(3) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(4) the Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expedience, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(5) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have reviewed the Contractual Arrangements outlined above, and confirmed that:

(1) the transactions under the Contractual Arrangements carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(2) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; and

(3) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements.

The Auditor has confirmed in a letter to the Board with respect to the Contractual Arrangements:

(1) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;

(2) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(3) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

Certain related party transactions as disclosed in Note 34 to the Consolidated Financial Statements in this annual report constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules and disclosed in this annual report.

AUDITOR AND AUDIT COMMITTEE'S REVIEW

Auditor

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period and there had been no change in auditor of the Company in the past three years. The accompanying financial statements prepared in accordance with IFRS Accounting Standards have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire at the forthcoming 2024 AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the 2024 AGM.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. The chairman of the Audit Committee is Mr. HUANG Sidney Xuande, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's audited Consolidated Financial Statements for the Reporting Period. 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 annual results for the Reporting Period have been prepared in accordance with IFRS Accounting Standards.

On behalf of the Board

Mr. CHENG Yixiao
Chairman

Hong Kong, March 20, 2024

Corporate Governance Report

The Board has hereby submitted its Corporate Governance Report for the Reporting Period to the Shareholders.

CORPORATE CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Group to deliver long-term sustainable performance and contribute to the development of the digital economy. The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission and Value.

The Board considers that the corporate culture and the strategy of the Group are aligned. During the Reporting Period, the Group continued to strengthen its cultural framework by focusing on the following:

- **Vision:** Be the most customer-obsessed company in the world.

- **Mission:** Help people discover their needs and use their talents in order to find their unique brand of happiness. We relentlessly focus on serving our customers and create value for them through continual innovation and optimization of our products and services. We seek to create a platform that is an authentic lens into the diverse and vibrant world we live in, enriching people's lives with interesting, useful, relevant and meaningful content. We believe everyone is unique and strives to empower them to express themselves, be appreciated, and discover what makes them happy.

- **Value:** Customer Obsession (痴迷客户), Pragmatic Innovation (創新務實), Highest Standards (最高標準), Ownership and Integrity (擔當敢為) and Authenticity and Clarity (坦誠清晰).

The Company sets and promotes corporate culture and expects and requires all employees to reinforce. It enhances employees experience through a variety of corporate cultural initiatives and encourages its employees to focus on value contributions during their daily work. All of the new employees are required to attend orientation and training programs so that they may better understand the corporate culture.

CORPORATE GOVERNANCE PRACTICES

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.

Save for the deviation from code provision C.2.1 as set out in Part 2 of the Corporate Governance Code, which is explained in the following paragraph, the Company has complied with all applicable code provisions as set out in Part 2 of the Corporate Governance Code during the Reporting Period.

The code provision C.2.1 as set out in Part 2 of the Corporate Governance Code stipulates that the responsibilities between the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. CHENG Yixiao has served as both the Chairman of the Board and the Chief Executive Officer since October 29, 2023, to ensure consistent leadership to advance long-term strategy, and allowing for further deepening the monetization capabilities and optimizing operating efficiency of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

The 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company (the "**Guidelines for Securities Dealings by Relevant Employees**") on terms no less exacting than the Model Code. No incident of non-compliance with the Guidelines for Securities Dealings by Relevant Employees by the employees has been noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. CHENG Yixiao (程一笑) *(Chairman of the Board and Chief Executive Officer)*
Mr. SU Hua (宿華)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
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)
Prof. XIAO Xing (肖星)

The biographical information of the Directors is set out in the section headed "Report of the Board of Directors — Biographical Details and Other Information of the Directors" of this annual report. To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

On May 15, 2023, Mr. WANG Huiwen was re-designated from an independent non-executive Director to a non-executive Director, which then resulted in that the Board did not meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board). Pursuant to Rules 3.11 and 3.27 of the Listing Rules, the Company was required to fill the vacancy of independent non-executive Director and comply with the composition requirements of the relevant Board committees within three months from May 15, 2023. Due to the certain reporting and approval requirements, longer-than-expected time was needed for Prof. XIAO Xing to accept the appointment as the independent non-executive Director from the Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted the approval for an extension of the grace period under Rules 3.11 and 3.27 of the Listing Rules to September 15, 2023. On September 13, 2023, the Company appointed Prof. XIAO Xing as an independent non-executive Director with effect from the same day. Following the appointment of Prof. XIAO Xing, the Company re-complied with relevant Listing Rules in relation to the number of independent non-executive Directors and the composition requirements of relevant Board committees. For details, please refer to the announcements of the Company dated May 15, 2023 and September 13, 2023, respectively.

Save as disclosed above, during the Reporting Period and up to the Latest Practicable Date, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the Chief Executive Officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 as set out in Part 2 of the Corporate Governance Code, the responsibilities between the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. CHENG has served as both the Chairman and the Chief Executive Officer since October 29, 2023. Although such practice deviates from code provision C.2.1 as set out in Part 2 of the Corporate Governance Code, the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person has the benefit of ensuring consistent leadership to advance long-term strategy, and allowing for further deepening the monetization capabilities and optimizing operating efficiency of the Group.

In addition, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively, given that (i) decisions to be made by the Board requires approval by at least a majority of the Directors; (ii) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he/she acts for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of two executive Directors, four non-executive Directors and three independent non-executive Directors and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management levels.

Therefore, the Board considers that the deviation from the code provision C.2.1 as set out in Part 2 of the Corporate Governance Code is appropriate in such circumstance. 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.

Appointment and Re-election of Directors

According to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first annual general meeting of the Company after his/her appointment. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. All retiring Directors shall be eligible for re-election.

Each Director (including the non-executive Directors and independent non-executive Directors) is engaged for a term of three years. They are subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The newly appointed Directors were also provided with a detailed induction to the Group's businesses by senior management.

Pursuant to code provision C.1.4 as set out in Part 2 of the Corporate Governance Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors.

The training received by the Directors throughout the Reporting Period is summarized below:

Name of Director	**Participated in continuous professional development[(1)]**
Executive Directors	
Mr. CHENG Yixiao	√
Mr. SU Hua	√
Non-executive Directors	
Mr. LI Zhaohui	√
Mr. ZHANG Fei	√
Mr. LIN Frank	√
Mr. WANG Huiwen	√
Dr. SHEN Dou *(resigned with effect from September 13, 2023)*	√
Independent Non-executive Directors	
Mr. HUANG Sidney Xuande	√
Mr. MA Yin	√
Prof. XIAO Xing[(2)]	√

Notes:

(1) attended training/seminar/conference arranged by the Company or other external parties or read relevant materials

(2) Prof. XIAO Xing was appointed as an independent non-executive Director with effect from September 13, 2023. She had obtained a training from the Hong Kong legal advisor of the Company, in relation to the legal advice regarding the requirements under the Listing Rules on September 13, 2023. She has confirmed that she understood her obligations as a Director.

Board Activities

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board committees members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the Reporting Period, the Board convened nine Board meetings, four Audit Committee meetings, three Corporate Governance Committee meetings, four Remuneration Committee meetings, four Nomination Committee meetings and one annual general meeting. The attendance records of each Director at the above meetings are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Corporate Governance Committee**	**General Meeting of Shareholders**
Mr. CHENG Yixiao	9/9	—	4/4	—	—	1/1
Mr. SU Hua	8/9	—	—	3/4	—	1/1
Mr. LI Zhaohui	9/9	—	—	4/4	—	1/1
Mr. ZHANG Fei	9/9	—	4/4	—	—	1/1
Dr. SHEN Dou(1)	6/7	—	—	—	—	1/1
Mr. LIN Frank	9/9	—	—	—	—	1/1
Mr. WANG Huiwen(2)	8/9	2/3	2/2	2/3	1/1	1/1
Mr. HUANG Sidney Xuande	9/9	4/4	4/4	4/4	3/3	1/1
Mr. MA Yin	8/9	4/4	4/4	4/4	3/3	1/1
Prof. XIAO Xing(3)	2/2	1/1	1/1	—	1/1	—

Notes:

(1) Dr. SHEN Dou resigned as a non-executive Director with effect from September 13, 2023. During the period from January 1, 2023 up to his resignation, seven Board meetings and one annual general meeting were held.

(2) Mr. WANG Huiwen was re-designated from an independent non-executive Director to a non-executive Director with effect from May 15, 2023. Following his re-designation, he ceased to be (i) the chairman and a member of each of the Nomination Committee and Corporate Governance Committee and a member of the Remuneration Committee with effect from May 15, 2023, and (ii) a member of the Audit Committee with effect from September 13, 2023. During the period from January 1, 2023 up to his respective resignation dates from the relevant Board committees, three Audit Committee meetings, two Nomination Committee meetings, three Remuneration Committee meetings and one Corporate Governance Committee meeting were held.

(3) Prof. XIAO Xing was appointed as an independent non-executive Director with effect from September 13, 2023. During the period from her appointment up to December 31, 2023, two Board meetings, one Audit Committee meeting, one Nomination Committee meeting and one Corporate Governance Committee meeting were held.

In addition, Mr. SU Hua, before his resignation as the Chairman of the Board, held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

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 controls systems of the Group, to review connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. 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.

None of the members of the Audit Committee is a former partner of the Company's existing Auditor, PricewaterhouseCoopers.

During the Reporting Period, the Audit Committee has held four meetings, in which the Audit Committee has performed the following major tasks:

- reviewed the audited annual results and annual report of the Group for the year ended December 31, 2022;
- reviewed the 2023 interim results announcement and interim report of the Group;
- reviewed the Company's quarterly results announcements for the first quarter ended March 31, 2023 and the third quarter ended September 30, 2023, respectively;
- reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, financial reporting and internal audit function;
- reviewed the continuing connected transactions of the Group;
- reviewed the risk management and internal control systems of the Group;
- reviewed the Auditor's independence and terms of engagement for the year ending December 31, 2023, and made recommendations on the re-appointment of the Auditor;
- approved the Auditor's remuneration for the year ending December 31, 2023; and
- reviewed quarterly for the non-audit services conducted by the Auditor.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee was satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended the re-appointment of the Auditor.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee are to review the Board composition, to make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, and to assess the independence of independent non-executive Directors. The Nomination Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. CHENG Yixiao, Mr. ZHANG Fei, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. Mr. MA Yin is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee has held four meetings, in which the Nomination Committee has performed the following major tasks:

- reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group;
- recommended the re-election of the retiring Directors at the forthcoming annual general meeting;
- recommended on the re-designation of an independent non-executive Director and composition of relevant Board committees;
- recommended on the appointment of an independent non-executive Director to fill a casual vacancy of the Board;
- recommended on the change of chairman of the Board and authorized representative of the Company;
- assessed the independence of all the independent non-executive Directors;
- reviewed the implementation and effectiveness of the Board Diversity Policy (as defined below); and
- reviewed the implementation and effectiveness of the directors nomination policy.

Diversity

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. The Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

The Nomination Committee is responsible for reviewing the diversity of the Board. It will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective.

Following the appointment of Prof. XIAO Xing as an independent non-executive Director, the Board has achieved its goal to have at least one female Director in the Board. The Board also has achieved gender diversity and thus fulfills the requirement under Rule 13.92 of the Listing Rules. The Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The Company plans to offer all-rounded trainings to female employees whom we consider having the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Company is of the view that such strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in the future with an aim to providing the Board with a pipeline of female candidates to achieve gender diversity in the Board in the long run.

Diversity of Employees

The Company strives to enhance gender diversity of staff and management to create a fair, diverse and inclusive workplace. As of December 31, 2023, the gender ratio of the Group's workforce (including the Company's senior management) was approximately 55.7% male to 44.3% female (2022: 56.2% male to 43.8% female). To achieve the goal of improving fairness and create more opportunities for female employees, the Group has put in place recruitment and hiring, training and promotion measures such that a diver range of candidates are considered. The Group also provides physical and mental health, care and benefits, safe workplace environment and communication channels to empower our female employees. During the Reporting Period, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the Group's workforce (including senior management) more challenging or less relevant.

More details of the Group's diversity practices for employees are set forth in the section headed "Environmental, Social and Governance Report" of this annual report.

Mechanism Regarding Independent Views to the Board

The Board has implemented different ways to ensure independent views and input are available to the Board. The implementation and effectiveness of such mechanism was reviewed on an annual basis. The Board considers that such mechanism has been implemented properly and effectively.

The mechanism is disclosed below:

Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to the Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

Independent Assessment in Nomination Practices

The Company has nomination policy for election of Directors. Such policy, devising the criteria and procedures of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors (including the independent non-executive Directors) of the Company. The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure they can continually exercise independent judgment.

The Board believes that the defined selection process is good for corporate governance in serving the Board continuity and appropriate leadership at Board level, enhancing Board effectiveness and diversity, and ensuring independent views and input are available to the Board.

Compensation

No equity-based remuneration with performance-related elements has been granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

Board Decision Making

The Directors (including independent non-executive Directors), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to establish a formal and transparent procedure for developing policy to review the terms of incentive schemes and directors' service contracts. The Remuneration Committee comprises one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. SU Hua, Mr. LI Zhaohui, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. Mr. HUANG Sidney Xuande is the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee has held four meetings, in which the Remuneration Committee has performed the following major task:

- reviewed and recommended on the amendment of terms of reference of the Remuneration Committee;
- reviewed and recommended on the remuneration policy and the remuneration packages of the Directors and senior management of the Company;
- reviewed and recommended on the execution of the appointment letters with the Directors;
- reviewed and recommended on the grant of options to a Director under Chapter 17 of the Listing Rules;
- reviewed and recommended on the adoption of the 2023 Share Incentive Scheme; and
- reviewed and obtained independent professional advice from a consulting firm on the structure and design of remuneration mechanisms.

On February 20, 2023, the Remuneration Committee reviewed and recommended the adoption of the 2023 Share Incentive Scheme. After due and careful consideration of its purposes and terms, the Remuneration Committee was of the view that (i) the 2023 Share Incentive Scheme was in line with the Company's business needs and industry norms, and (ii) it was appropriate to allow a vesting period of less than 12 months for the Awards granted to the Directors and/or senior management under certain specific circumstances, as it was in line with the market practice and purpose of the scheme. The 2023 Share Incentive Scheme was approved by the Shareholders on June 16, 2023. For further details, please refer to the circular of the Company dated April 28, 2023.

Pursuant to code provision E.1.5 as set out in Part 2 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management during the Reporting Period and up to December 31, 2023, including those members of senior management who are also the executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of individuals
HK$0 to HK$20,000,000	4
> HK$20,000,000	2

Further details of the remuneration of Directors for the Reporting Period are set out in Note 10(b) to the Consolidated Financial Statements in this annual report.

Corporate Governance Committee

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company. The Corporate Governance Committee comprises three independent non-executive Directors, namely, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. Mr. MA Yin is the chairman of the Corporate Governance Committee.

During the Reporting Period, the Corporate Governance Committee has held three meetings, in which the Corporate Governance Committee has performed the following major tasks:

- reviewed the Company's compliance with laws, regulations and the Corporate Governance Code, and the disclosure in the Corporate Governance Report;
- reviewed the deviation from the code provisions of the Corporate Governance Code, and considered reasons and explanation in respect of the deviation;
- reviewed the written confirmation provided by the WVR Beneficiaries that they have been members of the Company's Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year; and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- reviewed and monitored the management of conflicts of interests between the Company, its subsidiaries or Consolidated Affiliated Entities and/or the Shareholders on one hand and any WVR Beneficiaries or Controlling Shareholders 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 of the compliance advisor;
- reviewed the implementation and effectiveness of the shareholders' communication policy;
- reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's ESG related matters;
- reviewed work performance and work plan of ESG team and the Company's ESG strategy and provided guidance and supervision to the ESG team; and
- reviewed the Company's compliance with the *ESG Reporting Guide* and disclosure in the 2022 Environmental, Social and Governance Report.

In particular, the Corporate Governance Committee has confirmed to the Board that it was of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interests 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, 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 during the Reporting Period. As a result, the Corporate Governance Committee recommended that the Board retain the services of compliance advisor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems.

The management considers it is important to establish and continue to improve its risk management and internal control systems, and has strengthened internal control, internal audit, compliance and forensic functions of the Company during the Reporting Period. The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Organization Principles

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the "Three Lines of Defense" model as an official organizational structure for risk management and internal control.

The First Line of Defense — Management and Operation

The first line of defense is mainly implemented by the business departments of the Company which are responsible for the day-to-day operations, and they are responsible for designing and implementing control measures to address the risks.

The Second Line of Defense — Risk Management, Internal Control and Other Functions

The second line of defense is mainly implemented by, among others, the internal control team, finance department, legal department, information security center, efficiency engineering department and other departments with similar functions. This line of defense is responsible for formulating policies related to management of operations, finance, compliance and litigation, information security and internal controls of the Company, and for planning and establishing an integrated risk control system. For ensuring effective implementation of such systems, this line of defense also assists and supervises the first line of defense in the establishment and improvement of risk management and internal control systems.

The Third Line of Defense — Internal Audit and Forensic

The third line of defense is mainly implemented by the internal audit and forensic teams, which hold a high degree of independence. The internal audit team provides an evaluation on the effectiveness of the Company's risk management and internal control systems, and monitors management's continuous improvement over these areas. The forensic team is responsible for receiving whistle-blowing reports and investigating alleged fraudulent incidents.

Risk Management Process

The Company has established a risk management system (including the "Three Lines of Defense" internal monitoring model as detailed above) which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes.

All business and functional departments of the Company are responsible for conducting internal control assessment regularly to identify risks that may potentially impact the business of the Group.

The internal audit department is responsible for performing independent review of the effectiveness and adequacy of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management, has reviewed the report from the management and findings from the internal audit, and reviewed the risk management and internal control systems, including the financial, operational and compliance controls. The annual review also covered areas on the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, financial reporting and internal audit functions.

The Board considered the risk management and internal control systems of the Company during the Reporting Period were effective and adequate.

Proper internal control procedures and guidelines are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations. Access to inside information is at all times confined to relevant personnel (i.e. Company's Directors, senior management and relevant employees) and on "as needed" basis until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Company's Directors, senior management and relevant employees in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognize their obligations to maintain the information confidential.

Significant Risks of the Company

As the complexity of the Company's business increases and the external environment continues to evolve, the Company could face various risks, including ESG risks, among others. Through risk management analysis and evaluation, the management has identified that the five significant risks disclosed in 2022 remained the same in 2023. Among the five significant risks, there is a slight increase in reputation risk and a weak decrease in information security and privacy risk, while the other risk levels are mostly unchanged and the overall ranking of major risks remains the same.

Below is a summary of the significant risks of the Company along with the applicable response strategies. With the growth of the Company's business scale, scope, complexity and the changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Market Competition and Innovation Risk

The Company faces intense competition from other internet companies in China in several major aspects of its business, particularly in live streaming, online marketing services, e-commerce and other sectors. Some of the Company's competitors may have longer operating histories and greater financial, technical and marketing resources than it does or have an advantage in attracting and retaining users and business partners. In addition, the Company's competitors may have larger user bases or more established brand names than it does and therefore would be able to more effectively leverage their user bases and brand names to provide live streaming, online marketing services, e-commerce and other products and services.

The management of the Company closely monitors the market competition, and shares relevant information and their insights and judgments on the market competition in real time.

The Company continues to (i) enrich and improve the quality and diversity of its content offerings on its platform in order to attract and retain a broad user base, (ii) improve the experience of its users and business partners through improved functionalities and services, (iii) further expand user reach and enhance user engagement through online and offline marketing and promotional activities, and (iv) develop and expand its product and service offerings to fulfill evolving user needs that naturally arise from its ecosystem.

Meanwhile, the Company has been committed to strengthening its research and development and technological capabilities, including to: invest in technologies to reinforce its advanced technological capabilities in areas such as AI and big data and continuously upgrade and scale the IT infrastructure, including data centers and cloud computing bandwidth, to support its growing ecosystem as well as product and service offerings.

Information Security and Privacy Risk

The protection of users' personal data and other privacy-related information is critical to the Company's business. Any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, and even leading to potential legal action against the Company.

The information security committee is responsible for devising information security strategies and decision-making regarding major information security issues. The Company has also set up a data security team which works closely with its legal department to jointly establish and enforce procedures regarding the management of data security. The Company's dedicated privacy protection team is formed by the security group of its information security center and other departments including legal, government relations, and public relations departments, and analyzes industry trends, designs privacy protection protocols, conducts privacy trainings, assists in the formulation of feasible compliance work assessments and provides relevant risk control suggestions.

The Company has implemented a data security management protocol that sets out policies for data-related operations within the Company, including the collection, transmission, storage, sharing, destruction, backup and recovery of data. Its data security policies include mechanisms for user privacy protection, data classification, monitoring, emergency response and management of third-parties.

Meanwhile, the Company has developed its internal policies and procedures with the goal of meeting industry standards and good practice.

Compliance Risk

Given that the internet business is highly regulated in China, intensified government regulation of the short video, live streaming and e-commerce industries in China could restrict the Company's ability to maintain or increase its user base or the user traffic to its platform. As the short video, live streaming and e-commerce sectors in China are still evolving rapidly, new laws and regulations may be adopted from time to time to address new issues that come to the regulatory authorities' attention and additional licenses and permits other than those the Company currently has may be required.

The Company has several professional departments and teams that work closely with management of business groups and identify changes in any relevant laws and regulations, so as to take appropriate actions or measures to ensure the Company is in compliance with applicable laws and regulations.

Fraud Risk

In light of the rapid development of the internet industry, fraud cases have occurred frequently outside and within the industry and have caused harm to the internet industry as a whole. Fraudulent activities engaged by business partners, employees or third parties may exert a negative impact on the operations, finance and reputation of the Company.

The Company consistently adheres to its fundamental value of integrity, combats fraud and has zero tolerance for it. The Company has established effective internal control systems and continuously optimizes such systems to identify and mitigate fraud risk. The Company conducts comprehensive and thorough investigation on any potential fraudulent conduct. Any fraudulent conduct will be dealt with strictly in accordance with the relevant rules and regulations of the Company. Cases involving breaches of national laws and regulations will be immediately transferred to judicial departments. Meanwhile, the Company combats the illegal internet industry together with the police force and promotes the establishment of the Trust and Integrity Enterprise Alliance together with other members of the internet industry to combat internet fraudulent behaviors, and to build a healthy, orderly and civilized internet ecosystem through technological cooperation and information sharing.

Reputation Risk

The Company processes a large number of transactions on a daily basis on its platform. With continuous expansion of its overall business scope, heightened public concerns over consumer protection and consumer safety issues, the Company may be subject to additional legal and social responsibilities and more impacts of negative publicity and regulatory concerns over these issues. If the Company does not pay sufficient attention to public opinion or if any incident or crisis arises but is not dealt with in a timely manner, its reputation, brand and image will be affected.

An effective risk and crisis management mechanism has been established to continuously minimize risks and potential crisis in the Company's ongoing business procedures or information system through a series of evaluations and analysis with an aim to optimize its management system, upgrade its risk management and continuously reduce the Company's exposure to potential crisis. In addition, the Company's public relations department maintains close connections and interactions with other operation departments and related functional units, proactively responds to societal concerns and deals with crisis in a lawful and reasonable manner and protects the Company's reputation in accordance with established policies and working procedures.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Reporting Period.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board necessary explanation and information to enable the Board to make an informed assessment of the financial information and position of the Company, which are put forward to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the Auditor about their reporting responsibilities on the Consolidated Financial Statements is set out under the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group for the Reporting Period is analyzed below. The remuneration for the audit services includes the service fees in connection with audit and reviews of the Group. The non-audit services conducted by the Auditor mainly include professional services on tax advisory and other consultation services.

Type of services provided by the Auditor	**Amount** *(RMB'Million)*
Audit services	30
Non-audit services	12
Total	42

JOINT COMPANY SECRETARIES

Mr. JIA Hongyi, has resigned from his role as the joint company secretary of the Company with effect from February 20, 2023. Mr. ZHAO Huaxia Matthew has been appointed as our joint company secretary with effect from February 20, 2023. For details, please refer to the announcement of the Company dated February 20, 2023.

Mr. ZHAO Huaxia Matthew, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Ms. SO Ka Man of Tricor Services Limited, an external service provider, has been engaged by the Company as the other joint company secretary to assist Mr. ZHAO Huaxia Matthew to discharge his duties as the joint company secretary of the Company. The primary contact person at the Company is Mr. ZHAO Huaxia Matthew.

For the Reporting Period, the joint company secretaries of the Company took not less than 15 hours of relevant professional training respectively, in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has in place a shareholders' communication policy to ensure that the Shareholders' views and concerns are appropriately addressed. The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an opportunity for communication between the Directors, senior management and the Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, in their absence, other members of the respective committees, are available to answer questions at general meetings. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. The annual general meeting shall be called by not less than 21 days' notice to Shareholders in writing and any extraordinary general meeting shall be called by not less than 14 days' notice to Shareholders in writing.

The Company will publish in a timely manner both English and Chinese versions of (i) any corporate communication (as defined in the Listing Rules) of the Company that requires Shareholders' attention or action, and (ii) announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving inside information, corporate actions and corporate transactions).

The Company maintains a website at ir.kuaishou.com as a communication platform with the Shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board of Directors, as follows:

Address: 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Email: ir@kuaishou.com/kuaishou@tpg-ir.com

The Company continues to enhance communications and relationships with the Shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from the Shareholders and investors are dealt with in an informative and timely manner.

The Company ensures that the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

The Corporate Governance Committee has reviewed the implementation and effectiveness of the shareholders' communication policy during the Reporting Period, and in view of the above measures put in place, it considered the policy was effective in maintaining communication with the Shareholders.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.kuaishou.com) and the Stock Exchange (www.hkexnews.hk) after each Shareholders' meeting.

Pursuant to the Articles of Association, extraordinary general meetings shall be convened on the written requisition of any one or more Shareholders holding, as of the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. A written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company specifying the objects of the meeting and signed by the requisitionist(s) for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within three months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Companies Act. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company (www.kuaishou.com).

SIGNIFICANT CHANGES TO CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company has amended its Memorandum and Articles of Association. Details of the amendments are set out in the circular of the Company dated April 28, 2023 to the Shareholders. Save for the aforementioned changes, there was no other changes to the Memorandum and Articles of Association of the Company during the Reporting Period.

The current effective Memorandum and Articles of Association is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com).

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the fourth environmental, social and governance ("**ESG**") report (the "**Report**") published by the Company to communicate with stakeholders on the Group's ESG philosophy, initiatives and performance, and to respond to stakeholders' requirements.

Reporting Period

Unless otherwise specified, the Report covers the Group's performance on ESG matters during the Reporting Period.

Reporting Boundary

Unless otherwise specified, the Report covers all subsidiaries and Consolidated Affiliated Entities within the Group.

Sources of Data

Unless otherwise specified, the information disclosed in the Report is derived from the Group's internal official documents and filing reports, internal statistics and relevant official, publicly available information and records.

Basis of Preparation

The Report has been prepared with reference to the *ESG Reporting Guide* and in accordance with "materiality", "quantitative", "balance" and "consistency" principles set out in the *ESG Reporting Guide*.

- Principle of materiality: Through materiality assessment, we identify and evaluate the ESG issues that are important to our business and internal and external stakeholders. The Report mainly contains disclosures that align with the results of the materiality assessment. Please refer to the sub-section headed "Materiality Analysis" in the Report for further details regarding the process of materiality assessment.

- Principle of quantitative: We have disclosed the quantitative KPIs and set up quantitative performance targets where appropriate. The quantification standards, methodologies, assumptions and/or calculation tools for KPIs and source of conversion factors used in the Report are explained in the corresponding sub-sections (where applicable).

- Principle of balance: The Report aims to provide a balanced presentation of the Group's ESG efforts in various aspects, including environment, employees, product responsibility and community.

- Principle of consistency: The preparation of the Report is consistent with that of the previous years. Changes in report preparation that may have a meaningful impact on the Report's comparability with reports from previous years are explained in the corresponding sub-sections.

STATEMENT FROM THE BOARD

The Board is committed to establishing a comprehensive ESG management system, strengthening ESG governance, and continuously promoting its sustainable growth. As the highest decision-making body for the Group's ESG initiatives, the Board oversees the implementation of ESG-related matters through regular coordination of ESG related works, identification of key ESG risks and opportunities, and enhancement of its ESG capabilities. Under the authorization of the Board, an ESG Working Group has been set up under the Corporate Governance Committee. This Working Group is responsible for coordinating and communicating with individuals responsible for ESG matters across various business departments to ensure the effective implementation of ESG-related initiatives.

The Board endeavors to integrate ESG responsibility principles with its business strategies, so as to refine its ESG governance system. In addition, in pursuit of the Company's sustainable development, it strives to maintain transparent, open, timely and effective communication with all stakeholders, identify and evaluate important ESG issues, and discuss and review such issues during the meetings of the Corporate Governance Committee. Based on the broader macro-environment and Kuaishou's growth strategy, the Corporate Governance Committee discusses and considers the Company's ESG risks and opportunities and provides an annual summation of important ESG management matters and projects. Kuaishou has established environmental objectives for its various business operations, and the Board is responsible for continuous supervision and regular review of the progress of such objectives. In 2023, we participated in the CDP questionnaire for the first time, as part of our ongoing efforts to meet the expectations and concerns of our stakeholders.

The Report detailed the progress and achievements of Kuaishou's ESG management in 2023, which complied with all applicable "comply or explain" provisions as set out in Part C of the *ESG Reporting Guide*. In accordance with the terms of reference of the Corporate Governance Committee, the Board authorized the Corporate Governance Committee as the specialized committee to supervise ESG management. The Corporate Governance Committee reviewed and approved the Report on March 20, 2024. Looking ahead, Kuaishou is committed to further advancing our ESG initiatives, enhancing the regulation and standardization of our information disclosure, and facilitating the sustainable development of the Company.

ESG KEY PERFORMANCE

Green Operation

In 2023, Kuaishou's self-built data center was certified by UPTIME M&O (Management and Operations). Certain leased data centers received the Level III Enterprise for Work Safety Standardization Certificate and were certified by UPTIME M&O and China Quality Certification Center (CQC).

In 2023, Kuaishou's Ulanqab data center used approximately **30,398** MWh of renewable energy.

In 2023, **2,997** electronic devices were repurchased by employees through "Used Electronic Device Repurchase" program.

Privacy Protection and Data Security

In 2023, the information security management system certifications including ISO 27001 information security management system, ISO 27701 privacy information management system and ISO 27017 cloud service information security management system that we already obtained, covered **100%** of our business lines.

In 2023, Kuaishou organized a number of data security and privacy protection trainings to all employees (including new employees, as well as dispatched labor and interns). The number of participants was **20,000+**. In respect of trainings for departments, the number of participants was **3,000+**. In respect of trainings for partners, including contractors and suppliers, the number of participants accumulated to **500+**.

Intellectual Property Rights Protection

As of December 31, 2023, Kuaishou filed **11,651** patent applications domestically and abroad and has been granted **4,517** patents. We have obtained **9,808** domestic and foreign registered trademarks and **6,240** copyright registrations.

Platform Responsibilities

In 2023, Kuaishou led and participated in **133** international, national, industry and group standards setting in the fields of personal information protection, data security, anti-phone scam, protection of minors, and artificial intelligence, etc., with **31** standards that Kuaishou participated being published.

In 2023, we garnered feedback from **290,000+** users, achieving an **85%** annual comprehensive satisfaction rate across all channels and a **94%** satisfaction rate with human customer service by phone.

Employees' Development

In 2023, Kuaishou appointed **1** female independent non-executive Director, contributing to improved Board diversity.

As of December 31, 2023, Kuaishou had full-time employees from **14** countries and **35** ethnic groups, and nearly **7.9%** were from China's ethnic minority groups. Female employees accounted for **44.3%** of all employees.

As of December 31, 2023, approximately **30%** to **40%** of Kuaishou's employees were entitled to equity incentives.

As of December 31, 2023, the annual comprehensive average value of eNPS (Employee Net Promoter Score) at each critical milestone of the employee journey grew by **4.1%** compared to 2022, and the highest annual single value (onboarding handling) grew by **7.9%**.

Kuaishou Middle School offers a wide range of themed courses including technology research and development, product operations, management skills, general skills, essential courses for new talents, engagement encyclopedia, and other topics, available to **100%** employees. As of December 31, 2023, there were a total of **4,816** courses on Kuaishou Middle School.

As of December 31, 2023, more than **4,166** employees nationwide have received their "First Aiders" certificates through training. The activity included **91** first-aid training sessions covering **14** cities.

Business Ethics

In 2023, a total of **27,212** new employees participated in online training, achieving a training coverage of **100%**. The Company's Directors received an annual anti-corruption training.

In 2023, we signed the *Integrity Commitment Letter* with **4,928** suppliers.

Supply Chain Management

As of December 31, 2023, there were **6,141** suppliers from around the world on Kuaishou's supplier list, including **5,990** suppliers from China (including Hong Kong SAR, Macau SAR and Taiwan) and **151** overseas suppliers.

Social Responsibility

In 2023, Kuaishou donated approximately RMB**27.3 million** through our public welfare projects, and dedicated **35,566** hours to public welfare projects.

ESG GOVERNANCE

In order to further strengthen our ESG governance system, Kuaishou has established a three-tier ESG governance structure, comprising the "governance level", "management level", and "execution level". This structure is designed to continuously enhance the ESG performance of the Company.

Governance level	The Board is the highest governing body for ESG management. The Corporate Governance Committee, authorized by the Board, serves as the highest decision-making body responsible for overseeing the Company's ESG management. It regularly reviews the outlooks, strategies, policies and practices regarding ESG matters as well as the achievement of ESG goals, and reports to the Board on the progress and results of the ESG-related issues.
Management level	The ESG Working Group, as the management body for ESG matters under the Corporate Governance Committee, is responsible for coordinating the implementation of ESG practices in various departments, reviewing the achievement of ESG goals, and providing resources and support to ensure the effective development of ESG tasks.
Execution level	The constituent departments of the ESG Working Group are responsible for cooperating with the ESG Working Group to execute ESG tasks, regularly report the outcomes to the ESG Working Group, and propose work plans and goals for the next stage.

Kuaishou's ESG Governance Structure

To further integrate the ESG concept into the Company's management, Kuaishou has continually enhanced its incentive mechanisms by linking ESG efforts with the rewards of employees in relevant departments. This effectively promotes the integration of ESG into every operational aspect of the Company.

To promote the ESG awareness and performance of employees, the Company has been strengthening its capacity for ESG initiatives. In 2023, we conducted specialized training on the disclosure framework and content of the Task Force on Climate-related Financial Disclosures (TCFD) under the ESG Working Group. This provided the Working Group with a systematic understanding of ways to identify potential climate-related risks, establish appropriate climate mitigation and management actions, and address risks better while seizing opportunities.

To enhance the Board diversity and provide varied perspectives and values for the Company's strategies, we assess the diversity of the Board and its committees annually. This evaluation covers factors including gender, age, culture, educational background, and industry experience. Our current Directors bring extensive experience in various fields such as internet, finance, treasury and academic, contributing to a well-rounded professional structure that benefits the Company's overall ESG governance. In strict compliance with the Listing Rules and the Articles of Association, we have established independent director positions to maintain a necessary balance for the effective functioning of the Board. This ensures that the Board's leadership remains independent from management. As of the end of the Reporting Period, the Board consisted of 2 executive Directors, 4 non-executive Directors, and 3 independent non-executive Directors. In September 2023, Kuaishou appointed a female professor with a doctoral degree as an independent non-executive Director, introducing diverse perspectives and viewpoints to the decision-making of the Board. For further information about the Company's corporate governance and risk management in 2023, please refer to the section headed "Corporate Governance Report" of this annual report.

COMMUNICATION WITH STAKEHOLDERS

Kuaishou respects the demands of stakeholders and continues to improve the mechanisms for stakeholder participation based on the principles of integrity, interaction, equality and transparency. We regularly engage in communication and exchanges with stakeholders. Efforts have also been made to actively expand communication channels and maintain close contact with major stakeholders such as users, employees, Shareholders and investors, suppliers/partners, government and regulatory bodies, media and non-governmental organizations and communities. A wide variety of communication channels have also been established. As part of our efforts to build long-term and close relationships with stakeholders, Kuaishou has incorporated their opinions into shaping a sustainable development blueprint for the Company, aimed at formulating comprehensive and feasible development strategies. The table below identifies our major stakeholders along with their expectations and requirements, as well as channels of communication and response:

Stakeholders	Expectations and Requirements	Communication and Responses
Users	• Good user experience with products • A healthy Internet environment • Continuous improvement of product and service quality • Emphasis on customer communication and feedback • Commitment to the protection of minors	• Developing new technology and improving products to meet user needs • Fostering a healthy community ecosystem • Protecting user privacy • Carrying out theme-based activities to communicate with users • Continuously optimize features and technologies for the protection of minors
Employees	• Comprehensive protection of rights and interests • Compensation, welfare and employee care • Providing training with objective and fair career development opportunities • Corporate culture embracing diversity • Creating good working environment • Employee communication	• Establishing an employee protection system • Providing professional development training and coaching for employees • Carrying out employee-care activities • Improving the working environment • Providing employee feedback channels
Shareholders and investors	• Compliant operations • Timely, accurate and transparent corporate information disclosure • Stable operations and reasonable return on investment	• Announcing financial results and other business information in an open, transparent and timely manner • Holding Shareholders' general meetings and investor meetings regularly to communicate with Shareholders and investors • Giving prompt reply to the enquiries of Shareholders and investors
Suppliers/partners	• Long-term and in-depth cooperation • Timely access to information • Mutual support and growth	• Promoting compliant and valuable cooperation • Carrying out regular supplier surveys and interviews to strengthen communication and exchange

Stakeholders	Expectations and Requirements	Communication and Responses
Government and regulatory bodies	• Compliance with laws and regulations • Paying taxes in accordance with law • Helping the government improve social issues (underprivileged groups etc.)	• Boosting the local economy, promoting rural economic development and supporting rural revitalization • Assisting the operations of government social media accounts to spread positive impact • Collaborating on projects to help government bodies fix social issues • Resolutely opposing money laundering, corruption, monopolistic practices and unfair competition
Media and NGOs	• Open and transparent information • Active cooperation • Innovative forms of charity activities • Facilitating charity promotions	• Active involvement in media communication • Cooperation in promoting charity projects • Establishing strategic partnerships with multiple charity organizations • Leveraging Internet technology to enable new modes of charity • Increasing media exposure for charity initiatives
Society	• Rural revitalization • Inclusive digital technology • Contributions to social public welfare	• Implementing rural revitalization initiatives and primary-level governance empowerment initiatives to support local economic development • Launching social responsibility projects such as child and teen protection, care for the elderly, employment assistance for the disabled, support for veterans, emergency rescue, post-disaster reconstruction and donations • Carrying out education and science learning programs, intangible cultural heritage promotion, environmental protection, support for industries and other charitable activities

In 2023, Kuaishou actively responded to the demands of various stakeholders and disclosed the latest ESG developments of the Company through the above communication channels. To meet the diversified and transparent needs of stakeholders for Kuaishou's ESG information, we revamped the ESG section on our official website to more directly present Kuaishou's sustainable development philosophy, ESG ratings, ESG highlight initiatives and policy documents. In addition, we conducted our first comprehensive ESG assessment for suppliers and collected feedback to better understand their ESG performance along with their expectations and opinions of the Company. Furthermore, for the first time, we responded to the climate change questionnaire under the Carbon Disclosure Project (CDP), actively addressing the concerns of global investors and customers about climate change and demonstrating our climate management achievements. Besides, as an effort to communicate with Shareholders and investors about ESG-related matters, the CFO shared our ESG highlights and engaged in in-depth discussions with them at the Company's first "Investor Day" event. The investor relations team also maintained regular communications with investors on issues such as "supply chain management", "greenhouse gas emissions" and "ESG governance and board participation".

MATERIALITY ANALYSIS

To gain an in-depth understanding of stakeholders and market trends and to identify the material issues for Kuaishou, we have referred to the *ESG Reporting Guide*, and assessed the ESG issues highlighted by the capital market. We conducted a materiality analysis based on the Company's operations and industry best practices. This serves as a reference for our ESG actions and reports.

1. Identification of material issues: we conduct reviews, summarizations and updates to identify issues of high relevance to Kuaishou based on the *ESG Reporting Guide*, along with relevant provisions of the Listing Rules, industry benchmarking, and media monitoring.

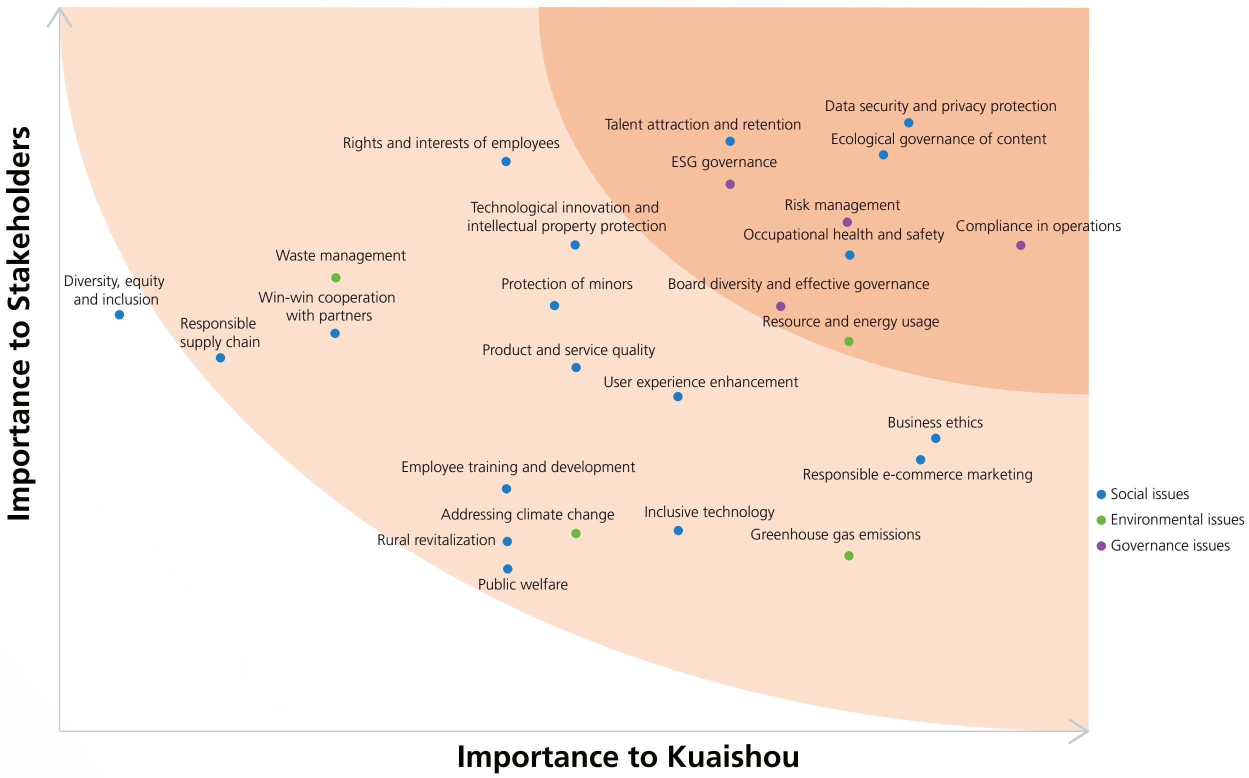
2. Engagement of stakeholders: we conduct materiality surveys with various stakeholders through email, official WeChat accounts, push notifications and questionnaires to collect suggestions regarding Kuaishou's ESG management. A total of 2,414 questionnaires were collected during the year. Directors and management of the Company determine the materiality of each issue towards the Company's strategic development. Meanwhile, other stakeholders determine the materiality of the issues at their own discretion.

3. Verification and adjustment of matrix: we adjust and verify the material issues as they pertain to the Board, the Corporate Governance Committee, the ESG Working Group and its constituent departments, and employees based on industry trends, industry benchmarking and issues highlighted by the capital market.

4. Confirmation: we finalize the material issues in each area and prepare the ESG report.

We will discuss the content of each issue in the Report, and the analysis results of material issues in 2023 are shown in the diagram below.

Matrix of Material ESG Issues of Kuaishou in 2023



1. ENVIRONMENT

Climate change has emerged as a major non-traditional security challenge to the sustainable development of humanity. Tackling climate change effectively has become a global priority. Kuaishou has actively heeded the national call to participate in the battle against climate change, and endeavored to reduce our carbon emissions throughout our business operations, accelerating the low-carbon transition of the Company.

1.1 Addressing Climate Change

Based on the framework and recommendations of *IFRS S2 Climate-related Disclosures* issued by International Sustainability Standards Board (ISSB), Kuaishou disclosed and analyzed the physical and transition risks of climate change that affect the Company's businesses, and proactively formulated targeted measures to respond to the climate change.

- ***Governance***

The Board of Kuaishou holds ultimate responsibility for climate change issues and has authorized the Corporate Governance Committee to provide overall supervision of ESG management, including the identification, assessment and management of climate risks. The Corporate Governance Committee is responsible for reporting to the Board on climate change issues on a regular basis. The ESG Working Group is responsible for identifying and assessing everyday climate-related risks and opportunities, as well as promoting initiatives related to climate change.

- ***Strategies***

Kuaishou attaches great importance to global climate change. By actively identifying and addressing climate-related risks and opportunities, and continuously adjusting our business development and resources allocation, we aim to promote the sustainable development for both ourselves and society. We have integrated climate-related risks into our risk management system, proactively identified and examined potential risks and development opportunities arising from various climate-related factors, and formulated targeted countermeasures tailored to our actual operations. Following our "three lines of defense" internal control and monitoring model, we regularly monitor climate-related risks to progressively improve our resilience in responding to climate change.

In terms of acute risks, extreme precipitation and rising average temperatures resulting from climate change may have potential impact on the business operations of Kuaishou. For example, floods caused by heavy rainfall will affect the normal operation of infrastructure facilities, the daily commuting of employees, and the functioning of the Company's offices, data centers and other facilities. Transition risks mainly include the policy and legal risks, market risks, reputation risks and technology risks associated with the transition to a low-carbon society. For example, failure to comply with the relevant national laws and regulations exposes Kuaishou to potential regulatory actions as well as risks and pressures from external stakeholder restrictions. Therefore, the Company must invest in hiring professionals to optimize the verification, management and disclosure of carbon emissions data, which will lead to a short-term increase in administrative costs. While climate change carries potential risks, it also brings development opportunities to Kuaishou. Improving energy efficiency and developing green and low-carbon technologies enable Kuaishou to reduce operating costs and optimize business operations. In addition, by mitigating climate impact, meeting regulatory and market demands, and continuously activating business innovation, we can respond positively to the changing trends of low-carbon transition and seek new breakthroughs.

- ***Risk management***

In 2023, the Board and the Corporate Governance Committee continuously assessed the climate-related risks, including acute physical risks, chronic physical risks, policy and legal risks, technology risks and reputation risks and proposed viable counter measures with different time scales.

Risk Category		Risk Impact	Counter Measures
Acute Risk	Typhoon	Increased intensity and frequency of extreme weather events such as typhoons and extreme precipitation may affect the stability of operational facilities (e.g. office buildings and data centers), resulting in loss of assets, disruption to operation, maintenance problems of infrastructure facilities and etc., which may jeopardize the safety of employees.	• When choosing a site for our leased data center, we analyze the historical data of natural disasters in candidate areas, and prioritize areas with lower risk of natural disasters within the North China Plain. • We formulate emergency management and prevention and response plans for extreme natural disasters, incorporate disaster prevention drills into the operation and maintenance systems of our self-built data center and leased data centers, and conduct them on a regular basis. In 2023, there was no disruption to normal operation of Kuaishou's business despite significant rainfall in the North China Plain. • We extend our natural disaster emergency management system to lessors of our data centers, and share our emergency management measures with lessors for integration into their daily operation management.
	Extreme precipitation		

Risk Category		Risk Impact	Counter Measures
Chronic Risk	Rising average temperature	Climate change may cause prolonged high temperature and scarcity of water resources, which may increase the cost of water required for operation and adversely affect the normal operation of data centers. In addition, data centers face significant energy consumption pressures for heat dissipation and cooling, resulting in elevated carbon emissions.	• Self-built data center monitors environmental temperature in real time and adopt energy-saving control technology. This allows for the automatic shutdown of energy-intensive air-conditioning equipment, turning on only the airflow exchange units when appropriate. In this way, data center makes full use of nature for cooling in the Inner Mongolia region. Self-built data center provides heat dissipation and cooling efficiency that is significantly better than the industry average. We actively communicate with energy trading institutions about green energy consumption opportunities. • We select suitable refrigeration/cooling technologies according to local conditions. For example, medium-temperature chilled water systems are employed in North China to improve the water supply temperature of cooling water, thus reducing the energy consumption of mechanical refrigeration.

Risk Category		Risk Impact	Counter Measures
Policy and Legal Risk	Strengthening the responsibility of emission reporting	As regulators and capital market continuously tighten environmental disclosure standards, and the government gradually raises regulatory requirement of the accuracy of carbon emissions data, enterprises need to improve the comprehensiveness and accuracy of environmental disclosures. Failure to meet these evolving requirements exposes Kuaishou to regulatory compliance risks, which may exert a negative impact on the reputation and financial conditions of the Company.	• We conduct ongoing research on the latest updates and developments on climate change and carbon emissions from regulators and capital markets. • We promote meticulous energy management, and compile and regularly disclose various energy efficiency data. • By advocating a green office, maximizing the use of renewable energy such as wind and solar energy, and adopting low-energy equipment in data centers, we continue to promote various works on energy conservation, emission reduction and cost optimization. • We optimize the identification and management of climate-related risks in line with the requirements of mainstream rating agencies, and proactively respond to market questions and questionnaires. In 2023, Kuaishou responded to the CDP Climate Change Questionnaire for the first time.

Risk Category		Risk Impact	Counter Measures
Technology Risk	Cost of transition to low-emission technologies/ failure to successfully invest in new technologies	Under the dual carbon target initiative, the Chinese government has introduced a series of energy consumption and carbon emissions control policies and measures and has put forward a high standard of PUE and other energy-saving requirements for the data center of Kuaishou. Therefore, Kuaishou's data center industry faces higher pressure to transition to low-carbon technology. This may lead increased compliance and operating costs. Failure to invest in or develop new low-carbon technologies may result in potential financial losses.	• We encourage the adoption of low-carbon and energy-saving new technologies in leased data centers, and adopt such measures to our self-built data center upon the completion of technical validation. • We set up the Carbon Neutrality Special Committee and participate in the Open Technology Alliance to work with industry leaders and share technologies related to data center energy conservation and carbon reduction with the members, in an effort to promote the low-carbon transition of the industry. • In order to avoid financial losses due to unnecessary technological R&D failures, we need to examine the viability of new technology investments and their compatibility with Kuaishou's business. New technologies must be proven compatible and have passed technical experiments, factory-level testing and pilot scale application before entering large-scale application, so as to ensure the justification of investment and adaptability of these technologies to Kuaishou's business needs.

Risk Category		Risk Impact	Counter Measures
Reputation Risk	Increased concerns or negative feedback from stakeholders	Kuaishou's data centers are subject to the impact of extreme weather events, such as extreme precipitation and typhoons, and chronic climate change, such as rising average temperature. This may result in concerns and negative feedback from stakeholders (e.g. investors) regarding the stability of Kuaishou's business. Under the national dual carbon target initiative, low-carbon technologies are booming. High energy consumption in data centers may raise stakeholder (e.g. the government and investors) concerns regarding Kuaishou's operational efficiency and commitment to compliance.	• We increase the proportion of new energy utilization in line with the energy goal of "realizing 100% clean energy use in self-built data center by 2030". • In 2023, according to the requirements of regulatory authorities, the Company transferred carbon emissions data and energy consumption data of its self-built data center online to the government platform, so as to improve the transparency of the disclosure of carbon emissions data and energy consumption data. • Investors of our leased data centers are encouraged to increase their investment in energy-saving and emission reduction, and improve the operating efficiency of data centers leased by Kuaishou to meet compliance requirements. • We formulate extreme natural disaster emergency management plans, natural disasters prevention plans (manual) and a summary of contingency measures for emergencies to minimize the impact of climate change on Kuaishou's operations, reducing the concerns and negative feedback of Kuaishou's stakeholders.

To equip self-built data center and leased data centers with stronger capabilities to address climate-related risks, Kuaishou has formulated a series of emergency management measures, including the *Kuaishou IDC*[1] *Infrastructure Energy Consumption Management* System, the *Catalog of Emergency Measures for Typical Emergencies,* the *Emergency Plan for Environmental Emergencies* and the *Data Center Typhoon and Rainstorm Emergency Plan*. We have also improved the emergency notification mechanism for extreme weather events of various types. We have formulated emergency plans for extreme weather events, including conducting emergency drills for rainstorms and typhoons, decentralizing the deployment of data centers, and backing up important systems and business data in different locations, so as to minimize the impact of extreme weather events on Kuaishou's business and employees. In addition, the Company incorporates disaster prevention drills into the annual drill and training plan for data centers to maintain prepared against potential emergencies under extreme weather conditions and to ensure the safety of Kuaishou's business and employees. In 2023, 71.4% of the data centers leased by Kuaishou obtained the ISO 22301 business continuity management system certification.

- ***Indicators and Goals***

Through climate risk management, Kuaishou fully recognizes the impact of climate risks and opportunities on its operations. We have formulated internal documents such as the *Boiler Room Management System* and the *Substation Safety Management System* to standardize the quantity and usage method of natural gas, sulfur hexafluoride and other gases. In addition, we have set goals for clean energy use, energy conservation, water conservation, waste reduction and greenhouse gas emission reduction. We monitor and disclose our energy resource consumption and carbon emissions on an ongoing basis. Kuaishou will continue to promote low-carbon development to better fulfill social responsibility and build public trust.

Progress of Environmental Targets

Category	Overall Goal	Implementation Measures
Clean energy use	• By 2030, self-built data center will achieve 100% renewable energy usage.	Data centers: • Low-energy, clean data centers to be constructed. • Construction of renewable energy projects to be considered. • The use of clean energy through green power trading, direct supply of distributed renewable energy and green certificate purchases to be actively increased. In 2023, our self-built data center park entered into the power market in Inner Mongolia, and obtained approximately 30,398 MWh of electricity generated from renewable sources through new energy bidding transactions organized by power platforms. Green electricity consumption accounted for approximately 9.3% of the annual electricity consumption in the Ulanqab data center.

1 IDC refers to Internet Data Center.

Category	Overall Goal	Implementation Measures
Energy conservation	• To maximize the energy efficiency of self-built data center and achieve an energy saving performance outpacing the national energy consumption target of the 14th Five-Year Plan, as well as the requirements for power usage effectiveness (PUE) of data centers stipulated by local branches of National Development and Reform Commission.	Office premises: • Centralized work areas to be established to facilitate energy management and efficiently replace the low-efficiency equipment. • The monitoring of energy usage to be optimized. A national energy consumption dashboard has been set up, and a comparative analysis of quarterly and annual data has been established to correct deviations in a timely manner. Data centers: • Use of clean energy to be increased. • High-efficiency equipment to be adopted and high energy consumption equipment to be eliminated. • Intelligent and energy-saving operation management systems to be established in data centers. • Self-built data center to be located in areas with favorable climatic conditions. • Waste heat to be utilized for park heating and equipment insulation. • The application of liquid-cooled server technology to be vigorously promoted in self-built data center.

Category	Overall Goal	Implementation Measures
Water conservation	• To minimize the water consumption of new data centers. Our in-house water conservation target exceeds the national water conservation target under the 14th Five-Year Plan. • New data center park will recycle 100% of rainwater and air-conditioning condensate.	Office premises: • An improved water saving system to be established. • Water usage monitoring system to be optimized. A display platform of nationwide energy consumption has been set up, and a comparative analysis of quarterly and annual data has been implemented to correct deviations in a timely manner. • Water-saving facilities to be improved, and water-saving faucets to be installed in certain premises. Data centers: • Rainwater to be harvested and recycled. • Water saving activities to be organized. • Water-saving equipment to be used. • Water resource management to be digitalized and changes in water consumption to be systematically monitored on a regular basis. • Water resources to be managed and reviewed. • Reclaimed water to be used in cooling systems of data centers. • Recycling of air conditioning condensate to be applied in self-built data center. • Waterless solutions can be used in air conditioners in self-built data center. • Dual control technology of water and electricity to be applied in self-built data center.

Category	Overall Goal	Implementation Measures
Waste reduction	• Green procurement will be implemented and green procurement standards will be incorporated into supplier management. • 100% of waste lead-acid batteries in self-built data center will be harmlessly treated by qualified vendors; waste hard drives will be 100% harmlessly disposed of after erasing. • Garbage classification will be implemented in all office premises in Beijing. • All electronic waste will be disposed of in a harmless manner.	• All waste to be harmlessly treated by vendors for closed-loop treatment. • Waste electronic equipment to be recycled (Electronic Equipment Buyback Program). • Garbage classification to be carried out continuously. • Recycled/renewable materials to be used. • Awareness of avoiding food waste to be promoted.
Greenhouse gas emission reduction	• We will actively respond to the national goals of peaking carbon emissions and achieving carbon neutrality and practice green operations.	Office premises: • Carbon emissions to be verified. • Green office to be implemented. Data centers: • Carbon emissions to be verified. • Digital tools for carbon emissions reduction to be used. • Green, low-carbon, energy-saving and environmental-friendly data center to be established. • Waste heat recovery technology to be vigorously promoted in self-built data center. • A greenhouse gas emission management plan to be formulated for self-built data center. • A carbon emissions monitoring platform to be established for self-built data center.

As a pioneer emphasizing climate change and green development, Kuaishou not only takes actions against climate change, but also fully leverages its advantages as a content community and social platform to share excellent cases of climate change response, and call on all sectors of the society to jointly explore economic and business models to address climate change. In doing so, Kuaishou consciously fulfill its responsibilities as a corporate citizen of the Earth, and contribute to global sustainable development.

Case: "100 Low Carbon Opinions" short video campaign

On July 12, 2023, Kuaishou, the Publicity and Education Center of the Ministry of Ecology and Environment (MEE) and the Beijing Office of Energy Foundation China launched "100 Low Carbon Opinions" short video campaign (a series of promotional activities on the theme of "Low Carbon China Tour") at the main event of "National Low Carbon Day". Since the launch of the campaign, more than 4,400 short videos have been published, and more than 97 million views have been recorded. These short videos conveyed the concept of low-carbon lifestyle to all sectors of society and demonstrated the best practices of green and low-carbon living. The campaign not only raised people's awareness of low-carbon development, but also contributed to the green transformation of the economy and society.

Poster of "100 Low Carbon Opinions" in 2023

1.2 Green Operation

Kuaishou strives to promote green operation to reduce the energy consumption in daily activities and project operations. The Company aims to achieve low-carbon energy conservation, cost reduction and efficiency enhancement at the source by integrating resource conservation and environmental awareness into our operation management and construction. Kuaishou has adopted a series of measures in energy management, waste management, water resources management and ecological protection to minimize our impact on the environment.

1.2.1 Energy Management

Kuaishou strictly adheres to laws and regulations, such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*. In order to strictly regulate the use of energy, Kuaishou has formulated *the Kuaishou Energy Management Strategies* and other internal documents while continuing to improve the Group's energy management and operation mode by adopting the PDCA[2] method.

[2] PDCA refers to "Plan - Do - Check - Act".

- *Energy management in office premises*

  Kuaishou improves energy and resource efficiency in office operations through online system management. We have implemented an energy metering and analysis control system and a unified energy metering reporting system to analyze the data of the air conditioning system, electrical system, water supply and drainage system within domestic workplaces, and take timely measures to respond to abnormal data fluctuations, so as to detect, locate and address points of high energy consumption.

  In order to promote green operations, we have taken a number of energy saving measures to reduce consumption in our own operations. This includes adjusting the operating mode and duration of cooling and heating equipment, conducting inspections to turn off lighting facilities in unoccupied areas during overtime, implementing dynamic energy-saving management during holidays, adjusting the activation schedule of landscape lighting, and encouraging staff to work online. In 2023, the Beijing office premises of Kuaishou underwent relocation. As office space utilization continues to improve, we aim to implement more diversified energy saving and consumption reduction actions.

  Kuaishou is concerned about the energy efficiency of office buildings and prioritizes the use of green buildings. Upholding the basic principles of safety, green, low-carbon and sustainability, we pursue a green building strategy and apply sustainable energy systems in office areas, including daylight conditioning systems and high-efficiency energy-saving lightings, so as to effectively enhance the energy efficiency of the office space. Our leased office building in Bohua, Shanghai obtained LEED (Leadership in Energy and Environmental Design) Platinum Certification. In addition, Kuaishou is actively pursuing LEED certification for our headquarters office building (Central Mobile Intelligence District in Beijing) to create a healthy, energy efficient and environmentally friendly workplace for employees.

  In 2023, Kuaishou undertook various initiatives to achieve the energy goal of reducing electricity consumption per employee in Beijing offices by 8% by the end of 2026 compared with 2021.

- *Energy management in data centers*

  Kuaishou adhered to the policies including the *Guiding Opinions regarding Accelerating the Construction of a Coordination and Innovation System for the Nationwide Integrated Big Data Center*, the *Three Years Action Plan (2021–2023) of New Data Centers,* the *Action Plan of High-Quality Development of Computing Infrastructure,* the *Implementation Plan for Demonstration Projects Featuring Green*, *Low-Carbon Technologies,* the *Overall Layout Plan for the Construction of Digital China,* the *Implementation Opinions on Deepening the Implementation of "East-To-West Computing Resource Transfer" Project and Accelerating the Construction of the Nationwide Integrated* Computing *Network,* the *Work Plan of the Inner Mongolia Autonomous Region for the Pioneer Piloting Program on the Change from Dual-control of Energy Consumption to Dual-control of* Carbon *Emission,* the *Main Tasks of the Pioneer Piloting Program for the Change from Dual-control of Energy Consumption to Dual-control of Carbon Emissions of Inner Mongolia Autonomous Region for 2024*, internally revised the *Kuaishou IDC Infrastructure Energy Consumption Management System* and formulated relevant internal requirements for residual heat recycling in data centers to ensure that data centers can better utilize resources in a comprehensive manner in their daily operation and help realize the goal of green data centers. We have taken a multitude of measures in the operation of our data centers to flexibly reduce non-essential energy consumption, advocate resource recycling, and actively prepare for the construction of distributed photovoltaic projects. In 2023, Kuaishou's self-built data center was certified by UPTIME M&O (Management and Operations). Certain leased data centers received the Level III Enterprise for Work Safety Standardization Certificate and were certified by UPTIME M&O and China Quality Certification Center (CQC).

Green energy-saving and emission reduction technologies and solutions for Kuaishou data centers

Green Technology/Scheme	Energy-saving Effect
Advanced Refrigeration Technology	• Kuaishou independently developed waterless integrated fluorine pump air conditioner. Through the high-capacity fluorine pump natural cooling technology and precise control logic, the annual average PUE has reduced by 33% compared with the traditional air conditioner, and it is expected to save 50,000 MWh of electricity and 1.2 million tonnes of water in Ulanqab data center park annually. • Kuaishou's self-developed plate liquid cooling system improves heat transfer efficiency by shortening the heat transfer path and removing the chiller section. The system can save more than 50% energy throughout the year, and is expected to save more than 100,000 MWh of electricity annually for the Ulanqab data center park. • Kuaishou's self-developed dual-control technology of water and electricity can control the time and amount of water consumption according to different seasons, loads and water storage conditions. • Leased data centers have improved cooling tower heat transfer performance and ventilation efficiency through cooling tower packing cleaning and the use of reverse osmosis finished water, resulting in an average annual PUE reduction of approximately 0.0014.
Dual Control Technology for Water and Electricity	• Kuaishou's Ulanqab data center uses water-saving high-efficiency indirect evaporative cooling air conditioners and waterless fluorine pump air conditioners, and combines them with precise control technology and fine-tuned operation and management at a later stage to realize that the data center's WUE[3] reaches 0.42, and the lowest PUE reaches 1.196, which is much lower than the industry's average level, and it has set an industry example for the water and power saving operation of data centers in water-scarce or waterless area.
Heat Recovery System Innovation	• The new residual heat recovery technology innovatively developed by Kuaishou, by recovering the residual heat of the distributed air-conditioning system, reduces the original refrigeration air-conditioner power consumption while reducing the consumption of gas resources. The park is estimated to save 600,000 cubic meters of gas and 200 MWh of electricity per year.

[3] WUE refers to Water Use Efficiency. WUE = Annual consumption of water resources in the data centers/Annual power consumption of IT equipment in the data centers.

Green Technology/Scheme	Energy-saving Effect
Innovative solutions for power supply	• Kuaishou applies innovative power supply solutions, and has piloted a 10,000-volt Medium Voltage Direct Supply (MVDC) power system, developed module hibernation technology in certain HVDC[4] equipment, and piloted UPS[5] Super ECO4[6] mode in the laboratory. – The new generation of DC power supply solution for data centers, being the 10,000-volt MVDC power supply system, flattens and simplifies the power supply architecture, significantly lessens investment and site requirements, and improves system efficiency by 1.5% over the original HVDC architecture. – Kuaishou has enabled module hibernation technology on various HVDC equipment, which can intelligently hibernate a portion of the modules according to the actual load conditions, and is expected to save 170,000 kWh of electricity per year for a single park. – Kuaishou has piloted the UPS Super ECO mode in its laboratories to achieve ultra-high efficiency operation through real-time dynamic compensation of the bypass hosts and inverters. While guaranteeing system safety and stability, the comprehensive efficiency has improved by 2% compared to the original operation mode.

Kuaishou is committed to continuously improving resource efficiency and energy recycling through innovative research and development. In 2023, Kuaishou obtained 5 technology patents in data center technology innovation: Air Conditioner System Control Methods, Devices, Electronic Devices, and Storage Media, An Upward-facing Hose Liquid-Cooled Air-Conditioner Architecture Solution, Server Liquid Cooling Operation and Maintenance Vehicle and Server Liquid Cooling System, Liquid-Cooling Integrated Dry Cooling Solution and Water Tank and Indirect Evaporative Cooling Air Conditioner. We have also received a number of awards for the data center's water and electricity dual-control high-efficiency energy-saving application technology, and the data center's water and electricity saving green solution based on waterless areas.

The Ulanqab data center has adopted a series of advanced technologies and R&D achievements, including the new generation of indirect evaporative cooling technology and HVDC technology to maximize natural cooling sources and low power consumption devices. An expected reduction in energy consumption of this data center is approximately 20% or more. In 2023, the Ulanqab data center used approximately 30,398 MWh of renewable energy.

While promoting the green and low-carbon development of self-built data center, Kuaishou focuses on and supports the sustainable development of leased data centers. In 2023, a leased data center of Kuaishou completed a 100.65-kilowatt distributed photovoltaic power generation project, with an estimated generation capacity of 881.694 MWh per year. The electricity generated will be used entirely for office purposes, so as to increase the use of renewable energy in the data center. In addition, two phases of server rooms in a leased data center have achieved 100% green power. In terms of green building, a leased server room of Kuaishou has obtained LEED Platinum Certification.

4 HVDC refers to High Voltage Direct Current.

5 UPS refers to Uninterruptable Power Supply.

6 ECO refers to Economy Mode. The operating efficiency of the equipment will be optimized and the energy consumption will be minimized, thus achieving the effect of energy saving and emission reduction.

Self-built data center of Kuaishou obtained awards in 2023:

- 2023 Data Center Technology Achievement Award First Prize
- 2023 IDC Industry Annual Green Solutions Awards

One of the leased data centers of Kuaishou obtained awards in 2023:

- Top 10 Data Center Third-Party Service Providers in terms of Influence of China Academy of Information and Communications Technology
- Excellent Cases of Green Energy Saving Application in Data Center of China Association of Communication Enterprises

Case: Kuaishou's self-built data center has vigorously promoted the application of the in-house developed waterless fluorine pump air conditioning technology

In response to the national carbon neutral policy and to reduce the PUE and WUE indicators of the data center, Kuaishou independently developed waterless fluorine pump air conditioning technology.

The technology uses high-capacity fluorine pump natural cooling technology and precise control logic to realize waterless operation of air conditioners, reducing WUE to 0 and PUE by 33%. Currently, the technology has been applied in Kuaishou's self-built data center in Ulanqab, which is expected to save 1.2 million tonnes of water per year, 50,000 MWh of electricity per year, and reduce carbon emissions by approximately 50,000 tonnes. In addition, the technology has cultivated the equipment supply chain and ensured the perfection of the product ecology.

1.2.2. *Waste Management*

Kuaishou strictly follows the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Wastes*, the *Discharge Standard of Pollutants for Municipal Wastewater* Treatment and other national standards and policies related to the discharge and waste disposal. We have formulated internal documents such as the *Kuaishou Domestic Waste Management Regulations*, and actively implemented various measures in order to reduce the production and emission of waste.

Kuaishou sets up classified waste collection bins in all of its workplaces nationwide, actively advocating and implementing waste classification. The Company has arranged special personnel responsible for waste sorting, ensuring that waste is properly classified and managed, and improving management and recycling efficiency. For hazardous waste, Kuaishou engages a qualified third-party recycler for proper handling in order to reduce the impact on the environment.

Major types of Kuaishou waste

Non-hazardous waste	• Domestic waste, kitchen waste, office waste
Hazardous waste	• Toner cartridges for printers, used batteries

Kuaishou has always adhered to the green concept of green office and sustainable development, fully regulating the closed-loop management of internal resources, recycling and reusing part of solid waste comprehensively, and realizing the collection and recycle of emission disposal.

Recycling of waste in office premises	• Since November 2020, Kuaishou launched a "Used Electronic Device Repurchase" program within the Company, allowing its employees to purchase its laptops, system units, computers, monitors, tablets, and other devices that have been used for a certain number of years. In 2023, 2,997 electronic devices were repurchased by employees through this program.
Recycling of waste in data centers	• In 2023, the *Management Mechanism of Disposal of IT Equipment and Components in Data Centers* was issued by the Department of Infrastructure to regulate and ensure the closed-loop management of resources in the data centers; • IDC obsolete assets that met scrapping standards were sold to qualified third-party recycler to reuse resources.

In addition, Kuaishou has used FSC[7] certified paper for printing its annual report. This helps to support forest sustainability and reduce deforestation.

1.2.3. Water Resources Management

In strict compliance with the *Water Law of the People's Republic of China* and other applicable laws and regulations, Kuaishou has formulated internal management measures such as the *Kuaishou Energy Saving and Consumption Reduction Management Policy* and the *Reclaimed Water Usage Management Policy*. These measures aim to strengthen water-saving management throughout water access and consumption and promote water reuse, thus reducing water consumption and improving water efficiency on an ongoing basis.

7 FSC refers to Forest Stewardship Council. It is an international non-governmental organization that promotes sustainable forest management worldwide.

In order to minimize water waste and the impact of our activities on water resources, and to ensure the security of rivers and groundwater at project sites, our data center in Ulanqab developed the *Water Resources Certification Report* as required by the government during this year and obtained approval on water consumption. We have met government regulations on the use of water resources and have endeavored to protect the quality and quantity of water available to residents in local communities and watersheds from being affected as much as possible.

In 2023, we actively explored water saving methods and continued to improve water saving system at office premises. Through the establishment of national water consumption dashboard as well as replacing and upgrading outdated water supply equipment, we analyzed and reported usage of water resources timely to avoid waste of water resources. The water saving measures carried out by Kuaishou were as follows:

Office Premises	Data Center
• Adjust the sensitivity of the automatic induction taps, and ensure that water supply is turned off when no one is around. • Adjust the water pressure of taps in hand-washing basins, equalize the water pressure between high and low floors, and reduce water consumption on low floors. • Install special foaming device to enhance handwashing effectiveness while reducing water consumption. • Monitor and review water consumption regularly to ensure effective water management. • Strengthen inspections and increase maintenance checks to detect and prevent leaks.	• Install 3 sets of integrated production sewage treatment equipment. • Establish a water recycling system to systematically treat and recycle domestic sewage for secondary reuse. • Reuse reclaimed water: irrigate the green belts within data center or conduct secondary reverse osmosis treatment for cooling water systems.

In 2023, the Kuaishou's Ulanqab data center saved about 5.8 million tonnes of water in total and decreased WUE to an industry-leading 0.42. Another leased data center of Kuaishou implemented a water reuse overhaul project, introducing ultrafiltration system settings and reverse osmosis system settings to increase the utilization rate of reclaimed water to 56%–68%, respectively. In the future, we will continue to explore and practice more efficient water saving technologies and methods, contributing to the efficient utilization and conservation of water resources.

1.2.4. Noise Management

In compliance with the *Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution* and other applicable laws and regulations, Kuaishou attaches great importance to the impact of data center operation on the surrounding ecological environment. We proactively adopt various effective environmental protection measures to ensure that the noise from the operation of data center does not exceed the limit set by the government. In 2023, we implemented an insulation and noise reduction renovation project for leased data centers. By installing noise-reducing and insulation walls as well as using advanced sound-absorbing materials and sealing materials, we minimized the interference of noise generated from equipment operation with the surrounding environment and residents and reduced the transmission of noise.

Environmental performance table

Indicator	Unit	2023
Total greenhouse gas emissions (Scopes 1 and 2)	**ten thousand tCO_2e**	**105.53**
Emissions (Scope 1)	ten thousand tCO_2e	0.84
Emissions (Scope 2)	ten thousand tCO_2e	104.69
Per capita greenhouse gas emissions	tCO_2e/person	36.03
Comprehensive energy consumption	**MWh**	**1,867,899.69**
Direct energy consumption	MWh	31,871.99
Including: Natural gas	m^3	326,969.00
Diesel	tonne	2,415.62
Direct energy consumption intensity	MWh/person	1.09
Indirect energy consumption	MWh	1,836,027.70
Including: Purchased electricity	MWh	1,834,939.16
Purchased heat	GJ	3,920.90
Indirect energy consumption intensity	MWh/person	62.69
Fresh water consumption	**ten thousand tonnes**	**233.48**
Per capita fresh water consumption	tonne/person	79.72
Waste water discharge	**ten thousand tonnes**	**80.16**
Per capita waste water discharge	tonne/person	27.37
Hazardous waste	**tonne**	**121.25**
Per capita hazardous waste	kg/person	4.14
Non-hazardous waste	**ten thousand tonnes**	**0.59**
Per capita non-hazardous waste	kg/person	202.64

2. SOCIETY

As a responsible corporate citizen, Kuaishou expects to create greater value for customers, employees and communities. We fulfill our customers' expectations through delivering quality services and technological innovation, empower the development of employees and better serve communities to jointly build a sustainable and prosperous society.

2.1. Platform Responsibilities

Kuaishou has always been committed to providing users with stable and efficient products and services, and fully fulfilling its platform responsibilities. In our operational activities, we strictly protect user privacy, safeguard information security, and leverage our advantages in technical resource to empower the industry standardized ecosystem. With our sincere service attitude and a well-established service system, we have built a bridge of mutual trust with our users. We are committed to creating a better and safer online space for our users, and providing a more personalized and comprehensive service experience.

2.1.1. Information Security Guardian

The stability and efficiency of Kuaishou's platform operation are closely tied to the Company's steadfast commitment and dedication to protecting the information security and privacy of our customers and partners. We strictly abide by the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Provisions on the Administration of Mobile Internet Applications Information Services* and other applicable laws and regulations in the jurisdictions where we operate. We have formulated the *Kuaishou Information Security Management Regulations*, the *Kuaishou Employee Information Security Code* and other internal rules, to coordinate and regulate all business lines and the behavior of our subsidiaries. In 2023, we further improved our systems by introducing a total of 13 updated system documents and 14 new system documents. These documents clarify algorithmic data security standards, standardize the data management of data partners, and establish data deletion and destruction processes. This enables the Company to create a robust line of defense in our information security systems, encompassing the standard formulation, process improvement and control review.

Kuaishou's core management oversees the effectiveness of our information security system. We have established an Information Security Management Committee chaired by the Board member(s). The Committee is responsible for developing strategies and reviewing and approving information security policies, thus ensuring sound information security practices throughout the Group. At the operation level, we have established a working group comprising designated office and relevant business departments to assess and mitigate information security risks in the course of our operations. Throughout 2023, we have already had information security management system certifications including ISO 27001 information security management system, ISO 27701 privacy information management system and ISO 27017 cloud service information security management system, covering 100% of our business lines. Since 2021, Kuaishou Advertising and Content Alliance SDK[8] has obtained SDK security certification, providing developers with a safer and more reliable software development kit.

[8] SDK refers to Software Development Kit.

In order to prevent and control information security risks from the source, Kuaishou has taken a series of preventive measures. Internally, we combine internal auditing and third-party auditing to safeguard our information security. Kuaishou requires that information system operation and maintenance inspections and information security inspections be conducted at least once every quarter, and external independent third-party audits related to data security at least once every year. In June 2023, Kuaishou entrusted the China Academy of Information and Communications Technology to perform data security risk assessment, comprehensively analyzing Kuaishou's overall data security risks and the security of important data and core data processing activities. Externally, Kuaishou requires our suppliers and partners with access to users' (sensitive) personal information to sign the *Data Confidentiality Agreement* and the *Data Compliance Undertaking Letter*. We also conduct a comprehensive assessment on third-party information protection capabilities before granting any cooperation approval. In addition, we continued to conduct privacy and data security audits of external third parties during the year to ensure their compliance with relevant requirements. Rectification suggestions have been provided in a timely manner for the third-party information security risks identified. We also supervised and urged third-party enterprises to carry out rectification and enhancement to ensure the effectiveness of data security management.

Kuaishou continues to strengthen its network security protection technology and infrastructure to better address external network security risks. In terms of enhancing the security of information systems, we have strengthened network security management and continued to carry out filing and evaluation for network security levels. During the year, 19 system evaluations were completed, representing 9 more evaluations compared with 2022, further enhancing our network security protection capabilities. In terms of security incident response, Kuaishou has optimized the *Kuaishou Security Incident Emergency Response Specifications* with reference to the *Kuaishou Vulnerability Handling Specifications*, differentiating work content based on different levels of security incidents. We have also increased emergency drills for various scenarios, including data abuse, data tampering and illegal use of data.

In order to strengthen information security management from the source, Kuaishou actively carries out network information security and data privacy management training to improve employees' awareness of information security and privacy protection. We have established a comprehensive information security and privacy protection training mechanism, covering all employees (including dispatched labor and interns) and business partners (including contractors and suppliers). For employees and business partners, Kuaishou conducts trainings on data security, user personal information protection and coding security, and regularly conducts information security assessments for all employees. In September 2023, we organized an annual security awareness examination to assess the security awareness of all employees to further consolidate their information security awareness. In addition, we encourage and support employees involved in data security matters to pursue professional certifications, including CISP[9], CISSP[10] and the *"Industrial and Information Technology Professional Competency Certificate"* issued by the Education and Examination Center of the Ministry of Industry and Information Technology.

9 CISP refers to Certified Information Security Professional.

10 CISSP refers to Certification for Information System Security Professional.

Kuaishou's data security trainings in 2023

Participants	Content	Number of Participants
All employees (including new employees, as well as dispatched labor and interns)	Including the Company's user personal information protection measures, data classification and grading management system, data security incident ratings and corresponding handling measures. New employees are required to participate in information security awareness training and examinations after onboarding.	In 2023, the number of participants was 20,000+, and the cumulative number of participants has reached 90,000+.
The Company's general support and management, main platform technology, operation R&D, compliance, finance departments and others	Online and offline information security awareness training. Training on coding security and testing safety are conducted for the R&D department.	In 2023, the number of participants was 3,000+.
Partners (including contractors and suppliers)	Training on personal information protection and mobile application privacy compliance.	In 2023, the number of participants was 500+.

Kuaishou always adheres to the concept of "open, educational and progressive" in our communication and collaboration with others. In 2023, we continued to organize salon activities to enhance communication and exchanges with business competitors and share security technology and practical experience.

Case: Kuaishou organized a series of security salon activities

In 2023, Kuaishou successfully organized 3 security salons on core industry issues: mobile application personal information protection, enterprise security defense construction, and standard compliance practice. Such security salon activities were held in a combination of online and offline forms, bringing together experts and partners in the industry to discuss the latest trends and solutions in the field of data security and personal information protection. Through extensive exchanges and cooperation, we have not only improved our own data security and personal information protection capabilities, but also forged closer ties with industry partners, jointly promoting the healthy development of the industry.

Security salon

2.1.2. User Privacy Protection

Kuaishou adheres to the legal boundaries and upholds the fundamental values associated with user data protection. We strictly abide by the *Personal Information Protection Law of the People's Republic of China,* the *Data Security Law of the People's Republic of China*, the *General Data Protection Regulation* of the European Union, the *California Consumer Privacy Act* of the United States, the *California Privacy Rights Act* of the United States, the *General Data Protection Act* of Brazil and other applicable domestic and foreign laws and regulations. During the year, we further improved the *Kuaishou Privacy Policy*[11], the *Kuaishou Privacy Protection Evaluation Guide*, and other internal management standards and policies (See "Kuaishou privacy protection platform"[12] for details of other policies). Our privacy protection measures have been strictly implemented by the Information Security Committee, Privacy Protection Working Group and business departments to ensure the stable business development and comprehensive protection of user privacy. In the event of a privacy breach, we will immediately act on the *Kuaishou Information Security Incident Emergency Response Specifications*, arranging for a designated officer to follow up and conduct investigations, so that risk reduction measures can be taken in a timely manner. A further review will be conducted after the conclusion of such incidents, with a view to tackling the root cause. In 2023, Kuaishou reported no incidents in relation to user privacy breaches.

In the process of collecting and using customer data, Kuaishou pledges to uphold the "principle of consistency of rights and responsibilities, minimum necessity, security assurance, and informed consent". We process only the essential types and amounts of personal information necessary to fulfill the purpose authorized by the user, only collect personal data from third parties to the extent permitted by law, and delete such personal information in time once the purpose is achieved. In the event of information leakage, users will be promptly notified to ensure the utmost respect and protection of users' personal information. Furthermore, Kuaishou assures that we will not rent, sell, or disclose the personal information of our customers to third parties except to the extent that such information is necessary to facilitate a transaction or service. In 2023, Kuaishou enhanced control over personal information collection to fully cover sensitive information such as application lists, location, phone permissions, phone address book, clipboard, contact book, photo album (storage), identity information and facial recognition. This approach ensures strict compliance with regulatory requirements when collecting and using user information, safeguarding the security and privacy of user information. At the same time, Kuaishou has formulated independent privacy policies for all products, providing full disclosure of person information collection and usage purposes to users. We also specify the rights of users to manage their personal information, including the rights to access, correct, delete, withdraw consent, cancel, separate consent and proxy rights etc. All of Kuaishou's privacy policies apply equally to third parties that collaborate with or share data with Kuaishou.

11 Please refer to https://www.kuaishou.com/about/policy?tab=privacy for further details of *Kuaishou Privacy Policy*.

12 Please visit Kuaishou privacy protection platform at https://privacy.kuaishou.com/.

Case: Governance and reporting on cross-border E-commerce

In March 2023, Kuaishou initiated the cross-border data reporting project for "Overseas Shopping Business" in compliance with applicable laws and regulations such as the *Outbound Data Transfer Security Assessment Measures* and in active response to the requirements of the Cyberspace Administration of China on outbound data transfer. Prior to this, Kuaishou had taken various steps to protect the personal information rights and interests of merchants and users. Overseas merchants are required to sign the *Contract for Cross-border Transfer of Personal Information* before entry. Before users place orders to purchase goods, we separately authorize and issue the *Letter of Consent for Cross-border Transfer of Personal Information*, to ensure the effective protection of personal information of merchants and users during the cross-border data transfer process. In November 2023, this project successfully passed the outbound data review of the office of the Cyberspace Affairs Commission of both Sichuan Province and Central.

To ensure the effective operation of our personal information protection management system, Kuaishou conducted regular internal audits and inspections and actively sought external audits or assurance to ensure compliance and reliability. In addition to the ongoing privacy compliance review of distributed apps, Kuaishou also conducted audits on personal information protection during the year. With respect to external assurance, in November 2023, Kuaishou's real-name authentication scenario passed the Personal Information Protection Impact Assessment Assurance jointly conducted by the Data Security Committee of the China Cybersecurity Industry Alliance (CCIA) and the Data Security Community (DSC), and received a two-star rating. In June 2023, the NFC[13]-enhanced identity authentication system developed by Kuaishou was awarded the "Excellent Application of Trust Technology" by the China Academy of Information and Communications Technology.

Certificate of Excellent Application of Trust Technology for Kuaishou's enhanced identity authentication system

Leveraging our practical experience and extensive exploration in respect of data security and personal information protection, Kuaishou led and participated in the formulation of a total of 22 data security standards in 2023. This includes participation in the release of the national standard GB/T 35274–2023 *Information Security Technology — Requirements for Big Data Service Security Capability* and the organizational standard T/CCIA 002–2023 *Social Responsibility Guidelines for Data Security and Personal Information Protection*. We also contributed to the development of 7 national standards related to data classification, data watermarking, etc. and an industry standard for risk assessment specification of telecommunication data security for the China Communications Standards Association (CCSA). We played a leading role in the formulation of organizational standards for data security and data labeling within the Telecommunications Terminal Industry Association (TAF). Furthermore, Kuaishou led or participated in the formulation of a total of 41 standards in the field of personal information protection. This includes 2 national standards, i.e. GB/T 42884–2023 *Information Security Technology —*

13 NFC refers to Near Field Communication.

Mobile Internet Application (App) Guidelines for Lifecycle Security Management and GB/T 43435–2023 *Information Security Technology — Mobile Internet Application (App) Security Requirements for Software Development Kits (SDK)*, as well as 9 other standards such as T/TAF 180–2023 *Personal Information Protection Specifications for Mini Programs*. Additionally, the T/TAF 123–2022 *Software Development Kits (SDK) Personal Information Processing Specifications*, co-written by Kuaishou, received the second prize for 2023 Outstanding Projects by TAF.

Standards formulated with Kuaishou as a leading contributor or participant

Case: Keynote speech on "Challenges and Practices in Personal Information Protection for Mobile Applications"

On November 29, 2023, Kuaishou delivered a keynote speech titled "Challenges and Practices in Personal Information Protection for Mobile Applications" at a seminar jointly held by the China Communications Standards Association and the Key Laboratory for Innovation and Governance of Mobile Applications under the Ministry of Industry and Information Technology. At the seminar, Kuaishou not only shared its experience in information security compliance with industry peers, but also discussed best practices in personal information protection with fellow enterprises, thus continuously facilitating the optimization and innovation of personal information protection technologies.

Keynote speech on "Challenges and Practices in Personal Information Protection for Mobile Applications"

2.1.3. Protection of Intellectual Property Rights

Kuaishou is committed to protecting intellectual property rights and has an effective system in place to prevent any infringement of intellectual property rights. We strictly abide by the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, *the Management Measures for Internet Domain Name* and other applicable laws and regulations. We have also formulated and implemented the *Handbook for Standard Patent Work*, the *Regulations on Patent Quality Standard*, the *Guidelines for Patent Work*, the *Guidelines for Trademark Protection Work*, the *Guidelines for Copyright Registration Work* and a set of internal rules for managing patents, trademarks, copyrights and other intellectual property rights.

During the year, we focused on strengthening the whole process construction of intellectual property rights management. On the premise of ensuring the business security of the Company, we harnessed technology and product innovation as the driving force behind the development of whole process intellectual property rights management. This framework covers confirmation, application, protection (risk management), management (internal) and service (business), thus establishing an intellectual property rights working mechanism with high quality of right confirmation, good protection effect, effective cost control and high collaborative efficiency. In November 2023, Kuaishou was recognized as a "State Intellectual Property Demonstration Organization" by the State Intellectual Property Office for the first time.

As of December 31, 2023, Kuaishou filed 11,651 patent applications domestically and abroad and has been granted 4,517 patents. We have obtained 9,808 domestic and foreign registered trademarks and 6,240 copyright registrations. In 2023, Kuaishou achieved notable recognition in terms of intellectual property awards. Three of our patents, including "image label determination method, device and terminal", were honored with the "China Patent Excellence Award" by the State Intellectual Property Office. Kuaishou as a trademark was awarded the "AAA China Famous Trademark Brand Evaluation Certification" by the China Trademark Association. 2 of our trademarks were successfully included in the "Guangdong Province Key Trademark Protection List" and Kuaishou as a trademark earned the recognition as a "well-known trademark" once again from the Beijing Intellectual Property Court. In addition, the KWAI trademark global dispute response protection project was shortlisted as a typical protection funding case by the competent authorities.


国家知识产权局
NATIONAL INTELLECTUAL PROPERTY ADMINISTRATION, PRC
中国专利优秀奖
名　称　啸叫检测方法、装置、电子设备及存储介质
专利号　ZL201811235757.3
发明人　张　晨
专利权人　北京达佳互联信息技术有限公司
北京溪流湖科技有限公司
国家知识产权局局长
2023年7月

国家知识产权局
NATIONAL INTELLECTUAL PROPERTY ADMINISTRATION, PRC
中国专利优秀奖
名　称　图像标签确定方法、装置及终端
专利号　ZL201810260522.3
发明人　张志伟　杨　帆
专利权人　北京达佳互联信息技术有限公司
北京快手科技有限公司
国家知识产权局局长
2023年7月

国家知识产权局
NATIONAL INTELLECTUAL PROPERTY ADMINISTRATION, PRC
中国专利优秀奖
名　称　视频编码方法、装置、电子设备和存储介质
专利号　ZL201910600178.2
发明人　周　超
专利权人　北京达佳互联信息技术有限公司
北京溪流湖科技有限公司
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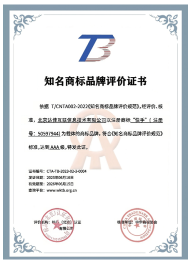
2023年7月

3 of Kuaishou's patents won the "China Patent Excellence Award"



Kuaishou as a trademark received the "AAA China Famous Trademark Brand Evaluation Certification"

Kuaishou named as "National Intellectual Property Demonstration Enterprise"

Kuaishou encourages all employees to actively engage in invention and creation, and strives to create a positive innovation ecosystem. In 2023, we revised and updated the *Patent Reward and Remuneration System* to standardize the process and methods for issuing patent rewards, incentivizing employees to contribute to the development of patents. Besides, we regularly hold innovation competitions, innovation exchanges and other activities to promote a culture of innovation in Kuaishou.

Case: Kuaishou Large Model Application Innovation Competition

In 2023, Kuaishou launched the "Kuaishou Large Model Application Innovation Competition" for all employees. The competition centered on Kuaishou AI large model technology and business, exploring the potential of large model technology in our businesses, as well as new opportunities for partnerships. The competition ran for one month, attracting a total of 93 teams from 10 departments and 331 participants. After intense competition, 12 teams stood out and advanced to the finals. The teams' projects covered data analysis, intelligent assistant, digital human, live-streaming, games, etc. Nearly 50% of the projects were well developed for sustainable deployment. The competition was not only an innovative endeavor, but also represented Kuaishou's firm confidence in and active exploration of future development.

Kuaishou Large Model Application Innovation Competition

Kuaishou regularly organizes training on intellectual property management system and knowledge to improve employee awareness and skills of intellectual property management. In 2023, a total of 8 intellectual property management training sessions were held, with a total of more than 300 participants.

Case: Magnetic academy intellectual property training

In 2023, we provided comprehensive and professional intellectual property trainings to employees, tailored to the characteristics of our business lines and the intellectual property focus of various roles. This effectively strengthened their awareness of intellectual property protection and risk prevention.

Intellectual property trainings for employees

To further improve the experience of rights holders or brand parties in lodging complaints and defending their rights, Kuaishou makes unremitting efforts to build a healthy e-commerce ecosystem. The Company continues to improve our online intellectual property protection platform and expedites the handling of trademark, copyright, patent and other intellectual property infringement complaints. In 2023, the processing time of the online intellectual property protection platform was reduced from 7 working days to 3 to 5 working days. In addition, as part of our efforts to combat online counterfeit goods, we have also collaborated with 9 well-known brands to conduct physical authentication, decisively cracking down intellectual property rights infringement and sales of counterfeit goods. As of December 31, 2023, the Kuaishou intellectual property protection platform saw the addition of more than 8,000 rights certifications. Kuaishou has actively handled complaints and rights of 6,507 rights holders have been successfully defended.

2.1.4 *Standardization*

Kuaishou places high importance on standardization, continuously strengthening cooperation and communication with all parties and actively participating in industry standardization activities. Kuaishou has participated in standardization activities organized by the International Telecommunication Union (ITU-T), National Information Security Standardization Technical Committee (SAC/TC260), National Information Technology Standardization Committee (SAC/TC28), China Communications Standardization Association (CCSA), National Radio, Film and Television Standardization Technology Committee (SAC/TC239), Telecommunications Terminal Industry Association (TAF), Internet Society of China (ISC), China Cybersecurity Industry Alliance (CCIA), China Advertising Association (CAA) and more than 20 standardization organizations. In 2023, Kuaishou joined the Institute of Electrical and Electronics Engineers (IEEE SA) as a new member, participating in its international standard-setting in the areas of personal information protection, data security and artificial intelligence. The industry widely acknowledges Kuaishou's achievements and influence in building an enterprise standardization system, evidenced by the Outstanding Contribution Award the Company received from the China Cybersecurity Industry Alliance (CCIA).


IEEE SA STANDARDS ASSOCIATION

CERTIFICATE OF ENTITY MEMBERSHIP

Presented to

Beijing Kuaishou Technology Co., Ltd.

In recognition of Beijing Kuaishou Technology's involvement in the IEEE Standards Association Entity Program

1 September 2023 – 1 September 2024

Konstantinos Karachalios, Managing Director, IEEE SA

Yu Yuan, IEEE SA President

IEEE

Certificate of Kuaishou's involvement in the IEEE


中国通信标准化协会

全 权 会 员 证 书

北京快手科技有限公司

根据《中国通信标准化协会章程》和《中国通信标准化协会会员管理办法》的规定，协会理事会批准你单位为中国通信标准化协会全权会员。

特发此证。

会员编号：4201

中国通信标准化协会

2023 年3月

Certificate of Kuaishou's involvement in the CCSA


全国信息安全标准化技术委员会

NATIONAL INFORMATION SECURITY STANDARDIZATION TECHNICAL COMMITTEE

全国信息安全标准化技术委员会

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经审核，批准贵单位成为全国信息安全标准化技术委员会 WG5,WG6 组成员单位，特此发证。

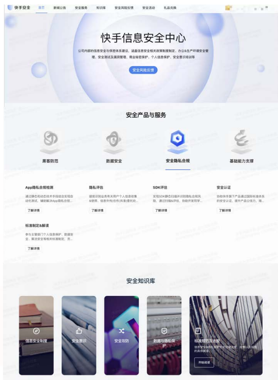
有效期：2023年05月05日至2023年12月31日

全国信息安全标准化技术委员会秘书处

2023年05月05日

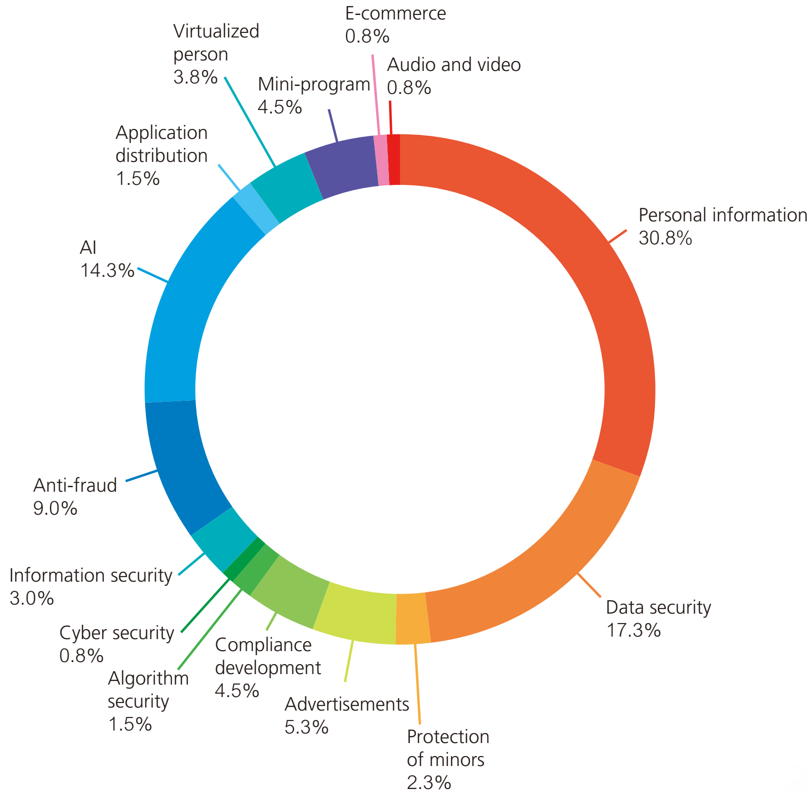
Certificate of Member of the National Information Security Standardization Technical Committee

In an ongoing effort to improve our standardization initiatives, Kuaishou promotes employee understanding and knowledge of the latest policy documents and standardization practices. In 2023, the Kuaishou Information Security Center information management platform introduced a new standardization module, which provides employees with a centralized and convenient window to easily access comprehensive information related to Kuaishou's standardization efforts. It helps them to gain an in-depth understanding in key contents of standardization formulation and standardization specifications. In addition, it improves employee awareness and practice of standardization through the interpretation of policy documents and standard requirements.

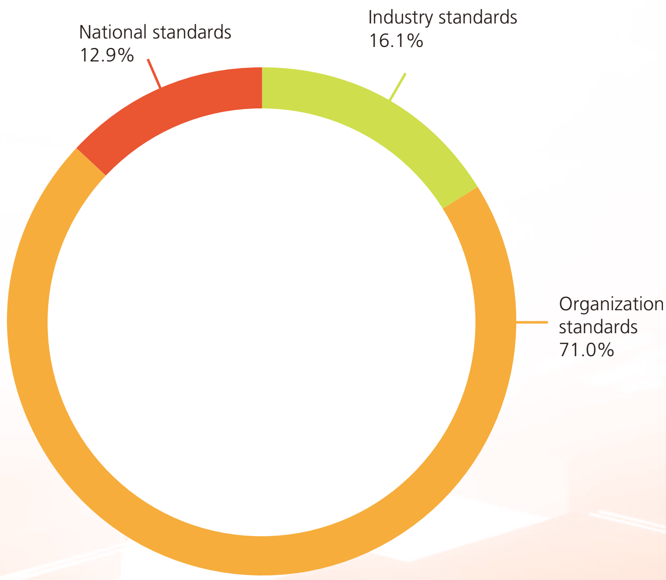


Information Security Center information management platform of Kuaishou

Kuaishou actively participates in standardization activities. In 2023, Kuaishou led and participated in 133 international, national, industry and organization standards setting in the fields of personal information protection, data security, anti-phone scam, protection of minors, and artificial intelligence, etc. Kuaishou has participated in and published 31 standards.



Kuaishou led and participated in the formulation of standards in various fields



Standards formulated and published by Kuaishou

Kuaishou attaches great importance to fostering awareness of standardization among employees and exchanging with external parties on standardization practices. We have organized themed salons and sharing activities to disseminate and promote standardization knowledge, in order to continuously raise the standardization awareness of all employees, and strengthen its internal and external influence.

Case: Salon event on "Practicing Compliance Standards and Protecting Digital Security"

On November 10, 2023, Kuaishou successfully held the salon event titled "Practicing Compliance Standards and Protecting Digital Security". The event focused on how to build a systematic and standardized compliance standard system to enhance enterprises' digital security protection capability and standardized management capability. The event attracted active participation from universities, enterprises and business partners, with 135 on-site participants and 2,730 online participants. Through sharing practical experiences and discussing challenges and opportunities, Kuaishou and all parties within and outside the industry achieved mutual growth and progress, contributing to the standardization development in the digital security field.

Salon Poster titled "Practicing Compliance Standards and Protecting Digital Security"

2.1.5. Platform Ecological Governance

Kuaishou is committed to building a healthy and sustainable ecosystem at our platform. We ensure the health and safety of the platform environment through strict e-commerce compliance management and product content governance. Meanwhile, we implement a responsible marketing strategy to ensure the authenticity and reliability of advertising content and deliver a safe and comfortable user experience for users.

- *E-commerce Compliance Management*

  In addition to fully complying with all applicable laws and regulations, including the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, the *E-Commerce Law of the People's Republic of China* and the *Product Quality Law of the People's Republic of China*, Kuaishou has improved the service agreements, including the *Kwai Shop Merchant Service Agreement* and the *Kwai Shop User Service Agreement*, in 2023, in order to continuously improve e-commerce compliance management and ensure the efficiency and compliance of the overall e-commerce process management.

Whole-process management of Kuaishou's e-commerce and optimization initiatives in 2023

E-commerce set up	• Merchant development: Formulate the *Kuaishou Merchant Development Rules for E-commerce Stores* and provide refined, customized management based on the types of shops and businesses. • Qualification assessment: Formulate the *Kuaishou Qualification Requirements for Enterprise E-Commerce Stores*, to facilitate the automated review process by incorporating multidimensional criteria such as subject, industry, brand, and product qualifications.	• Free-Deposit Store Launch Policy: This policy assists small- and medium-sized merchants in rapidly setting up their businesses and commence operations in a cost-effective manner. Targeting specified store types and categories, it enables these merchants to open stores without an initial deposit. In 2023, 30% of new merchants benefited from this policy and set their stores up within one hour, without paying a deposit for trial operation. • Improved Onboarding Efficiency: The time taken for merchants to set up a store has been notably reduced from an average of 8 days to consistently under 2 days. This streamlined process has significantly expedited store openings, enhancing the overall onboarding experience for merchants. • Online merchant invitation: Develop product tools for online invitation to improve the onboarding efficiency of invited merchants. In 2023, the online merchant invitation function efficiently onboarded approximately 15,000 merchants.

High-risk management	• High-risk industries: For high-risk industries such as healthcare and agricultural goods, we only invite enterprises on the white list of *Category Invitation/Clearance SOP*. • High-risk merchants: Independently review the products and operations of high-risk merchants. • High-risk products: Classify products into high-risk and low-risk categories. Products are assessed by both algorithm and human reviewers prior to their listing. This helps to identify and categorize high-risk products more accurately.	• Brand authorization verification: Verify brand authorization qualifications to reduce the risk of counterfeiting and protect the rights and interests of consumers. In 2023, we conducted over 65,000 key verifications on over 10,000 brand authorization qualifications. • Special governance on "three products and one device": Conduct special governance on medicines, healthcare products, cosmetics and medical devices. In 2023, by conducting the access verification on tens of millions of commodities classified as "three products and one device", Kuaishou accessed the authoritative qualification database to verify the qualification of cosmetics, and established an OTC drug standard database to ensure the authenticity and effectiveness of the commodities' qualification; use models and algorithms to identify and dispose of non-compliant commodities, and optimize search strategies to prevent the information of risky commodities from reaching customers.
Merchant exit	• General exit. • Merchant interception: To avoid unqualified merchants from re-entering our platform under a different name, we have established an unqualified merchants interception mechanism.	• Dismissal of willful non-performing merchants.

While ensuring compliant e-commerce operations, Kuaishou further provides targeted support and consulting services to help merchants improve store operations and maintain good customer relationships on our e-commerce platform.

Kuaishou merchants' empowerment initiatives

Assist merchants in double score "diagnosis"

- Since May 2023, Kuaishou has gradually launched problem diagnosis suggestions and improvement strategies for stores' service score and reputation score, aiming to help merchants and key opinion leaders ("**Merchant and KOLs**") deeply understand their own operations and improvement strategies. Since its launch, this set of tools has been used for over 500,000 times by merchants.

Exclusive services for Merchants and KOLs

- In April 2023, Kuaishou established an exclusive one-on-one service team for high-quality Merchants and KOLs, which regularly provides business analysis reports to Merchants and KOLs to help them quickly identify operational problems and provide individualized improvement suggestions. This year, we have provided exclusive one-on-one services to more than 1,000 Merchants and KOLs, and helped more than 150 Merchants and KOLs successfully improve their business ratings from "lagging behind/good" to "excellent". In addition, Kuaishou has given great support for the growth of small-and medium-sized Merchants and KOLs, and established a service project for small- and medium-sized Merchants and KOLs. During the Reporting Period, the cumulative number of customers served by small-and medium-sized Merchants and KOLs exceeded 2.7 million, and nearly 9 million problems were solved.

Complaint Center for Merchants and KOLs

- In September 2023, Kuaishou established a complaint center for merchants and KOLs to help them mitigate the adverse effects of abnormal consumer behaviors, such as black-market activities and malicious comments, on their business. Since the launch of the first phase of the center, it has successfully protected merchant orders valued at millions of RMB. It is expected to safeguard orders worth nearly RMB10 million throughout the year.

- *Governance on Product Content*

  Kuaishou continues its efforts to create a safe and responsible cyberspace. In 2023, strictly abiding by applicable laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Measures on the Administration of Internet Information Services*, the *Administrative Measures for the Graded Protection of Information Security*, the *Detailed Implementation Rules for Online Short Video Content Review Standards*, and the *Provisions on the Administration of Internet Live-Streaming Services*, Kuaishou has formulated and implemented internal policies such as the *Kuaishou Community Management Code*, the *Kuaishou Technology Accountability and Penalty System*, and the *Kuaishou Business Review Emergency Plan*, to improve our content management review mechanisms. We continue to strengthen the risk review and governance of platform content and have employed multiple measures to ensure the compliance and accuracy of content across our platform.

Kuaishou's measures for product content governance

Protecting the privacy of information sources	• Kuaishou attaches great importance to protecting the privacy and personal information of users. During users' daily use of products and/or services, Kuaishou employs effective technological measures and other security measures to protect users' personal information. • We have added a "One-Click against Cyberbullying" function on the user end, allowing users to quickly choose whether to receive private messages and comments from strangers. • We provide options such as "Private Account", "Personal Message/ Comment Permissions" and "Keyword Blocking", allowing users to customize the scope of information they receive. • In private messaging scenarios, we have added "Posting Alerts" and "Risk Warnings" for both parties involved, deterring the sender from inappropriate behavior and reminding the receiver to take protective actions such as reporting. Additionally, we have established a quick reporting and evidence collection feature where users can report suspected cyberbullying behavior. The platform will promptly handle cyberbullying content and users responsible for cyberbullying.
Respecting cultural diversity	• Kuaishou values and encourages cultural diversity, and is committed to encouraging diversity of platform content during the content review in the *Kuaishou Community Review Code*.
Protecting intellectual property rights	• In the *Kuaishou Software License and Service Agreement*, Kuaishou requires that any text, images, audio and video, live streaming, links, or other content uploaded by the users while using Kuaishou's application and services does not infringe on the intellectual property rights, right of reputation, right of name, privacy rights, or other legal rights and interests of any third-party.
Content review and interception mechanisms	• Kuaishou has established relevant mechanisms for proactive review and interception of illegal content posted by users, ensuring the compliance of platform content through secondary review. • Kuaishou consistently refines our malicious information database and improves algorithmic recognition models to enhance the platform's ability to identify and intercept malicious information and illegal websites. In 2023, we successfully intercepted a total of 2.8 billion instances of various malicious information and protected users from accessing fraudulent websites and apps 800 million times.

Kuaishou continues to provide our employees with content review training in the process of improving content governance. In 2023, customized trainings were organized for employees in different positions, such as review staff, inspectors, and management personnel to improve the internal risk awareness of the Company and employees' ability to evaluate platform content. During the year, more than 5,600 employees participated in content review training, and a total of 26,786 training sessions were organized.

- *Responsible E-commerce Marketing*

Kuaishou consistently adheres to responsible e-commerce marketing strategies, rigorously manages sales activities in e-commerce operations, and strives to create a positive commercial ecosystem. In addition to fully complying with applicable laws and regulations, including the *E-Commerce Law of the People's Republic of China*, the *Advertisement Law of the People's Republic of China*, Kuaishou made 236 revisions or additions to various platform rules, including the *Management Rules for Kwai Shop Store Services Score*, the *Management Rules of Violation for Kwai Shop Merchants/KOLs*, and the *Management Rules for Kwai Shop KOLs' Deposit* in the Kuaishou e-commerce rule center in 2023. A whole-process management scheme covering pre-sales, sales, and after-sales has been formulated to monitor deceptive advertising, improper marketing and other irregular merchant behavior during the marketing process, thereby strictly controlling e-commerce marketing risks.

Whole-process management of Kuaishou's responsible e-commerce marketing

Pre-sales

- Strictly verify a merchant's business qualifications, industrial qualifications as well as brand qualifications before allowing its entry
- Establish a risk control strategy using image and text recognition technologies to identify and intercept non-compliant merchants and commodities
- Cooperate with service providers to implement high-quality supply chains

Sales

- Apply quality indicators to marketing activities and distribution depots, and guide merchants to optimize the quality of commodities and services and improve their quality standards
- Establish strategic models to identify inferior, counterfeit goods and illegal goods
- Monitor the complaints about live-streaming content to obtain feedback from users
- Cooperate with quality inspection authorities and arrange for mystery shoppers to carry out spot checks on products

After-sales

- Establish monitoring indicators and report analysis to detect goods of inferior quality
- Punish merchants who sell illegal products and report to quality inspection authorities
- Cooperate with brand owners and public security organizations to crack down on non-compliant merchants

To enhance merchants' understanding of the platform's e-commerce rules and safeguard the compliance of e-commerce marketing as well as the legitimate rights and interests of consumers, we consistently solicited feedback from merchants and users regarding platform rules in 2023. The feedback received was carefully assessed for feasibility, and viable improvement suggestions were incorporated into the platform rules. Through continuous optimization of platform rules and education efforts, we observed a 20% increase in merchants' understanding of the rules. The rate of customer inquiries regarding rule violations also decreased by nearly 30% compared to the time before the optimizations were implemented.

In 2023, we implemented a series of targeted initiatives to ensure responsible marketing of our platform products:

Targeted initiatives for responsible marketing in 2023

Late delivery compensation guarantee	• The implementation of the "Late delivery compensation" policy has not only assisted merchants in improving their fulfillment capabilities but also effectively safeguarded consumer rights. During the year, this policy benefited 19 million users. It improved delivery times effectively, reducing the average delivery time by 30%. As a result, consumers' satisfaction with delivery performance increased by 10%.
Refund benefit guarantee	• Upgrading the "series of Refund benefit" simplifies the process for consumers to enforce their rights and creates a more effective enforcement chain. • Based on the sales calendar for the seasonal products, we have introduced seasonal category products to protect rights and interests of consumers. For example, the "Safe Crabs" policy covers more than 2,800 live crab products.
Special governance on e-commerce live-streaming content	• Conducting special governance on e-commerce live-streaming content to address false advertising and improper marketing by merchants, thereby enhancing the health of e-commerce-live streaming.
Counterfeit goods governance	• Significantly expanding the brand feature recognition database, with the number of brands increasing by 36% compared to 2022. • We have improved our platform rules to intercept counterfeit goods and crack down on counterfeit merchants vigorously.

2.1.6. Customer Service

Kuaishou remains committed to providing an excellent product and service experience for our global customers. We proactively seek customer feedback and attentively consider the needs of minors and other vulnerable customer groups, striving to improve customer experience and customer satisfaction.

- *Customer Service System*

  Kuaishou continuously improves its service standards. In 2023, we revised a total of 83 service-related systems, such as the *User Service Center Outbound Calling Procedure*, the *Service Transfer SOP of User Service Center Customer* and the *Outbound Calling Procedure for Inbound Disconnected Calling of User Service Center*, with the aim of clarifying the procedures and improving the quality of user service. In addition, Kuaishou also focuses on improving the professionalism of user service staff. In order to better support the daily work of our business teams, we vertically split and integrated the training, process and knowledge management teams into the delivery team according to the main site, e-commerce, commercialization, security and game business lines, so as to better understand the needs of each business line. This restructuring aims to continuously optimize the service process, and address user issues more efficiently. In order to better respond to customers' needs and expectations and to ensure the effective implementation of customers' opinions, we merged community operation and survey and telephone follow-up into the user connection center, which not only provides strong support to various business departments in user operation, activity operation, and information dissemination and collection, but also offers research inputs to various departments. These initiatives enable our departments to understand and identify the opportunities and shortcomings in the process of business development, thus providing targeted guidance and suggestions.

  To promptly address customer inquiries, Kuaishou established various user communication channels. During the year, Kuaishou further expanded government and social channels based on user habits and ensured that users' opinions were effectively delivered through a variety of convenient online and offline communication windows. In 2023, Kuaishou further improved service transparency. We expanded complaint channels for users, allowing us to collect and accept a wider range of user feedbacks, while remain an annual response rate of 100%. In addition, we upgraded the internal sharing mechanism for user feedback and continued to open the "original voice platform" to ensure that users' voices are transmitted to every employee of the Company more quickly and effectively. During the year, the user connection center provided 405 pieces of feedback to various departments, of which 356 were reviewed and implemented.

  In order to collect customers' opinions and suggestions more effectively and continuously and improve customer service level, Kuaishou conducts customer satisfaction survey every year and carefully reviews the results in order to give timely feedback to customers. In 2023, we garnered feedback from 290,000 users, achieving an 85% comprehensive satisfaction rate across all channels and a 94% satisfaction rate with human customer service by phone. In addition to assessing our current service levels and analyzing the factors contributing to the assessment results, we reorganized the mechanism of problem feedback and follow-up sessions, and shortened the response time from 72 hours to 24 hours in 2023.

  To continuously enhance professionalism and knowledge reserves of the customer service team, Kuaishou continuously launches various training activities for newly hired employees, existing employees and management.

Kuaishou's user service training system

Category	Trainees	Training Frequency	Average Training Duration	Training Content
New employee orientation	New employees	15 times per month	11.5 days in-person training	The overall optimization of training content includes business related knowledge in addition to customer service awareness, courteous language, complaint handling skills and other general courses. Based on the staffing needs, job responsibilities, and basic skills requirements of each business, we conduct orientation training on business knowledge for new employees and extend the duration of hands-on simulation learning. By optimizing our training content, we aim to help new employees learn and understand business knowledge quickly and enhance their ability to address user issues with high quality.
Business improvement training	Existing employees	10–20 times per month	0.5 hours per day on average	We train employees to update their knowledge training, focusing on new developments related to our business lines, systems, and processes. In order to cope with the emerging trends and issues of consumption during the Double 11 Shopping Festival period, we launched special training to help employees quickly grasp new knowledge of the consumption business. After the training, we conducted on-site tests for participating employees to ensure that they could promptly answer the Double 11 Shopping-related questions.
Management promotion training	Employees with high potential	15 times per year	8 hours per month on average	Through external training, job rotation and internal training, employees learn advanced knowledge and experience of the current customer service industry. This aims to bridge the management differences among regions and teams, improve the overall quality of customer service employees, and meet the actual business of customer service and the future development of the talent reserve needs.

- *Minor Protection*

  Kuaishou is concerned about the rights and interests of minors and commits to safeguarding their healthy development. Kuaishou strictly complies with applicable laws and regulations such as the *Law of the People's Republic of China on the Protection of Minors* and continuously strengthens management measures, striving to create a clean online space for them.

  Kuaishou focuses on the protection of minors' privacy and has built a dual protection mechanism on the platform. At the manual service level, we have employed privacy protection specialists responsible for monitoring and implementing the privacy protection policy. At the technical level, we have introduced a privacy protection mode for minors and set up 7 major privacy protection switches, including restricting the function of private messages for minors, restricting strangers from following minors, hiding the geographical locations of minors, disabling "find contact" and "contact recommendation" functions for minors, disabling minors' usage status display and disabling the function of "circle of acquaintances" for minors, so as to provide a safe online environment for minors.

  In addition, Kuaishou has taken a series of initiatives to prevent minors from becoming addicted, including displaying a pop-up window on opening the App to remind guardians to set the Adolescent Mode for their minors, restricting users from doing livestreaming, browsing local pages, tipping, recharging and withdrawing money, requiring a separate password when enabling or disabling the Adolescent Mode, sending a mandatory quit notification to minors after 40 minutes of daily use, as well as disabling use from 10:00 p.m. to 6:00 a.m. to ensure adequate rest for minors.

  In 2023, Kuaishou upgraded the Adolescent Mode to version 5.0. Through constantly improving content review rules, an increasingly rich pool of youth content, updated algorithmic recommendation strategy, and dedicated customer service support, we have set up a more robust protection system for minors to ensure that they are exposed to positive and beneficial content and are guided by the right values when using the Kuaishou platform.

Highlights of the upgraded Adolescent Mode Version 5.0

Improvement of content review	The rules for manual content review have been comprehensively improved in the Adolescent Mode. The initial set of over 100 rules has been expanded to encompass more than 120 rules, ensuring a more rigorous and detailed assessment of user-generated content.
Enrichment of youth content pool	By analyzing data such as the top list of video types favored by minors and the popular videos favored by minors on the platform, Kuaishou has improved the content pool of the Adolescent Mode, increasing the number of subcategories from more than 40 to more than 50, and selecting quality content that combines education with entertainment across various fields, such as education, science popularization, musical instruments, sports, etc. In addition, a video collection recommendation feature has been added to optimize the content experience in the Adolescent Mode.
Upgrade of algorithmic recommendation strategy	Kuaishou has implemented the recommendation strategy by age group, utilizing an "interest-based recommendation + multiple prioritized selections + time dimension" mechanism, combining the video quality, view-through rate, number of likes, etc., to improve the content recommendation logic and match the visual presentation form more suitable for minors, and strive to enhance the viewing experience of minors with both entertaining and practical content and more personalized and time-sensitive recommendations.
Customer service support	A dedicated 200-member professional customer service team is available round the clock to help resolve any usage issues that minors may have.

Raising awareness of online safety among minors is an important part of protecting minors online. In accordance with the "Kuaishou Minor Protection Action Plan", we continue to launch and improve the "Kuaishou Minor Protection Month" special activity, which enhances minors' ability to protect themselves online through all-round, matrix-style publicity and promotion.

Case: Special column of "Kuaishou Minor Protection Month" action

In 2023, Kuaishou meticulously planned and launched four major columns on online protection for minors, "Protecting minors", "Inside a Chinese juvenile court", "Minor protection online forum" and "Brochure on typical cases of minor protection", to provide minors with comprehensive and in-depth legal knowledge and safety education in a variety of forms and easy-to-understand contents. In addition, in the second season of the "Kuaishou Minor Protection Month", we once again invited prosecutors, juvenile court judges, judicial social workers and other minor protection professionals to a series of live streaming activities. By analyzing real cases, we provided viewers with an in-depth analysis of the difficulties and challenges faced by minors, and offered targeted advice to help minors grow up healthily.

Protecting minors

In conjunction with the Ninth Prosecution Office of the Supreme People's Procuratorate, the Information Office of the Supreme People's Procuratorate, and "Law Online" of CCTV, Kuaishou launched the "Protecting Minors" campaign, inviting experts and scholars of jurisprudence, procurators, and judicial social workers to work with journalists to share the story of real-life cases and to focus on protecting minors.

Inside a Chinese juvenile court

In conjunction with the Supreme People's Court, Kuaishou launched a special live streaming event of "Inside a Chinese Juvenile Court" to popularize legal knowledge related to the protection of minors among parents.

Minor protection online forum

In conjunction with the United Nations International Children's Emergency Fund, the Haidian District People's Procuratorate of Beijing Municipality, the Beijing Committee of the Communist Youth League, etc., Kuaishou launched the "The First Class in the New Term Online", "Online Forum on Family Education" and other special live streaming events, recording a total of more than 6 million viewers.

Brochure of typical cases of minor protection

In conjunction with the Haidian District Court of Beijing Municipality, Kuaishou produced the industry-first "judiciary + platform" Brochure on Typical Cases of Minor Protection, which helps parents understand the legal knowledge regarding minor protection in a more intuitive way.

Special column of "Kuaishou Minor Protection Month" action

Kuaishou is committed to becoming a community platform that combines education with entertainment, providing diverse and enriching learning resources and opportunities for minors to support their comprehensive development. Kuaishou actively cooperates with external experts, organizations and creators on the platform to map out a series of knowledge content that meets the learning and growth needs of minors, and helps them broaden their horizons, find their passion and enhance their knowledge levels.

Case: Special planning for accompanying minors in learning and growth

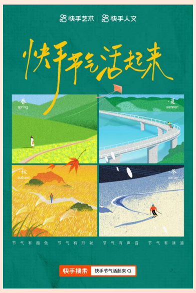
In 2023, Kuaishou focused on thematic activities to support minors in learning and growth, creating the series of "I have a book for you", "Celebrating the solar terms", "The world of flowers", and "A guide for the wandering earth" to stimulate minors' interest in learning and creativity. This aims to cultivate their comprehensive qualities and all-around development through engaging content and diverse forms.

I have a book for you

Around the "April 23 World Book Day", hundreds of leading educational content creators were invited to post videos recommending books and give away the recommended books, establishing a connection with minor via books.

Celebrating the solar terms

Authors focused on arts and humanities were invited to create contents that give a more vibrant, dynamic and more engaging interpretation of the 24 solar terms.



The world of flowers

Exclusive cooperation with nationwide botanical gardens and other official organizations to create the immersive live streaming of "World of Flowers", attracting users to enjoy the flowers online.

A guide for the wandering earth

The first youth science fiction short video animation, which fully met the consumer needs of the majority of science fiction fans.

Kuaishou firmly fulfills its social responsibility by actively participating in the formulation and implementation of standards for the protection of minors. During the year, Kuaishou led or participated in the formulation of a total of 4 such standards. Kuaishou collaborated closely with the China Academy of Information and Communications Technology in the formulation of the industry standard, *Technical Requirements for the Informed Consent of Children's Personal Information Processing in Mobile Internet Applications*. By sharing its proven real-name authentication solutions for minors with the industry, Kuaishou has provided strong support for addressing key issues such as minor identification and information protection. Additionally, Kuaishou actively participated in the development of a national standard for the *Safety Requirements For The Adolescent Mode Of Mobile Applications*. Kuaishou also collaborated with regulators to explore effective ways to improve the Adolescent Mode so as to safeguard the rights and interests of minors by promoting a healthy online space.

2.2. Employee Development

Kuaishou is committed to building a high-quality workforce that continuously drives the Company's development. We act in accordance with employment related laws and regulations to protect employees' legal rights and interests. We actively support our people in their growth by providing a healthy and enjoyable workplace, so as to promote synergies between the Company and our employees.

2.2.1. Rights and Interests of Employees

Kuaishou adheres to the principles of diversity and equality in our recruitment and employment practices. The Company has established a robust compensation and welfare system, providing employees with fair and competitive salaries and welfare. We pay attention to the physical and mental well-being of our employees, organize diverse activities to help them maintain work-life balance, thereby shaping a harmonious working environment.

- *Recruitment and diversity*

  Kuaishou strictly abides by the *Labor Law of the People's Republic of China,* the *Labor Contract Law of the People's Republic of China*, and other applicable laws and regulations, and has formulated the *Kuaishou Employees Handbook* and other policies. The Company continues to promote the iteration and upgrading of our recruitment system. In 2023, we formulated the *Interviewer Management Specification*, and updated policies such as the *Job Posting Specification,* the *Recruitment On-site Test Process Specification,* the *Employee Referral System,* the *"Running Water Program" Management System*, and the *Background Check Management System*, to establish a comprehensive management mechanism for our human resources system.

  As specified in the *Health Occupational Site Regulation System*, we resolutely oppose and reject any form of discrimination and harassment based on race, ethnic group, nationality, religion, place of origin, gender, age or health status, so as to ensure that employees enjoy equal opportunities in recruitment and promotion, thereby establishing a fair workplace. The Company abides by the *Provisions on Prohibition of Child Labor* and relevant conventions of the International Labor Organization, which expressly prohibit child labor and forced labor. In 2023, Kuaishou reported no violation of child labor and forced labor, and our social insurance coverage rate for full-time employees was 100%.

Kuaishou adheres to the principles of fairness, openness and competition in recruitment. Leveraging two talent recruitment initiatives, "Extensive Sourcing and Powerful Influence" and "Precise Selection and Strong Branding", we attract top talents from various industries, including the IT sector, through recruitment channels such as campus recruitment, online recruitment, employee referral and other methods. These continuously empower the Company's development. In 2023, Kuaishou gained recognition in various aspects such as employer image, organization of talent management, and campus branding, and was awarded with a number of recognitions by various human resources organizations.

Kuaishous's awards in human resources in 2023

Hosts/Organizers	Awards/Recognition
LinkedIn	Global Talent Magnet Employer
Zhaopin	China's Best Employer of the Year
Maimai	Worthy Employer of the Year
Niuke	NFuture's Best Campus Recruitment Employer of 2023
Intern Monk	Favorite Employer of 2023
Hedgehog	Hot List of Youth-friendly Employer
Mr. Offer	Best Employer of the Year in Campus Recruitment 2023
Global University Career Development (China) Conference	World's Most Popular Employer
Liepin	National Extraordinary Employer
HR Charity Alliance	Excellent Employer Brand in Greater China of 2023
Boss	Talent-favorite Employer
Lagou	National Top Employer of the Year
AUCA Alliance of Overseas Universities in China	Most Attractive Employer for International Students

Kuaishou's talent recruitment highlights

"Extensive Sourcing and Powerful Influence", to form a robust talent sourcing channel	• Campus recruitment: Strengthen the construction of the campus recruitment system to effectively enhance campus influence. • Online recruitment: Strengthen the construction of employer media matrix and third-party online channel to ensure smooth candidate application. • Employee referral: Strengthen the employee referral program to involve existing employees in attracting talents.
"Precise Selection and Strong Branding", to precisely attract high-caliber technical talents	• Continuously foster Kuaishou's technical influence through graduate student forums, university-enterprise collaboration, technical sharing, social practice opportunities, and other efforts to reach technical talents on campus. We have further developed the special technical talent project, "Kuai Star", to continuously identify top technical talents and cultivate Kuaishou's future technical leaders.

Kuaishou gives full consideration to diversity when building its team of talents. Our objective is to improve fairness and create more opportunities for female employees to promote workplace diversity. Our focus on female employees is also reflected through various initiatives including recruitment and employment, training and promotion, physical and mental health support, care and welfare, workplace safety, and communication channels. Kuaishou continues to enhance gender diversity at all levels of our workforce. In 2023, the Company appointed a female independent non-executive Director, contributing to improved Board diversity performance.

Kuaishou's diversity practices

Recruitment and employment	Kuaishou effectively protects the rights of female candidates to have equal opportunities in its recruitment and employment. In 2023, female staff accounted for 44.2% of Kuaishou's new hires. As of December 31, 2023, Kuaishou had 11,704 full-time female employees, representing 44.3% of all full-time employees.
Training and promotion	Kuaishou actively empowers its female employees, helping them continuously improve their professional skills and career advancement. In 2023, over 35.4% of Kuaishou's lecturers were women. Gender is not a consideration in promotion evaluations. In 2023, 30.9% of Kuaishou's managers were women, and the percentage of female employees promoted to managers was 34.3%.
Physical and mental health	Kuaishou provides professional fitness equipment and other resources and free mental health consultations for employees to help female employees take better care of their physical and mental health while focusing on career development.
Care and welfare	On top of the care and welfare for all employees, the Company takes full care of our female employees. For example, we provide nurseries for female employees for their convenience; offer additional maternity allowances beyond the statutory standards, and supplementary medical benefits during pregnancy; provide annual physical checkups; present gifts to all female employees on International Women's Day.
Workplace environment and communication channels	Kuaishou is committed to developing an equal, inclusive and healthy workplace that is inclusive of gender, age and race, striving to create a positive and warm workplace and an excellent workplace experience for women. We have established a multitude of communication channels to listen to the opinions of female employees and pay attention to their feelings in the workplace.

As of December 31, 2023, Kuaishou had full-time employees from 14 countries and 35 ethnic groups, and nearly 7.9% were from China's ethnic minority groups. Kuaishou's content review center in Xiangxi, Hunan Province employed 483 people of ethnic minority backgrounds. The center has effectively promoted workplace diversity while contributing to the local economy by providing employment opportunities.

- *Compensation and welfare*

  Kuaishou is committed to providing fair, comprehensive and competitive remuneration and welfare system, while enhancing and developing a team of excellent talents. The Company has formulated system documents including the *Kuaishou Employees Handbook*, the *Vocational Holiday Management System*, the *Kuaishou Rent Subsidy Management Policy* and other policies to enrich our wage and welfare structure through supplementary welfare, while protecting employees' legal rights and interests. In 2023, Kuaishou adopted a new equity incentive plan and optimized the performance targets and clawback mechanism. As of December 31, 2023, approximately 30% to 40% of Kuaishou's employees were entitled to equity incentives.

Kuaishou's employee compensation system and incentive mechanism

Kuaishou Talent Development Concept	
Employee compensation system	We offer market-competitive compensation and welfare, and conduct annual reviews. Outstanding employees will be granted an appropriate salary increase.
Employee incentive mechanism	Short-term incentives: We offer the annual performance bonus, and provide various short-term cash incentives based on the operating results of each business; Long-term incentives: Employees in key positions and outstanding performers are granted equity as an incentive and recognition.

In 2023, Kuaishou updated our employee welfare system, focusing on protection mechanism, physical and mental health, life quality, and personal growth, which fully reflects our humanistic value.

Kuaishou's employee welfare system

Kuaishou Insurance	Provide fixed indemnity insurance, accident insurance and serious illness insurance for employees, supplementary medical insurance for employees and their children, and maternity reimbursement for female employees; Provide employees with a variety of personal insurance products covering themselves, spouses, children, and parents (including their spouses' parents). Employees can purchase these products at their own expense according to their own needs.
Kuaishou Health	Care for employees' overall physical and mental health, and provide employees with annual physical examinations, psychological support, health cabin, exclusive doctors, massage services, basic health checkups, health promotion activities, monthly health journals, health lectures, fitness rooms, etc.; Care for the families of employees by providing annual physical examinations, discussion of examination results, and online consultations with exclusive doctors for employees' parents (including their spouses' parents).
Kuaishou Life	Provide employees with the convenience and comfort they need, including food, transportation, housing, lifestyle, services and holidays: • Dining: Staff cafeteria, online food ordering, pantry and convenience store; • Housing: Housing allowance and public rental housing ballot; • Lifestyle: Corporate car-hailing services, commuting bus and parking-space ballot; • Services: Hair salon, baby care room and laundry services; • Holidays: Welfare annual leave, Spring Festival leave, statutory annual leave, childcare leave, family leave for employees to care for parents in need, marriage and compassionate leave, maternity leave and full-paid sick leave.
Kuaishou Growth	Provide learning and growth platforms for employees, which combines online and offline resources to meet their learning needs.

- *Employee Communication*

Kuaishou places high importance on understanding the genuine thoughts of its employees, continuously broadening channels to listen to their voices, and providing timely feedback on their opinions and demands. Kuaishou strictly respects employees' right to freedom of association and actively promotes the construction of the labor union. This creates a valuable platform for information feedback and promotes employee care and protection. In 2023, the labor union of the Group formulated the *Kuaishou Employee Opinion and Suggestion Collection Feedback System*, guiding employees to express their demands in a rational and effective manner. By gathering the diverse needs of employees, the labor union clarified its responsibility for safeguarding employee rights and interests, opened up new service paths, and made various services more accessible to employees. Throughout the year, over 10 system documents, including the *Kuaishou Employees Handbook*, were issued to provide institutional guarantees for maintaining employee rights and welfare. The labor union also worked closely with relevant departments such as the Human Resources Department to establish a four-party coordinated mechanism for employees at all levels, offering comprehensive, interactive and customized services to employees on an consistent basis.

In 2023, Kuaishou harnessed the convenience of online platforms by launching the "Kuaishou Micro-lesson" series on the Kuaishou app. This creates a dedicated space for employees to voice their opinions and showcase their talents, thus establishing an online hub that unites employees across the platform. Additionally, Kuaishou continues to expand communication channels with employees through HR query and consultation platforms, HR daily business contact, and internal and external social platforms. Employees can also communicate with the management through salons, department meetings, internal discussion communities, and other channels to provide feedback and suggestions. In the event of unfair treatment or disputes, employees can report such cases directly to higher-level departments and the HR department. The Company will investigate and handle the matters according to the *Kuaishou Employees Handbook* and other relevant provisions.

Kuaishou conducts surveys at critical milestones in the employee journey annually to gain an insight into employee satisfaction. By analyzing the changes in survey results, we strive to address issues raised by employees and achieve closed-loop solutions. As of December 31, 2023, the annual comprehensive average value of eNPS[14] at each critical milestone of the employee journey grew by 4.1% compared to 2022, and the highest annual single value (onboarding handling) grew by 7.9%.

Kuaishou actively creates platforms for employee services and organizes activities to enrich their life and work and foster cohesion. These include events such as the "Kuaishou Group Labor Union Membership Recruitment", "Joint Medical Consultation with Beijing Jishuitan Hospital", celebrations for company anniversaries and cultural and sports events.

14 eNPS refers to Employee Net Promoter Score.

Cases: Overview of Kuaishou employee activities in 2023

- Establishment of "Heartwarming Stations" and "Employees' Home"

  In 2023, Kuaishou labor union made significant efforts to promote the construction of "Employees' Home" and "Heartwarming Stations". To date, it has positioned and upgraded 20 Heartwarming Stations, and is in the process of establishing the "Employees' Home" under the "Kuai SHOW" series brand. Embracing the digital trend, Kuaishou labor union utilized corporate data and technological advantages to build an online service platform, creating a comprehensive service matrix that integrates online and offline interactions. Collaborating with the Kuaishou Culture Department, the labor union created the anniversary edition of "Little Kuai and Little Liu" plush toys. Employees could receive exclusive commemorative gifts on their work anniversary days. In 2023, a total of 25,745 anniversary-themed items were given out by the Kuaishou labor union.

- "Follow the Light" Employee Wish Program

  Kuaishou organized charity sales to raise funds towards fulfilling the wishes of employees. In 2023, Kuaishou's various departments collaborated to launch 4 special activities and granted several individual wishes. As a result, 66 employees had their wishes fulfilled.

- Anniversary Amusement Park Celebration

  In June 2023, Kuaishou hosted its 12th-anniversary celebration with a themed amusement park event titled "Witnessing Growth". The event attracted enthusiastic participation from over 5,000 employees. 17 booths representing different business units showcased their growth journeys, engaging closely with employees and sharing their stories.

Kuaishou anniversary celebration: Amusement Park Event Site

- Watching Match Events

  In August 2023, the Kuaishou football team advanced to the Group A final of the 2023 China Internet Media Football Elite Tournament. Kuaishou labor union organized nearly 500 employees to attend the match at the Beijing Workers Stadium, cheering on the players. Ultimately, Kuaishou finished runner-up in Group A in the annual tournament, strengthening the employees' sense of belonging and cohesion.

2.2.2. Employee Training and Development

Kuaishou assists employees in continuously enhancing their personal value and achieving significant progress in their careers, contributing to the mutual growth of employees and the Company. Kuaishou has established a series of training management systems, including the *Career Development System of Kuaishou*, the *Kuaishou Course Management System*, the *Kuaishou Instructor Management System*, the *Kuaishou Training Expense Usage Specification*, the *Kuaishou Training Operation Management System*, and the *Kuaishou Assignment Training Management Rules*. These systems provide employees with systematic and targeted training plans to continuously improve their overall capabilities.

Kuaishou has established a comprehensive employee training system centered around employee development. Horizontally, it consists of training media including Kuai LEARNING (online learning platform), Kuai TEACH (instructor team, massive course database, relevant systems and SOP), Kuai MENTOR (coaching), etc. Vertically, it consists of training brands including Kuai LEAD (leadership), Kuai TECH (professional skills), Kuai TALK (openness), Kuai UP (general skills), Kuai START (new employees), etc. This system meets the learning and development needs of employees at different levels.

In 2023, Kuaishou upgraded its new employee training model by creating the "Kuaishou '3+1' Employees Recruited from Campus Training System", which involves collaboration across the company, professional channels, and various departments. This system focuses on the onboarding needs of new employees, from the introduction of the company's business status to the corporate attributes, from the technical and product team process specification to the methodological tools, from domain skills to business knowledge. A knowledge base for new employees was established, and various forms of training, including collective training and special training camps, were conducted to facilitate the rapid integration and continuous growth of employees recruited from campus.

Kuaishou's training system

Training Category	Content
Leadership training	• Establish a comprehensive hybrid learning and development system, develop programs tailored to corporate leadership, business line leadership, team leadership and individual leadership. Foster the long-term development and short-term problem-solving among leaders and the combination of online and in-person learning. • Formulate comprehensive development projects suitable for different functions, including chief technicians, front-line managers, directors and general managers, flexible projects for solving problems at critical management sections, diversified online learning camps, and mentoring programs tailored for business teams.

Training Category	Content
Professional talent training	• Identify and cultivate young technical talents with high potential, and support their rapid growth through on-the-job practice, tutoring, course learning and other ways. • Improve the skills and expertise of technical talents in seven technical areas; enhance technical planning, decision making and other capabilities of technical managers by making use of suitable technology management scenarios; invite industry and academic technical experts to hold discussions with technical talents to broaden their technical vision. • Conduct relevant talent training projects for professional talents engaging in production and operation, games, design, analysis and other positions to support their rapid growth.
New employee training	• Systematic and diversified training models are established to allow employees recruited from campus to closely engage with business operations and master professional skills: 1) At the company level, initiatives such as live streaming experiences, short video competitions, knowledge inheritance, user engagement activities and business challenges are organized to align with business objectives and enhance user interaction; 2) At the channel level, an overview is provided from the channel perspective to help new employees build a strong professional foundation, emphasizing practical experience and hands-on learning; 3) At the department level, emphasis is placed on long-term training and mentorship, ensuring that new employees can quickly adapt to their roles. • Institutional support: Insights and feedback from employees recruited from campus are collected to address growth issues and concerns, leading to the formulation of the *Campus-recruited Employees Growth Guidelines*. • Robust mentorship team: Efforts are made to inspire mentors and enhance their coaching abilities, ensuring they are qualified and well-equipped to guide new recruits effectively. An online system is utilized for automated coaching reminders and tracking coaching records. Detailed coaching operation manuals are provided to address common issues and pain points encountered by mentors.

Kuaishou has made extensive efforts to build a robust online and offline training system, establishing the "Kuaishou Middle School" online learning platform to continuously facilitate the efficiency and convenience of training. Kuaishou Middle School offers a wide range of themed courses on technology research and development, product operations, management skills, general skills, essential courses for new talents, engagement encyclopedia, and other topics, available to all employees. As of December 31, 2023, there were a total of 4,816 courses on Kuaishou Middle School.

In addition to internal training, Kuaishou also frequently collaborates with external parties to build an industry academic-research exchange platform, improves the professionalism of talent training. We collaborate with external technology vertical communities, relevant publishing houses, and internet media, and other channels to introduce experts from the internet industry and cross-industry domains to share insights and expertise. Through these efforts, we aim to enhance the professional capabilities and industry perspectives of our research and development personnel. In total, we have organized 26 sharing and learning events, engaging 30,000 participants.

While emphasizing the cultivation and enhancement of employees' comprehensive development qualities, Kuaishou adheres to a talent development philosophy centered on professional competence and achievements. We continuously improve our talent selection, evaluation, and training systems, conducting biannual performance assessments. Through mechanisms such as goal setting, process guidance, peer feedback and performance review appeals, we can ensure the objectivity and fairness of assessment results.

In 2023, Kuaishou revamped its job grading system, shifting from dual-track to single-track, providing employees with clear career development paths. The Company refined the number of job grades, offering greater growth incentives for early-career employees through a "fast-track" approach, while encouraging long-term thinking for higher-level employees, setting higher requirements for overall competence and performance. From the perspective of professional talent development, Kuaishou upgraded the channel committee management mechanism, promoting a more balanced distribution of committee composition. Through the new channel committees, job grade standards were updated. The channel committee mechanism introduced higher-level management to participate more frequently in the job grading review process to ensure fairness in talent identification and selection. The Company revised the promotion system for job grades, introducing mechanisms for expedited promotion of outstanding performance and encouraging exceptional performance beyond standard expectations. These adjustments aim to accelerate the growth of excellent employees and inspire their vitality.

Kuaishou also gradually improved its cadre management mechanism and implemented the Cadre Inventory Project in 2023. This further solidified the profile of managers while also clarifying the future substantial increase in the internal selection ratio of grassroots management cadres. This initiative strengthens the internal training system and enhances the depth of talent within the organization.

2.2.3. Health and Safety of Employees

Kuaishou places a high priority on the occupational health and safety of its employees. The Company strictly abides by laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Fire Control Law of the People's Republic of China* to safeguard the occupational health and safety of employees comprehensively. We spare no effort in creating a healthy workplace by providing ergonomic desks and chairs, fitness facilities, equipment and classes in our office facilities. Kuaishou also conducts joint safety inspections of workplaces nationwide to investigate and rectify all potential safety hazards to prevent any potential risks. Besides, we provide supplemental medical insurance and protection against major illness for all employees to enhance the health and safety protection system. We also provide regular physical checkups and assist employees in understanding their checkup reports for employees. Employees with abnormal physical examination findings are supported with green channels for diagnosis, treatment and care.

Major measures for Kuaishou's care for severely ill employees

Medical insurance guarantee	Provide critical illness insurance, outpatient hospitalization and reimbursement and serious illness hospitalization reimbursement. A corporate medical reimbursement fund is in place to cover out-of-pocket medical expenses in excess of insurance coverage.
Medical resource coordination	Contact health management resources to assist seriously ill employees with registration, hospitalization and transfer based on their conditions.
In-hospital visit and care	Arrange for a representative to send flowers, fruits, supplements, etc. and visit the employee in hospital to express team care.
Compassion Fund	Provide special assistance funds on humanitarian grounds beyond any legal obligations to address personal safety emergencies such as sudden illnesses, injuries or death during an employee's tenure, whether work-related or not.

Kuaishou continued to expand and improve the "Health Cabin" service system by setting up two new health cabins in 2023. These health cabins were staffed by four medical professionals to provide employees with daily health consultations, wellness massages and other services. This service was highly appreciated by our employees. The Company also offered exclusive online doctor services to all employees, and had achieved nationwide coverage of AED[15] devices in its workplaces. Paying close attention to employees' mental health, the Company implemented the "EAP[16] Employee Mental Health Assistance" program, and provided professional online and offline EAP counseling services to comprehensively safeguard employees' physical and mental well-being.

Kuaishou attaches great emphasis on enhancing employees' awareness and capabilities regarding health and safety. In 2023, the Company continued to run the "First Aiders" training program, and organized a total of 10 "Kuaishou First Aiders" events throughout the year. Over the 4 years of this program, more than 4,166 employees nationwide have received their first aid certificates through training across 14 cities, with a total of 91 training sessions offered. 1,000 employees who received the training are engaged to serve as First Aiders within the Company. Qualified service providers are employed on-site to ensure the safety of employees in key positions. First Aider badges have been awarded to more than 2,300 employees since its launch in 2022. Additionally, in 2023, the Company organized the "Fire Evacuation Drill in Beijing Area". Designed to improve employee skills in fire prevention, self-rescue and evacuation, this activity involved nearly 13,000 participants.

15 AED refers to Automated External Defibrillator.
16 EAP refers to Employee Assistance Program.

Case: "EAP Employee Psychological Assistance Program"

In 2023, the Company organized the "EAP Employee Psychological Assistance" program, and conducted a total of 18 offline psychology seminars, salons and live streaming courses throughout the year. We invited renowned experts including Huang Han, a resident guest from the TV show "*If You Are the One*", and Yang Hongmei, an international psychological consultant, to join Kuaishou. These events reached over 2,700 employees. Additionally, we provided 8 on-site psychological counseling sessions, accommodating 37 employees for one-on-one psychological counseling activities.

Kuaishou organizes "EAP Employee Psychological Assistance"

Case: "Care from Kuaishou, Promoting Health Together" large-scale free health consultation activity

In 2023, Kuaishou conducted the "Care from Kuaishou, Promoting Health Together", a large-scale free health consultation activity together with Beijing Jishuitan Hospital. Medical specialists from 7 departments attended Kuaishou to provide medical consultations, allowing employees to access high-quality health services without leaving the office site. This activity was featured in the *Workers' Daily*.

At the scene of the "Care from Kuaishou, Promoting Health Together" large-scale free health consultation activity

EMPLOYMENT PERFORMANCE TABLE

Employment

Indicators		2023
Total Employee Headcount (person)[17]		**29,288**
Number of Employees by Employment Type	Full-time employees	26,418
	Other types of employees[18]	2,870
Total Full-time Employee Headcount (person)		**26,418**
Number of Full-time Employees by Gender	Male (person)	14,714
	Female (person)	11,704
Number of Full-time Employees by Age Group	Under 30 (person)	17,251
	30 to 50 (person)	9,154
	Above 50 (person)	13
Number of Full-time Employees by Region	The Mainland of China (person)	26,279
	Overseas and Hong Kong SAR, Macao SAR and Taiwan regions of China (person)	139
Number of Full-time Employees by Management Level	Management	1,622
	Non-management	24,796
Total Full-time Employee Turnover Rate (%)[19]		**30.3%**
Employee Turnover Rate by Gender	Male (%)	33.6%
	Female (%)	26.3%
Employee Turnover Rate by Geographic Region	The Mainland of China (%)	29.9%
	Overseas and Hong Kong SAR, Macao SAR and Taiwan regions of China (%)	30.9%
Employee Turnover Rate by Age Group	Under 30 (%)	28.3%
	30 to 50 (%)	34.1%
	Above 50 (%)	46.2%

17 Total employee headcount includes the headcounts of full-time employees of Kuaishou Technology and headcounts of employees who are directly managed by the Company, including part-time, dispatched labor and intern.

18 Other types of employees include the headcounts of employees who are directly managed by the Company, including part-time, dispatched labor and intern.

19 Employee turnover rate = the number of full-time employees who leave the Company in the reporting year/the total number of fulltime employees at year end * 100%. The number of employees leaving the Company includes full-time employees leaving the Company (due to voluntary resignations, dismissals or retirement), and does not include full-time employees leaving during their probation period.

Employee Training

Indicators		2023
Total Investment in Employee Training (in RMB ten thousands)		**1,080**
"Kuaishou Middle School" Training	Total time of online training (hours)	1,881,909
	Total number of offline participants (person-times)	391,524
	Number of courses offered online	4,816
Training hours per capita by employee category	Online training hours per management personnel (hours)	54.8
	Online training hours per non-management personnel (hours)	41.3
	Offline training hours per management personnel (hours)	2.7
	Offline training hours per non-management personnel (hours)	6.4
Percentage of trainees by employee category	Proportion of management employee training (%)	96.7%
	Proportion of non-management employee training (%)	92.8%
Training hours per capita by gender	Training hours per male employee (hours)	45.2
	Training hours per female employee (hours)	38.2
Percentage of trainees by gender	Proportion of male employee training (%)	93.6%
	Proportion of female employee training (%)	92.3%

Health and Safety

Indicators	2023	2022	2021
Work-related fatalities (person)	0	0	0
Work-related fatality rate[20] (%)	0	0	0
Lost days due to work injury[21]	381	529	575

20 Work-related fatality rate = (work-related fatalities/total employee headcount)*100%.

21 The data is verified by the local official agency for work-related fatalities, as determined by the local Human Resources and Social Security Bureau. Every 8 hours is calculated as one workday.

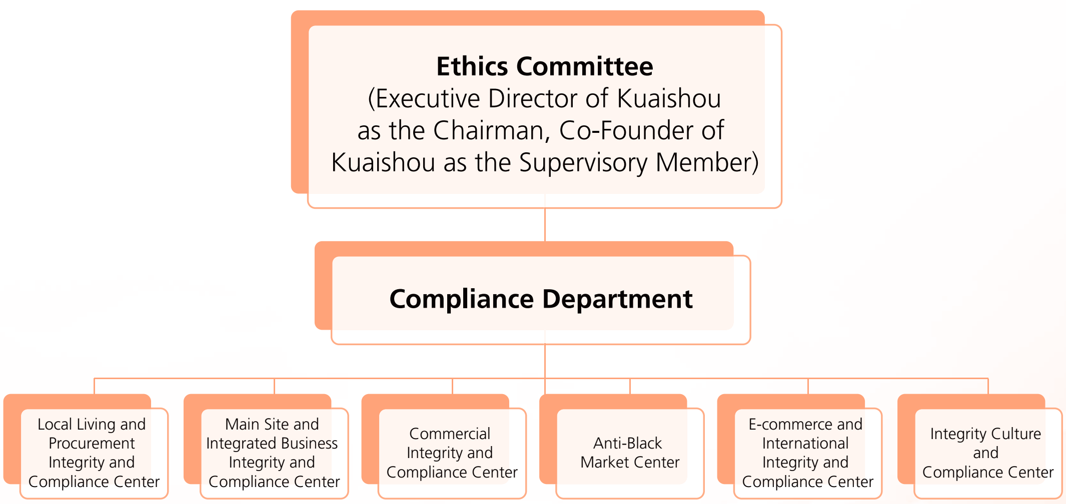
2.3 Business Ethics

Kuaishou always adheres to high standards of business ethics, placing a high emphasis on integrity and self-discipline. As a member institution of the Trust and Integrity Enterprise Alliance, we actively fulfill our duties and resist corruption, money laundering, monopoly and other unethical behavior, ensuring that we practice compliant operations.

2.3.1 *Anti-corruption*

Kuaishou strictly complies with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *U.S. Foreign Corrupt Practices Act*, the *Bribery Act 2010* of UK and other applicable laws and regulations, and has formulated internal policies and systems, including the *Kuaishou Employees Handbook*, the *Kuaishou Employee Code of Conduct*, the *Kuaishou Interim Rules on Avoidance of Conflict of Interest* and the *Anti-Corruption Policy for Kuaishou International Business Department (Trial)*, to strengthen the anti-corruption system. In 2023, a former employee of Kuaishou was subject to a legal judgment for suspected bribery of a non-state functionary employee. The case had no material impact on the business of the Company.

Kuaishou has established a business ethics governance system, in which the Kuaishou Business Ethics Committee is the highest decision-making body responsible for the strategies and planning of integrity and compliance management. To ensure the independence of integrity work, the Company's Compliance Department operates with complete functional independence and is staffed with dedicated full-time employees. The Department reports directly to the Business Ethics Committee. In 2023, Kuaishou reoriented the centers under the Compliance Department, emphasizing five major centers to cover all business lines of the Company.



Kuaishou's business ethics management structure

Kuaishou has established the Integrity Business Partner (BP) mechanism, where Integrity BPs in each center are responsible for assessing bribery risks, providing anti-bribery governance suggestions, addressing corruption cases, and conducting anti-corruption training within business lines. The Compliance Department, in collaboration with various departments, has established an integrity coordination mechanism to form a closed-loop management system for bribery risks.

Kuaishou is committed to creating an open, transparent, fair, equal and clean network. We fully leverage the reporting mechanism to actively promote integrity construction. We encourage our employees, partners (including suppliers, agents and clients) and other third parties to report corruption, bribery and fraud. Our official website features an "Integrity and Whistleblowing" section, which openly displays our *Integrity and Whistleblowing Management Standards* along with the reporting email address. The reporting hotline is linked with the 24/7 customer service hotline, and reports of corruption received are promptly forwarded to the Compliance Department. In 2023, we introduced a 24/7 reporting telephone voice mailbox and internal integrity secretarial consultation service, further enhancing our reporting channels. We have also launched reporting portals on multiple platforms including Magnet Engine and Kuaishou Agent Platform. As of the end of the Reporting Period, a total of 9 reporting portals have been launched.

Kuaishou designates the Compliance Department as the sole department responsible for receiving and handling reports, with dedicated personnel assigned to handle reports of corruption. The reported cases are distributed to the appropriate investigation centers based on their relevance to specific business lines. At the beginning of each month, all reported cases from the previous month are summarized and submitted to the Ethics Committee for review.

Kuaishou has a clear complainant and whistleblower protection mechanism. We support in-person or anonymous reports. The whistleblower's personal information and reporting details are kept strictly confidential. Any form of retaliation against whistleblowers, witnesses, and investigators is strictly prohibited. The Company explicitly prohibits the disclosure of whistleblower's identity and reporting details to external parties. Employees who disclose information about or retaliate against whistleblowers will face severe consequences in accordance with the *Kuaishou Employee Code of Conduct*. Those who are in violation of laws will be handed over to the judiciary.

Kuaishou continues to raise integrity awareness and promote a culture of integrity by organizing a variety of training courses that cover a wide range of topics. In 2023, Kuaishou included integrity and compliance training as one of the mandatory onboarding courses for new employees. The Company also continued to advance integrity and compliance training at the business department level and management level, while enhancing special training on integrity.

Training results of Kuaishou's compliance system in 2023

General introduction of rules to new employees	• In 2023, a total of 27,212 new employees participated in online training, achieving a training coverage of 100% • A new offline onboarding training for college recruits was introduced and achieved a training coverage of 100%
Special training for business departments	• 32 offline business-related training sessions were conducted, covering all key business departments and a total of 4,352 participants • A total of 335 offline training sessions for frontline workplace integrity courses were conducted, covering 5,306 participants from functional teams and frontline workplaces • The total number of certified integrity lecturers reached 76
Integrity and compliance training for management	• The Company's Directors received an annual anti-corruption training • A total of 236 online training sessions were completed by managers • In 2023, 2 offline training sessions were organized for middle managers in key business lines, with a total of 37 participants • A targeted email-delivered case study training was conducted online, covering 278 participants
Special training on integrity and compliance	• 13 internal corruption case penalty notices were published through the "Integrity Kuaishou" messaging account, to warn employees against corruption • Comic-style articles were created and published based on internal and external corruption cases. A total of 15 articles promoting integrity were published throughout the year

The Company continues to strengthen the construction of a clean supply chain, aiming to foster transparent and ethical cooperation. We enhance management constraints and awareness of integrity among our supplier partners. We have included integrity clauses in our *Supplier Integrity Commitment Letter*, which requires all suppliers to sign, thus reinforcing supervisory measures. We conduct anti-corruption publicity through emails and WeChat public accounts for suppliers during holidays. In 2023, we signed the *Integrity Commitment Letter* with 4,928 suppliers, an increase of 46% from 3,380 in 2022.

In 2023, the Company organized a two-hour training session on integrity and collaboration systems for suppliers, covering 76 suppliers with a total of 150 participants. The Compliance Department collaborated with business departments to visit partners (including suppliers, service providers, merchants and agents) to jointly create an ecosystem of integrity. In 2023, Kuaishou visited 74 partners to understand their views and reach consensus on integrity standards.

Kuaishou supplier integrity training

Case Study: Kuaishou integrity promotion campaign

In 2023, Kuaishou partnered with Xiangpiaopiao to launch the "Integrity's Brew: A Free Cup of Tea" Campaign. The campaign landed in 6 cities and 11 workplaces, where employees participated in activities such as Q&A discussions and photo posting on their social circles. This initiative aimed to strengthen awareness of integrity and compliance. The campaign, implemented both online and offline, reached a total of 25,546 individuals, with an outreach rate of 88%. Following its launch, the campaign garnered participation of multiple companies and received extensive promotion from the Trust and Integrity Enterprise Alliance.

The "Integrity's Brew: A Free Cup of Tea" campaign

2.3.2 *Anti-money Laundering*

Kuaishou strictly abides by the *Anti-Money Laundering Law of the People's Republic of China* and actively fulfills anti-money laundering obligations. The Company explicitly stipulates in agreements such as the *Kuaishou Coin Top-up Service Agreement* and the *Kwai Shop Deposit Management Rules* that funds from different financial transactions must originate from legal sources.

We utilize various techniques such as big data analysis and machine learning to comprehensively analyze every fund flow and user behavior within the platform. In conjunction with real-time anomaly detection on a daily basis, the platform promptly identifies risky funds and issues risk alerts to users. For high-risk funds, we implement preemptive interception at the fund recharge ordering stage. Additionally, we conduct offline reviews and anomaly assessments on funds and transactions that users have already initiated. Where abnormalities are detected in existing transactions, we freeze the users' funds for further investigation and processing.

Anti-money laundering regulatory measures at Kuaishou

E-commerce business	• Intercept recharge requests that deviate significantly from actual operational needs • Utilize big data techniques to identify and intercept recharge orders that are not initiated by the account owner in real-time • Based on manual review, accounts containing risky funds are frozen to prevent their outflow • Implement a tiered approach for merchants, setting recharge limit caps for new merchants, low-activity merchants, and long-term operating merchants, with a focus on monitoring new and low-activity merchants
Live streaming business	• Utilize big data techniques to identify and intercept recharge orders that are not initiated by the account owner in real-time • Implement preemptive interception for risky transactions and freeze user wallets associated with high-risk funds

2.3.3 Antitrust

As part of our efforts to fulfill platform responsibilities, Kuaishou adheres to the principles of mutual benefits, win-win solutions and fair competition, and promotes antitrust compliance initiatives. Kuaishou strictly complies with the *Anti-Monopoly Law of the People's Republic of China*, the *Provisions on the Concentration Review of Business Operators*, and other applicable laws and regulations. The Company also has policies in place to guide antitrust compliance in our operations, including the *Kuaishou Competition Compliance Management System* and the *Kuaishou Guidelines on Concentration Compliance for Business Operators*.

Kuaishou employs an antitrust compliance identification, assessment and handling process and mechanism to control antitrust compliance in our daily operations, key antitrust transactions, and investment and merger projects. Kuaishou integrates the antitrust compliance process throughout the entire lifecycle of our business operations, creating antitrust compliance defenses through the joint efforts of business departments and compliance departments. For investment and merger activities, Kuaishou establishes a business concentration compliance control process and conducts assessments for business concentration compliance during the negotiation process of transaction schemes to ensure the implementation of business concentration in accordance with the law.

Kuaishou endeavors to foster an antitrust compliance culture and promote employees' awareness of antitrust compliance. We offer all employees access to the antitrust compliance knowledge base, monitor and study evolving antitrust laws and regulations, and address key antitrust issues. In accordance with the *Beijing Anti-monopoly Compliance Guidelines* released in 2023, Kuaishou introduces typical manifestations of anti-monopoly violations to all employees, particularly compliance personnel, through case studies and examples. This approach aims to enhance awareness of antitrust compliance in business operations and compliance work.

Furthermore, Kuaishou has strengthened communication with regulators and interactions with industry peers by participating in surveys, seminars and other activities. We also actively contribute to the industry's overall antitrust compliance efforts and initiatives. Meanwhile, Kuaishou has advised on various antitrust-related laws and regulations during the consultation stage, helping develop effective antitrust regulatory frameworks.

2.4. Supply Chain Management

Kuaishou actively carries out supply chain management, placing a strong emphasis on supplier compliance management and implementing responsible and green procurement practices. Through strict supplier selection and review processes, we ensure the stability and sustainability of our supply chain.

2.4.1. Supplier Compliance Management

Kuaishou continuously advances supplier compliance management to achieve mutual progress with suppliers. In accordance with internal policies such as the *Kuaishou Supplier Management Rules*, the *Kuaishou Supplier Certification Management Process* and the *Kuaishou Supplier Selection Management Rules*, the Company issued and implemented new management systems including the *Kuaishou Supplier Performance Management Process* and the *Kuaishou Supplier Daily Management Process* in 2023. These new systems have further improved the full lifecycle management of suppliers, strengthened the daily management of supplier behavior, and clarified supplier performance assessment rules to establish a higher quality supplier resource pool. Consequently, the service levels and delivery quality of suppliers have been enhanced. As of December 31, 2023, there were 6,141 suppliers from around the world on Kuaishou's supplier list, including 5,990 suppliers from China (including Hong Kong SAR, Macau SAR and Taiwan) and 151 overseas suppliers.

Supplier lifecycle management system

Supplier entry	• Establish universal entry rules and standards. Sign confidentiality, information security, integrity, and ESG-related agreements with the suppliers admitted to ensure that they act in a safe, compliant, low-risk, and environmental friendly manner. • Develop tailored qualification audit standards to each supplier category to ensure their compliance with management standards for quality, environment, occupational health and safety, and food safety. • For certain categories, such as catering and furniture, Kuaishou conducts on-site inspections in addition to document authentication. This comprehensive evaluation assesses the supplier's production environment, safety protection measures and environmental compliance to ensure they meet Kuaishou's supply standards.
Supplier selection	• Kuaishou rigorously follows the principle of prioritizing standards and strategies during the selection process to ensure fairness and impartiality in shortlisting and selecting suppliers. This approach ensures equal opportunities for suppliers that meet the appropriate criteria. • Throughout the supplier selection process, we actively promote the use of online procedures to ensure transparent, standardized and unified information dissemination and processing. We rigorously eliminate hidden manipulation to ensure the fairness and compliance of the selection process.
Supplier assessment	• After a supplier executes the agreements, the supplier will be evaluated comprehensively based on the supplier performance management mechanism, to determine the fit between the supplier and the Company. Incentives will be given to suppliers with excellent performance, while underperforming suppliers will be strategically managed.

Supplier ESG Risk Management	• We have established a supplier ESG evaluation system. We explicitly require suppliers to meet baseline environmental protection, occupational health and safety, business ethics and social responsibility requirements during the process of warehouse certification, in order to effectively mitigate ESG-related risks across the supply chain.
Supplier exit	• We hold suppliers that have acted dishonestly accountable, and eliminate or suspend them. • Unqualified suppliers will be gradually eliminated, to accelerate the optimization and upgrading of the supply chain, ensuring its efficient operation and quality standards.

To maintain effective communication and collaboration with suppliers, Kuaishou conducts supplier relationship management using a tiered and graded approach. Regular senior-level communication meetings and business review meetings are held with suppliers. During the Reporting Period, we engaged in in-depth discussions with 94 suppliers regarding areas for improvement, performance and long-term cooperation. Additionally, we conducted senior-level communications with 49 suppliers to strengthen Kuaishou's long-term and stable cooperation with them.

In 2023, Kuaishou conducted performance assessments for a total of 197 suppliers. The assessment criteria included technology (T), quality (Q), responsiveness (R), delivery and fulfillment (D), cost (C), and others (O).

Supplier performance assessment considerations

Technology (T)	• To assess suppliers' technological capabilities, research and development capabilities, patents, productivity, processes, etc.
Quality (Q)	• To assess suppliers' quality of products, service and management
Responsiveness (R)	• To assess suppliers' responsiveness, communication efficiency and willingness to cooperate during their cooperation with Kuaishou
Delivery (D)	• To assess the results of supplier performance evaluation, including delivery quality, timeliness, quantity, etc.
Cost (C)	• To assess strengths and weaknesses of the suppliers' transaction price, commercial terms and total cost
Others (O)	• To assess suppliers' inherent risks, including but not limited to their own legal risks, financial risks, operational risks, and whether there are any safety, compliance, integrity violations or other irregularities during cooperation • To assess suppliers' growth potential, including but not limited to industry performance and rankings, market standing, alignment with Kuaishou's business needs, corporate culture and ESG standards

2.4.2. Responsible Procurement and Green Procurement

Kuaishou is committed to building a green and low-carbon supply chain that consistently adopts and refines responsible procurement processes. We have introduced the *Supplier Admission Commitment Letter* and require all admitted suppliers to sign and adhere to its core principles. This letter aims to manage ESG-related risks throughout the supply chain effectively and drive the entire supply chain to embrace the concept of sustainable development.

Core principles of the Kuaishou *Supplier Admission Commitment Letter*

Labor and human rights protection	Ensuring no child labor or forced labor, respecting workers' freedom of work and freedom of association, and avoiding harassment or discrimination based on personal characteristics
Employee health and workplace safety protection	Providing employees with a safe and healthy working environment, adhering to laws and regulations in relation to working hours and compensation, and implementing emergency response measures
Environmental protection	Complying with laws and regulations in relation to environmental protection, reducing the environmental impact of production activities, optimizing resource utilization, and managing waste responsibly
Anti-corruption	Complying with laws and regulations in relation to anti-corruption, conducting business in a transparent and honest manner, and opposing any form of corruption and bribery
Data security and privacy protection	Complying with laws and regulations in relation to data protection to ensure the security of customers' and users' personal information

Kuaishou actively implements responsible and green procurement practices in its daily operations. For purchases such as holiday gifts, corporate gifts and employee welfare, we prioritize products that support intangible cultural heritage and local farmers, and give preference to environmental friendly packaging materials. Additionally, to contribute to the development of remote areas, we prioritize suppliers from these regions. In terms of catering and workplace construction-related procurement, we refine the supplier assessment system by factoring in Environment, Health and Safety (EHS) indicators, food safety, service quality management, delivery efficiency, cost indicators, among others. This ensures high standards for both product quality and service delivery.

Priority is given to environmental-friendly materials in gift procurement

In selecting leased data center, we give priority to nationally certified green data centers or overseas facilities that can provide green power. To date, the data centers leased by Kuaishou have consumed a total of 55 million kW·h of green electricity, which amounts to reducing approximately 45,479.5 tonnes of carbon dioxide emissions, as well as 25,850 kg of sulfur dioxide and 23,650 kg of nitrogen oxide emissions.

To enhance our insight into suppliers' ESG practices, we conducted supplier ESG assessments in 2023. This assessment took the form of a questionnaire, evaluating suppliers' performance across five aspects: environmental protection, labor and human rights protection, health, safety and welfare, business ethics, and data security and privacy protection. The results of the assessments showed that more than 80% of the suppliers surveyed have either initially established or are gradually improving their ESG management capabilities.

2.5 Social Responsibility

Kuaishou conscientiously fulfills our social responsibilities as a corporate citizen, demonstrating a steadfast commitment to social welfare and charitable endeavors. We place great emphasis on community engagement and actively participate in a variety of philanthropic activities and initiatives. Moreover, Kuaishou encourages and supports employee volunteerism by organizing and participating in volunteer activities. This strengthens our connection with the community and contributes to the harmonious development of society.

2.5.1. Community Contribution

Embracing the ethos of "connecting good faith with technology and creating long-term values", Kuaishou is dedicated to addressing the needs of the community and supporting its development through multifaceted channels and innovative initiatives. Our aim is to build a better home for all with distinctive Kuaishou characteristics.

Case: Collaborative response to the rainstorm and flood disaster in Beijing, Tianjin, and Hebei

In 2023, when a severe rainstorm struck the Beijing-Tianjin-Hebei region, Kuaishou promptly mobilized various departments for flood control and disaster relief. We set up a *Beijing-Tianjin-Hebei Rainstorm Rescue Channel*, enabling those in distress to seek help online. The channel relayed crucial information to the relevant departments, facilitating efficient and effective rescue operations. Kuaishou pinned this channel to the top of the "hot" list on the platform after its activation, and over 400 requests for assistance were received in just one hour. In addition, the Kuaishou Charity Foundation announced a donation of RMB10 million designated to aid in flood control and disaster relief, post-disaster reconstruction and resumption of economic activities in the Beijing-Tianjin-Hebei region.

Case: "Female Power" Rural Women Entrepreneurship Academy

In alignment with the "Women's Action for Rural Revitalization", Kuaishou Charity joined hands with China Women's Development Foundation and Shanxi Women's Federation to initiate the "Female Power • Rural Revitalization and Assistance Project". This project was dedicated to empowering female entrepreneurs in rural areas by providing practical training to the grassroots female cadres and equipping them with skills in internet, new media and live-streaming commerce. These efforts aim to assist rural women in establishing home-based businesses and thereby increase their income. The project also offers financial support and facilitates resource integration for female entrepreneurial leaders to support the growth of their businesses.

In February 2023, the Entrepreneurship Academy was founded, helping 100 local women to develop professional e-commerce skills. In June 2023, a public welfare research and study event took place in Beijing, fostering participants' understanding of user and platform dynamics, and broadening their perspectives on rural revitalization. The project aspires to positively influence over 1,000 rural women across Shanxi Province.


"Female Power" Rural Women Entrepreneurship Academy

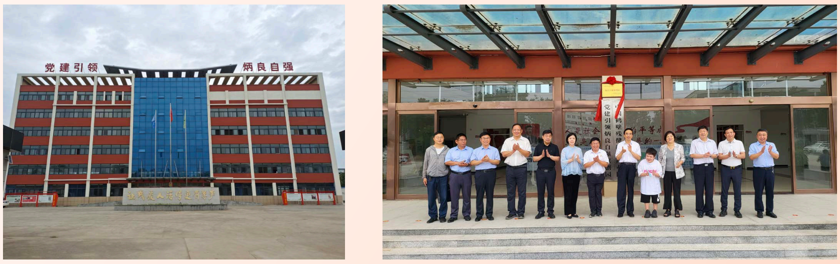
Case: "Happy Lecture Hall"

In 2023, Kuaishou Charity introduced the Happy Lecture Hall, an inclusive new media vocational training project designed to meet the employment and entrepreneurship aspirations of different social groups. This project drives new high-quality development of the digital economy through the emerging "short video + live streaming" format. Apart from offering a suite of free new media vocational training courses, the project has established regional "shared live-streaming channels" in 5 provinces, providing comprehensive support in operational guidance, brand promotion and traffic support. These efforts have significantly enhanced the digital literacy and internet and new media skills of the trainees. As of November 2023, the Happy Lecture Hall expanded its reach to 25 counties and cities nationwide, positively impacting over 200,000 people both online and offline.

Kuaishou Charity's Happy Lecture Hall

Case: Bingliang Self-strength Innovation Park in Henan facilitates employment for over 8,100 disabled persons

Guided by the China Disabled Persons' Federation, Kuaishou established the Bingliang Self-strength Innovation Park in Jun County, Henan Province, a modern service park for the disabled integrating healthcare, employment and entrepreneurship support, psychological rehabilitation, and high-tech product research and production. Since its opening in August 2022, the park has provided training and empowerment opportunities for over 8,100 disabled and low-income individuals.



Bingliang Self-strength Innovation Park

2.5.2 *Public Welfare and Volunteer Services*

Kuaishou leverages its platform resources to actively engage in social welfare and charitable activities, particularly in areas such as educational support and volunteer services, which form an integral part of our corporate social responsibility. We organize a variety of public welfare activities and encourage our employees and partners to participate and contribute their efforts. In 2023, Kuaishou donated approximately RMB27.3 million through our public welfare projects, and dedicated 35,566 hours to public welfare projects.

Case: "Enlightening Future Junior Programmers": Visiting a nine-year school in Shihe Town

On Programmers Day, October 24, 2023, Kuaishou launched a technology-empowered inclusive public welfare project themed "Enlightening Future Junior Programmers". This project mobilized over 700 employees through interactive discussions and offline sessions and organized them to volunteer at a nine-year school in Shihe Town, Nanbu County, Sichuan Province. Participating in diverse roles, the volunteers donated care packages, offered community courses, prepared encouraging messages and taught lessons to inspire and motivate children at the rural school with knowledge and love.

"Enlightening Future Junior Programmers": Visiting a nine-year school in Shihe Town

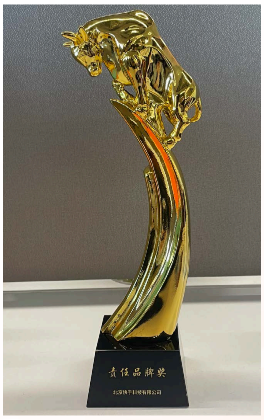
In 2023, Kuaishou fully capitalized on its strengths and focused on key areas including rural revitalization, elderly care, youth protection, veteran re-employment support and emergency response to disasters. Throughout the year, the Company received 7 public welfare awards for our initiatives in this effort, gaining wide recognition and acclaim from society.

Honors and awards:

"Village Broadcasting Program" of Kuaishou Technology was awarded "Best Case in Rural Revitalization" by China Association for Public Companies

On October 19, 2023, at the 2023 Experience Exchange Meeting and Release Conference of Best Practices and Cases in Rural Revitalization of Public Companies hosted by the China Association for Public Companies and co-organized by China Foundation for Rural Development and Ganzhou Municipal Government, Jiangxi Province, the "Village Broadcasting Program" of Kuaishou was awarded Best Case in Rural Revitalization by the China Association for Public Companies.

2023 Golden Bull Awards for Responsibility by China Social Responsibility 100 Forum — "Annual Responsible Brand Award"



On November 16, 2023, the 2023 Night of Responsibility — Ceremony of the Golden Bull Awards for Responsibility organized by the Responsibility Cloud Research Institute was held in Beijing. The event announced the winners of the 2023 Golden Bull Awards for Responsibility. Kuaishou was awarded Annual Responsible Brand of the Golden Bull Awards in recognition of our long-term dedication and contributions in the field of social responsibility.

2023 "Awards Ceremony of GoldenKey — SDG Solutions" hosted by *China Sustainability Tribune*: "Village Broadcasting Program" of Kuaishou won the Champion (Rural Revitalization) Award

On November 18, 2023, after passing through various rounds including pre-assessment, public online voting, live roadshow evaluation and expert selection for short video, the "Village Broadcasting Program" of Kuaishou stood out from 126 submissions by 105 enterprises and won the 2023 "GoldenKey • Champion" award.

"China Top 100 ESG Pioneer Listed Companies" by China Media Group

The Financial Program Center of the China Media Group, in collaboration with authoritative institutions and departments including the State-owned Assets Supervision and Administration Commission of the State Council, the All-China Federation of Industry and Commerce, the Institute of Economics of the Chinese Academy of Social Sciences, and the China Enterprise Reform and Development Society, organized the China ESG (Corporate Social Responsibility) Award Ceremony. Kuaishou, demonstrating exceptional performance, stood out among 6,400 listed Chinese companies and won the title of "China Top 100 ESG Pioneer Listed Companies".

Office of the Capital Spiritual Civilization Construction Commission — Excellence Award in the 2022 Collection and Exhibition of Notable Short Videos

In March 2023, the award ceremony of "Looking for Paragons" 2022 Collection and Exhibition of Notable Short Videos hosted by the Office of the Capital Spiritual Civilization Construction Commission was held as scheduled. The video submitted by Kuaishou, titled "*A Short Video Company's Social Responsibility*", won the Excellence Award in the "Looking for Paragons" 2022 Collection and Exhibition of Notable Short Videos.


荣誉证书

北京快手科技有限公司：

您提交的《一家短视频企业的社会责任》作品，

在寻觅榜样身影2022榜样短视频征集展示活动中，荣获

优秀作品奖

特颁此证，以兹鼓励。

首都精神文明建设委员会办公室

二〇二三年三月

"Annual Case Award" and "Rural Revitalization Award" of the People's Corporate Social Responsibility Awards

At the "2023 People's Corporate Social Responsibility Summit Forum and the award ceremony of the 18th People's Corporate Social Responsibility Awards" held on December 21, 2023, under the guidance of the People's Daily and hosted by people.cn, Kuaishou won the "Rural Revitalization Award", and the "Happy Lecture Hall" project of Kuaishou Charity received the "Annual Case Award" in the People's Corporate Social Responsibility Awards selection.

"Beijing Youth Model Unit" award

On December 30, 2023, the Beijing Municipal Committee of the Communist Youth League of China announced the winner of the 2022–2023 Beijing Youth Model Unit award. The Corporate Social Responsibility Department of Beijing Kuaishou Technology Co., Ltd. was honored with the "Beijing Youth Model Unit" following an extensive selection process that included preliminary recommendation, review of application and onsite interviews under the guidance of the United Front Work Department of Beijing.

APPENDIX: INDEX OF ESG INDICATORS OF THE STOCK EXCHANGE

Index	Description	Related Sections
A. Environmental		
Aspect A1: Emissions		
General Disclosure		1.2 Green Operation
A1.1	The types of emissions and respective emissions data	1.2 Green Operation
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A1.5	Description of emission target(s) set and steps taken to achieve them	1.1 Addressing Climate Change
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
Aspect A2: Use of Resources		
General Disclosure		1.2 Green Operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	1.2 Green Operation
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	1.1 Addressing Climate Change 1.2 Green Operation
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods and thus no packaging material used

Index	Description	Related Sections
Aspect A3: The Environment and Natural Resources		
General Disclosure		1.2 Green Operation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	1.2 Green Operation
Aspect A4: Climate Change		
General Disclosure		1.1 Addressing Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	1.1 Addressing Climate Change
B. Social		
Aspect B1: Employment		
General Disclosure		2.2 Employees' Development
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region	2.2 Employees' Development
B1.2	Employee turnover rate by gender, age group and geographical region	2.2 Employees' Development
Aspect B2: Health and Safety		
General Disclosure		2.2 Employees' Development
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	2.2 Employees' Development
B2.2	Lost days due to work injury	2.2 Employees' Development
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	2.2 Employees' Development
Aspect B3: Development and Training		
General Disclosure		2.2 Employees' Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	2.2 Employees' Development
B3.2	The average training hours completed per employee by gender and employee category	2.2 Employees' Development
Aspect B4: Labor Standards		
General Disclosure		2.2 Employees' Development
B4.1	Description of measures to review employment practices to avoid child and forced labor	2.2 Employees' Development
B4.2	Description of steps taken to eliminate such practices when discovered	2.2 Employees' Development

Index	Description	Related Sections
Aspect B5: Supply Chain Management		
General Disclosure		2.4 Supply Chain Management
B5.1	Number of suppliers by geographical region	2.4 Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	2.4 Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	2.4 Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	2.4 Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure		2.1 Platform Responsibilities
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods
B6.2	Number of products and service related complaints received and how they are dealt with	2.1 Platform Responsibilities
B6.3	Description of practices relating to observing and protecting intellectual property rights	2.1 Platform Responsibilities
B6.4	Description of quality assurance process and recall procedures	Not applicable as the Company's e-commerce platform serves third-party businesses and has no self-operated goods
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	2.1 Platform Responsibilities

Index	Description	Related Sections
Aspect B7: Anti-corruption		
General Disclosure		2.3 Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	2.3 Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	2.3 Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff	2.3 Business Ethics
Aspect B8: Community Investment		
General Disclosure		2.5 Social Responsibility
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	2.5 Social Responsibility
B8.2	Resources contributed (e.g. money or time) to the focus area	2.5 Social Responsibility

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Kuaishou Technology (the "**Company**") and its subsidiaries including structured entities (collectively, the "**Group**"), which are set out on pages 216 to 315, comprise:

- the consolidated balance sheet as at December 31, 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(loss) for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Fair value determination of investments in unlisted entities classified as "financial assets at fair value through profit or loss"
- Recognition of deferred tax assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to notes 2.1.9 and 6 to the consolidated financial statements. The Group mainly generates revenues from provisions of online marketing services, live streaming services and other services including services for e-commerce business through the Group's platform ("**Platform**"). Revenues of RMB113.5 billion were recognized for the year ended December 31, 2023. Revenues from online marketing services derive primarily from performance-based marketing services and display-based marketing services. The revenue is recognized upon the time when the related services were delivered by the Group or over the display period. Revenues from live streaming services derive from sales of virtual items to users of the Platform which can be consumed on the Platform. The revenue is recognized when the consumable virtual items are consumed.	We performed the following procedures to address the key audit matter: • Evaluated the appropriateness of the revenue recognition policies as adopted by the Group; • Understood and evaluated the key internal controls in relation to recognition of revenue from online marketing services, live streaming services and e-commerce related services; • Understood and tested the general control environment of the IT Systems; • Tested the key automated controls in relation to recognition of revenue of the IT Systems, including testing the top-ups for purchase of virtual items (the "**Top-Ups**"), the consumption of virtual items by the users of the Platform, the delivery of online marketing services and the records of the status of sale transaction of goods in accordance with the pre-set system logics;

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenues from other services mainly derive from e-commerce related services such as allowing merchants to promote and sell goods on the Platform and charging commissions on the sales of goods. The revenue from e-commerce related services is recognized when sale transaction of goods is completed. We focused on this area as significant efforts were spent on auditing the revenues recognized from online marketing services, live streaming services and e-commerce related services due to the magnitude of the revenue amount and the significant volume of revenue transactions processed through the information technology systems in which the virtual items was sold and consumed and online marketing services and e-commerce related services were delivered (collectively the "**IT Systems**").	• By using computer-assisted audit techniques, examined the virtual goods consumption, online marketing service delivery and e-commerce business order and related delivery records in the IT Systems according to the single transaction level on a sampling basis; • By using computer-assisted audit techniques, tested the mathematic accuracy and the completeness of the system generated reports that summarized the key inputs for the calculation of revenue; • Performed confirmation procedures for revenues and trade receivables on a sampling basis; and • Compared the total amount of cash collections recorded in the general ledger against the cash collection amounts as recorded in the IT Systems for the amounts of Top-Ups received from customers. We also tested, on a sample basis, the existence, amount and the timing of cash collections by checking to the external supporting documents for the related cash receipts. Based on the procedures performed, we considered that the revenues from online marking services, live streaming services and other services including e-commerce related services were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value determination of investments in unlisted entities classified as "financial assets at fair value through profit or loss" Refer to note 2.1.5, 3.3 and 20 to the consolidated financial statements. The fair value of investments in unlisted entities classified as "financial assets at fair value through profit or loss" as at December 31, 2023 amounted to approximately RMB2.6 billion. These financial assets were measured based on unobservable inputs and are classified as "level 3 financial instruments". As these entities are unlisted and not traded in an active market, management determined the fair values of these unlisted entities by using applicable valuation techniques with the assistance from an independent external valuer. The fair value determination required significant management's judgments and estimates, the use of unobservable inputs. We focused on this area since the determination of fair values for these investments is subject to high degree of estimation uncertainty. The inherent risk in relation to the determination of the fair values for these unlisted entities are considered significant due to the complexity of valuation techniques and significant management assumptions and estimates adopted, such as expected volatility, discount for lack of marketability and risk-free rate, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios, and the selection of data used in the valuation, which are subjective.	We performed the following procedures to address the key audit matter: • Obtained an understanding on the management's internal control process for determining the fair value of investments in unlisted entities and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity, changes and susceptibility to management bias; • Examined the relevant legal documents and investment agreements, and assessed the implications of the key terms as set out in these documents/agreements to the valuation of the respective investments; • Assessed the competence, capabilities and objectivity of the independent external valuer engaged by the Group; • Involved our internal valuation expert in assessing and challenging the appropriateness of the valuation techniques used and the reasonableness of the significant assumptions and estimate applied by the management (including selection of comparable companies and earnings multipliers, expected volatility, discount for lack of marketability and risk-free rate) based on external market data; and • Checked the accuracy of historical data used in the fair value determination to supporting documents. Based on the procedures performed, we considered that the risk assessment of the fair value determination of investments in unlisted entities remained appropriate and the valuation techniques, significant assumptions and data used by management in the assessment of the fair value of the investments in unlisted entities were supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred tax assets Refer to notes 2.1.7 and 31 to the consolidated financial statements. As at December 31, 2023, the Group had deferred tax assets amounting to approximately RMB6.1 billion. In addition, the unrecognized deferred tax assets for tax losses as of December 31, 2023 amounted to RMB6.4 billion. Deferred tax assets are recognized only if it is probable that future taxable profits will be available to utilize the deductible temporary differences and tax losses. We focused on this area because the estimation of future taxable profits is subject to high degree of estimation uncertainty. The recognition of deferred tax assets involves significant judgment and estimates by management as to the likelihood and the period of its realization which is dependent on a number of factors, including whether there will be sufficient future taxable profits and appropriate taxable temporary differences.	We performed the following procedures to address the key audit matter: • Obtained an understanding of the management's assessment process and related internal control of recognition of deferred tax assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • Obtained management's calculation sheets of deferred tax assets and tested the accuracy of the calculation sheets; • Tested and agreed available deductible tax losses, including the respective expiry periods, to tax returns of the relevant subsidiaries; • Evaluated the reasonableness of key assumptions and estimates of forecast revenue growth rates, profitability, R&D super deduction, etc., used by management in estimating future taxable profits, by considering (a) the Group's current and past performances, (b) the consistency with industry and third-party data, and (c) whether these assumptions and related estimates were consistent with evidence obtained in other areas of the audit; and • Evaluated the reasonableness of the recognition of deferred tax assets by comparing the estimated future taxable profits to deductible temporary differences and tax losses as at December 31, 2023. Based on the above procedures performed, we considered that the risk assessment of the recognition of deferred tax assets remained appropriate and the significant assumptions and data used by management in the assessment in relation to the recognition of deferred tax assets were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 20, 2024

Consolidated Income Statement

	Note	Year ended December 31, 2023 RMB'Million	2022 RMB'Million
Revenues	6	**113,470**	94,183
Cost of revenues	9	**(56,079)**	(52,052)
Gross profit		**57,391**	42,131
Selling and marketing expenses	9	**(36,496)**	(37,121)
Administrative expenses	9	**(3,514)**	(3,921)
Research and development expenses	9	**(12,338)**	(13,784)
Other income	7	**978**	1,547
Other gains/(losses), net	8	**410**	(1,410)
Operating profit/(loss)		**6,431**	(12,558)
Finance income, net	11	**539**	166
Share of losses of investments accounted for using the equity method	19	**(81)**	(139)
Profit/(loss) before income tax		**6,889**	(12,531)
Income tax expenses	13	**(490)**	(1,158)
Profit/(loss) for the year		**6,399**	(13,689)
Attributable to:			
— Equity holders of the Company		**6,396**	(13,690)
— Non-controlling interests		**3**	1
		6,399	(13,689)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)	14		
Basic earnings/(loss) per share		**1.48**	(3.22)
Diluted earnings/(loss) per share		**1.44**	(3.22)

The notes on pages 224 to 315 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income/(Loss)

	Note	Year ended December 31, 2023 RMB'Million	2022 RMB'Million
Profit/(loss) for the year		**6,399**	(13,689)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Share of other comprehensive income of investments accounted for using the equity method	*25*	**14**	—
Currency translation differences		**1,286**	6,359
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(938)**	(4,291)
Other comprehensive income for the year, net of taxes		**362**	2,068
Total comprehensive income/(loss) for the year		**6,761**	(11,621)
Attributable to:			
— Equity holders of the Company		**6,758**	(11,622)
— Non-controlling interests		**3**	1
		6,761	(11,621)

The notes on pages 224 to 315 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As of December 31, 2023 RMB'Million	2022 RMB'Million
ASSETS			
Non-current assets			
Property and equipment	*15*	**12,356**	13,215
Right-of-use assets	*16*	**10,399**	10,806
Intangible assets	*17*	**1,073**	1,123
Investments accounted for using the equity method	*19*	**214**	268
Financial assets at fair value through profit or loss	*20*	**5,245**	3,626
Other financial assets at amortized cost	*20*	**283**	670
Deferred tax assets	*31*	**6,108**	5,095
Long-term time deposits	*23*	**9,765**	7,870
Other non-current assets		**492**	776
		45,935	43,449
Current assets			
Trade receivables	*21*	**6,457**	6,288
Prepayments, other receivables and other current assets	*22*	**4,919**	4,106
Financial assets at fair value through profit or loss	*20*	**25,128**	13,087
Other financial assets at amortized cost	*20*	**950**	726
Short-term time deposits	*23*	**9,874**	8,318
Restricted cash	*23*	**128**	59
Cash and cash equivalents	*23*	**12,905**	13,274
		60,361	45,858
Total assets		**106,296**	89,307

	Note	2023 RMB'Million	2022 RMB'Million
		As of December 31,	
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	24	—	—
Share premium	24	273,459	274,473
Treasury shares		(88)	—
Other reserves	25	33,183	29,239
Accumulated losses		(257,491)	(263,882)
		49,063	39,830
Non-controlling interests		11	8
Total equity		49,074	39,838
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	8,405	8,721
Deferred tax liabilities	31	18	23
Other non-current liabilities		21	16
		8,444	8,760
Current liabilities			
Accounts payables	28	23,601	22,868
Other payables and accruals	29	16,592	10,190
Advances from customers	30	4,036	3,240
Income tax liabilities		1,222	936
Lease liabilities	16	3,327	3,475
		48,778	40,709
Total liabilities		57,222	49,469
Total equity and liabilities		106,296	89,307

The notes on pages 224 to 315 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 216 to 315 were approved by the Board of Directors on March 20, 2024 and were signed on its behalf:

CHENG Yixiao
Director

SU Hua
Director

Consolidated Statement of Changes in Equity

	Note	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	Total RMB'Million
Balance at January 1, 2023		–	274,473	–	29,239	(263,882)	39,830	8	39,838
Profit for the year		–	–	–	–	6,396	6,396	3	6,399
Other comprehensive income									
Share of other comprehensive income of investments accounted for using the equity method	*19,25*	–	–	–	14	–	14	–	14
Currency translation differences	*25*	–	–	–	348	–	348	–	348
Total comprehensive income for the year		–	–	–	362	6,396	6,758	3	6,761
Share of other changes in net assets of investments accounted for using the equity method	*19,25*	–	–	–	7	–	7	–	7
Transactions with owners in their capacity as owners									
Share-based compensation	*25*	–	–	–	3,570	–	3,570	–	3,570
Exercise of share options and vesting of restricted share units ("**RSUs**")	*24,25*	–	199	–	–	–	199	–	199
Appropriations to statutory reserves	*25*	–	–	–	5	(5)	–	–	–
Repurchase of shares (to be canceled)		–	–	(1,301)	–	–	(1,301)	–	(1,301)
Cancelation of shares	*24*	–	(1,213)	1,213	–	–	–	–	–
Total transactions with owners in their capacity as owners		–	(1,014)	(88)	3,575	(5)	2,468	–	2,468
Balance at December 31, 2023		–	273,459	(88)	33,183	(257,491)	49,063	11	49,074

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company						
	Note	Share capital *RMB'Million*	Share premium *RMB'Million*	Other reserves *RMB'Million*	Accumulated losses *RMB'Million*	Subtotal *RMB'Million*	Non-controlling interests *RMB'Million*	Total *RMB'Million*
Balance at January 1, 2022		—	274,408	20,853	(250,172)	45,089	7	45,096
Loss for the year		—	—	—	(13,690)	(13,690)	1	(13,689)
Other comprehensive income								
Share of other comprehensive income of investments accounted for using the equity method	*19,25*	—	—	—	—	—	—	—
Currency translation differences	*25*	—	—	2,068	—	2,068	—	2,068
Total comprehensive loss for the year		—	—	2,068	(13,690)	(11,622)	1	(11,621)
Share of other changes in net assets of investments accounted for using the equity method	*19,25*	—	—	49	—	49	—	49
Transactions with owners in their capacity as owners								
Share-based compensation	*25*	—	—	6,249	—	6,249	—	6,249
Exercise of share options and vesting of RSUs	*24,25*	—	65	—	—	65	—	65
Appropriations to statutory reserves	*25*	—	—	20	(20)	—	—	—
Total transactions with owners in their capacity as owners		—	65	6,269	(20)	6,314	—	6,314
Balance at December 31, 2022		—	274,473	29,239	(263,882)	39,830	8	39,838

The notes on pages 224 to 315 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2023 RMB'Million	2022* RMB'Million
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**22,004**	1,785
Income tax paid		**(1,223)**	(990)
Net cash generated from operating activities		**20,781**	795
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		**(4,897)**	(5,100)
Proceeds from disposal of property, equipment and intangible assets		**10**	8
Purchase of investments in financial assets at fair value through profit or loss		**(61,263)**	(44,081)
Proceeds from disposal of investments in financial assets at fair value through profit or loss		**48,101**	39,955
Purchase of investments in other financial assets at amortized cost		**(520)**	(1,378)
Proceeds from disposal of investments in other financial assets at amortized cost		**765**	51
Repayment of loan by a third party		**—**	17
Purchase of time deposits with initial terms over three months		**(12,299)**	(17,485)
Proceeds from maturity of time deposits with initial terms over three months		**9,926**	9,939
Interest income received		**259**	97
Dividends received		**—**	2
Withdraw of restricted cash		**53**	—
Placement of restricted cash		**—**	(53)
Net cash used in investing activities		**(19,865)**	(18,028)

	Note	Year ended December 31, 2023 RMB'Million	2022* RMB'Million
Cash flows from financing activities			
Payments for principal elements of lease and related interests		**(3,451)**	(3,386)
Proceeds from exercise of share options and vesting of RSUs		**219**	54
Capital contribution from non-controlling interests		**—**	1
Proceeds received under notes payable transaction	2.1.1(c)	**7,524**	1,909
Proceeds received from notes receivable factoring to banks		**3,735**	—
Payments for principal of matured notes and related interests		**(8,091)**	(1,177)
Payments for shares repurchase		**(1,300)**	—
Net cash used in financing activities		**(1,364)**	(2,599)
Net decrease in cash and cash equivalents		**(448)**	(19,832)
Cash and cash equivalents at the beginning of the year	23(a)	**13,274**	32,612
Effects of exchange rate changes on cash and cash equivalents		**79**	494
Cash and cash equivalents at the end of the year	23(a)	**12,905**	13,274

* The consolidated statement of cash flows for the year ended December 31, 2022 has been adjusted for the voluntary change in accounting policy as described in Note 2.1.1(c).

The notes on pages 224 to 315 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Summary of material accounting policies

2.1.1 Basis of preparation and change in accounting policy and disclosures

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(a) New standards and amendments adopted by the Group

The following new standards and amendments are mandatory for the first time for the Group's financial year beginning on January 1, 2023 and are applicable for the Group:

- 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.

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

The Group has applied Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". From the effective date on January 1, 2023, the Group recognized 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.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(a) New standards and amendments adopted by the Group (Continued)

(i) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

In accordance with the transitional provisions, the Group applied the amendments for the first time by recognizing 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 recognized 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 recognized deferred income tax on a net basis previously, there were no impact on opening retained earnings upon the adoption of the amendments.

(ii) Amendments to IAS 12 International Tax Reform — Pillar Two Model Rules

Amendments to IAS 12 "International Tax Reform — Pillar Two Model Rules" have been issued on May 23, 2023 and are effective for the financial year beginning on or after January 1, 2023. The Group has adopted the amendments and applied the temporary exception to recognizing and disclosing information about deferred tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development. The Group would continually evaluate the impact of the amendments on the consolidated financial statements.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(b) Amendments not yet adopted

Certain amendments as set out below have been issued but are not yet effective for the financial year beginning on January 1, 2023 and have not been early adopted by the Group. These amendments are not expected to have a material impact on the Group's consolidated financial position and performance.

Amendments	**Effective for financial years beginning on or after**
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2024
Lease Liability in a Sale and Leaseback — Amendments to IFRS 16	January 1, 2024
Non-current Liabilities with Covenants — Amendments to IAS 1	January 1, 2024
Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7	January 1, 2024
Lack of Exchangeability — Amendments to IAS 21	January 1, 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(c) Voluntary change of presentation of cash flows related to notes payable transaction

The Group has entered into arrangements with its suppliers and certain banks since 2022, under which the payable to suppliers is settled through notes, whose payment is guaranteed by the banks. When the suppliers further discount the notes from the contracted banks, they get cash from the banks on behalf of the Group on an agreed date, with discount interests borne and paid by the Group. The Group undertakes the obligation to make payment to the contracted banks, thus derecognizes the payable that owes its suppliers and recognizes a payable that owes the contracted banks, which is presented as notes payable under "other payables and accruals" upon the settlement with the suppliers. The Group repays the banks the principal on the maturity date of the notes.

In prior years, the Group presented the cashflow reflecting the actual cash movement in its bank accounts in accordance with the cash flows definition in IAS 7. De-recognition of the payable that the Group owed its suppliers and recognition of a note payable that it owed the banks was disclosed as a non-cash transaction as there were no cash movements in the Group's bank accounts. Cash payment to the banks when the notes matured was presented as financing cash outflow in the consolidated statement of cash flows.

Although cash flows are generally seen as movements in the entity's bank account, however, given IAS 7 does not provide any explicit guidance on whether a cash flow occurred for the buyer in circumstances that another party makes a payment on the entity's behalf, entities might consider a cash flow occur even though the cash does not flow through the entity's bank account if the entity directs another party to transfer the cash on its behalf.

Considering the increased scale of such arrangements in 2023, in order to provide more relevant information related to such arrangements, the Group has voluntarily changed the presentation of cash flows to include the cash flows that in substance occur for the Group in the transactions where the Group directs the contracted banks to pay the suppliers on the Group's behalf. After the change, when the banks pay the payable the Group owes its suppliers on its behalf, the Group presents a financing cash inflow and an operating, investing or financing cash outflow related to the affected payable the Group owes its suppliers. Presentation of cash paid to the banks when the notes mature remains the same as financing cash outflow. The change in presentation of cash flows has no impact on the total net cash movement of the Group, nor on the financial position and profit or loss of the Group.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(c) Voluntary change of presentation of cash flows related to notes payable transaction (Continued)

The voluntary change has been applied retrospectively and comparative figures have been adjusted accordingly.

	Year ended December 31, 2023		
	Before change in presentation *RMB'Million*	(Decrease)/ increase *RMB'Million*	As reported *RMB'Million*
Consolidated statement of Cash flows (extract)			
Cash flows from operating activities			
Cash generated from operations	27,188	(5,184)	22,004
Net cash generated from operating activities	25,965	(5,184)	20,781
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	(3,124)	(1,773)	(4,897)
Net cash used in investing activities	(18,092)	(1,773)	(19,865)
Cash flows from financing activities			
Payments for principal elements of lease and related interests	(2,884)	(567)	(3,451)
Proceeds received under notes payable transaction	—	7,524	7,524
Net cash used in financing activities	(8,321)	6,957	(1,364)
Net decrease in cash and cash equivalents	(448)	—	(448)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.1 Basis of preparation and change in accounting policy and disclosures (Continued)

(c) Voluntary change of presentation of cash flows related to notes payable transaction (Continued)

	Year ended December 31, 2022		
	As previously reported *RMB'Million*	(Decrease)/ increase *RMB'Million*	As adjusted *RMB'Million*
Consolidated statement of Cash flows (extract)			
Cash flows from operating activities			
Cash generated from operations	3,188	(1,403)	1,785
Net cash generated from operating activities	2,198	(1,403)	795
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	(4,620)	(480)	(5,100)
Net cash used in investing activities	(17,548)	(480)	(18,028)
Cash flows from financing activities			
Payments for principal elements of lease and related interests	(3,360)	(26)	(3,386)
Proceeds received under notes payable transaction	—	1,909	1,909
Net cash used in financing activities	(4,482)	1,883	(2,599)
Net decrease in cash and cash equivalents	(19,832)	—	(19,832)

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.2 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

• Buildings	19–49 years
• Servers, computers and equipment	3–4 years
• Office equipment	3–5 years
• Leasehold improvements	The shorter of the term of the lease or the estimated useful lives of the assets

Property and equipment arising from business acquisition is depreciated over the remaining useful life.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings and leasehold improvements under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to appropriate categories of property and equipment when completed and ready for use.

A carrying amount of property and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses), net" in the consolidated income statement.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.3 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately in profit or loss as an expense and is not subsequently reversed.

(b) Trademarks and domain names, licenses and copyrights, software

Separately acquired trademarks, domain names, internet audio/video program transmission licenses, operating licenses, copyrights and software are initially recognized and measured at historical cost. The assets acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortization and impairment losses (if any).

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For details, refer to Note 2.1.3(d).

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.3 *Intangible assets (Continued)*

(c) *Other intangible assets*

Other intangible assets mainly include customer relationships and non-compete agreements. They are initially recognized and measured at estimated fair value of intangible assets acquired through business combinations.

(d) *Research and development*

Research expenditures are recognized as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets for the years ended December 31, 2023 and 2022.

(e) *Amortization methods and periods*

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Licenses and copyrights	2–10 years	Shorter of contractual license and copyrights period or the estimated period during which such intangible assets can bring economic benefits
Trademarks and domain name	2–10 years	The period of effective registration during which such trademark and domain name can bring economic benefits
Software	2–7 years	Shorter of the period of contractual rights or estimated period during which such software can bring economic benefits
Others	3–4 years	Shorter of the period of contractual rights or estimated period during which such assets can bring economic benefits

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.4 *Impairment of non-financial assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.1.5 *Investments and other financial assets*

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through other comprehensive income ("**OCI**") or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.5 Investments and other financial assets (Continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets are included in finance income and other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.5 Investments and other financial assets (Continued)

(c) Measurement (Continued)

(i) Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value, except the investment accounted for using equity method. Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses), net in the consolidated income statement as applicable.

(d) Impairment

The Group has two types of financial assets that are subject to IFRS 9's expected credit losses (the "**ECL**") model (Note 3.1(b)):

- Trade receivables; and
- Other receivables.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. While cash and cash equivalents, restricted cash, time deposits and other financial assets at amortized cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.6 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 21 for further information about the Group's accounting for trade receivables and Note 2.1.5 (d) for a description of the Group's impairment policies.

2.1.7 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and structured entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or the deferred tax liabilities is settled.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.7 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or directly in equity.

2.1.8 Share-based compensation

The Group has operated the Pre-IPO ESOP Plan, the Post-IPO Share Option Scheme, the Post-IPO RSU Scheme and 2023 Share Incentive Scheme (together, the "**Share Incentive Plan**"), under which the Group receives services from employees, directors and other eligible persons as consideration for equity instruments (including share options and RSUs) of the Company. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated income statement.

(a) Share options

For share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using Binomial models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.8 Share-based compensation (Continued)

(b) RSUs

For RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, using accelerated method. Under this method, each vesting installment of a graded vesting award is treated as a separate share-based award, and accordingly each vesting installment is separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expenses. At the end of each period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2.1.9 Revenue recognition

The Group derives revenue from online marketing services, sales of virtual items on its live streaming platform and other services. The Group recognizes revenue when or as the control of the promised goods or services is transferred to a customer, net of value-added taxes ("**VAT**"), rebates and certain sales incentives. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.9 Revenue recognition (Continued)

(a) The accounting policy for the Group's principal revenue sources

(i) Online marketing services

The Group offers diversified online marketing solutions, primarily including performance-based marketing services that are based on actual performance measurement and display-based marketing services that are display of marketing contents for an agreed period of time. The Group provides rebates to customers including agencies based on contracted rebate rates and estimated revenue volume, which are accounted for as variable consideration. Revenue is recognized based on the price charged to customers, net of rebates provided to customers.

To fulfill contracts with certain customers, the Group enters into cooperation agreements with third party platforms and places the marketing contents of the Group's customers displayed on third party platforms. For above services mentioned, the Group is the principal for fulfilling these marketing service contracts as it has obtained controls over third party platform services through cooperation contracts and, in some cases, integrated with other services before they are transferred to the Group's customers. The Group is also primarily responsible for fulfilling these marketing services as it is the only party that the Group's customers entered agreements with. As such, the Group recognizes revenues from contracts with customers on a gross basis and records charges from third party platforms as cost of revenues.

Performance-based marketing services

The Group provides performance-based marketing services which allow customers to promote on the Group's mobile platforms and third parties' internet properties. Performance-based marketing services are primarily presented and delivered in the way of short video or live streaming exposure with clickable thumbnails or marketing contents. Revenue from performance-based marketing services is recognized when relevant specific performance measures are fulfilled.

Display-based marketing services

Display-based marketing services allow customers to promote in the form of opening-page splash, traditional banners and logos, etc. on various interfaces of the platform. The revenue is recognized ratably over the period that the marketing content is displayed. Generally, the terms of these display-based marketing services are short.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.9 Revenue recognition (Continued)

(a) The accounting policy for the Group's principal revenue sources (Continued)

(ii) Live streaming

The Group operates and maintains mobile platforms whereby users can enjoy live stream performances provided by the live streamers (the "**streamers**") and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognized as revenues when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as advances from customers.

In order to attract streamers to the platforms, the Group shares revenues with the streamers in accordance with the agreements between the Group and streamers.

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognized as "cost of revenues" in the consolidated income statement.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.9 Revenue recognition (Continued)

(a) The accounting policy for the Group's principal revenue sources (Continued)

(iii) Other services

Other services revenues primarily include revenues from e-commerce business, online games and other value-added services. For the e-commerce business, the Group allows merchants to promote and sell goods on its platform and charges commissions on the sales of goods completed through its platform based on agreed commission rates. The Group does not take controls of goods sold through its platform. Commission revenues related to e-commerce business are recognized at a point in time when the underlying transaction is completed. For online games and other value-added services, revenues are recognized when the Group satisfied the performance obligations under the service contracts.

(b) Incentives and coupons

In order to promote its platform and attract more users, the Group at its own discretion provides various types of incentives offered to users in the form of cash incentives, red packets, coupons, etc. Evaluations of the varying features of different incentive programs are made to determine whether incentives offered represent consideration payable to customers. Such evaluations include the consideration of whether the users would be considered as customers of the Group.

The incentives are awarded to users upon their completion of certain tasks. The incentives are recorded as reduction of revenue if there is no distinct service identified and the incentives are related to past, current or future revenues, such as reward to customers, and coupons to be used in future transactions, etc. Incentives for distinct services received from the users such as inviting friends to download or log into Kuaishou's platforms, publishing or watching short videos which have marketing contents, etc., are recorded as selling and marketing expenses.

(c) Contract balances

When either party to a customer contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Contract balances include trade receivables and advances from customers.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.9 Revenue recognition (Continued)

(d) *Practical expedients and exemptions*

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

The revenue standard requires the Group to recognize an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the definition of incremental costs of obtaining a contract. However, the Group applies a practical expedient to expense the costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

(e) *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group has applied the practical expedient of not to adjust any of the transaction prices for the time value of money.

2.1.10 Earnings/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing:

(a) the earnings/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and

(b) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

(a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

(b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Summary of material accounting policies (Continued)

2.1.11 Leases

The Group, as a lessee, leases internet data centers, office buildings and land. Lease contracts other than land are typically made for fixed periods of several months to ten years. Lease is recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise of lease of certain office spaces.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated balance sheet respectively.

(a) Subsidiaries controlled through Contractual Arrangements

In order to comply with the People's Republic of China ("**PRC**") laws and regulations which prohibit or restrict foreign ownership of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, which are held by registered shareholders ("**Nominee Shareholders**"). The Group signed contractual arrangements with the PRC operating entities ("**Contractual Arrangements**"). The Contractual Arrangements include exclusive technical consultation and service agreements, exclusive option agreements, equity pledge agreements and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entities' payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control these entities. As a result, they are presented as entities controlled by the Group.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.1 Subsidiaries (Continued)

(b) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognized in profit or loss.

(c) Company's separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of convertible redeemable preferred shares are accounted as financial assets measured at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculated the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in "other gains/(losses), net" in the consolidated income statement.

Gains or losses on dilution of equity interest in the associate is recognized in the consolidated income statement. If the ownership interest in the associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company and certain of its overseas subsidiaries is USD. The Company's primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, the RMB is the functional currency. The Group's presentation currency is RMB.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement on a net basis within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at FVPL are recognized in consolidated income statement as part of the "other gains/(losses), net".

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income or loss.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.2.6 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash at bank, time deposits with initial terms within three months, deposits held at call with banks and cash held in other financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheet, and is not included in the total cash and cash equivalents in the consolidated statement of cash flows.

2.2.7 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.2.8 Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.9 *Employee benefits*

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in other payables and accruals in the consolidated balance sheet.

(b) *Pension obligations*

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Contributions to these plans are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those who leave the plans prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.2.10 *Government grants*

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of other accounting policies (Continued)

2.2.11 *Finance income*

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 8 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.2.12 *Provisions*

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.2.13 *Dividend distribution*

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 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 overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of the Group entities.

For the year ended December 31, 2023, most transactions of the Group were settled in RMB and USD, while a limited number of transactions was denominated in foreign currencies such as Brazilian real. Thus, the Group's business was not exposed to significant foreign exchange risk and the exposure was limited in general, as the Group has no significant assets or liabilities denominated in the currencies other than the respective functional currencies of the entities within the Group.

The Group managed its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tried to minimize these exposures through natural hedges, wherever possible and entered into several foreign exchange forward contracts with credible financial institutions. The Group will continue to monitor changes in currency exchange rates and will take necessary measures to mitigate foreign exchange risks.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from time deposits, cash and cash equivalents, investments measured at amortized cost and notes payable. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents and time deposits had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2023 would have been RMB162.7 million higher/lower (2022: RMB147.3 million lower/higher of the loss before income tax).

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity price risk in respect of investments in listed and unlisted entities that are classified as FVPL. The Group is generally not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, time deposits, restricted cash, trade receivables, other receivables, other financial assets at amortized cost and investments in wealth management products and others classified as FVPL. The carrying amount of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analyzing the credit risk for each new customer/debtor before standard credit payment terms are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, time deposits, restricted cash, other financial assets at amortized cost and investments in wealth management products and others classified as FVPL are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

(ii) Impairment of financial assets

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has considered the expected changes in macroeconomic factors, such as Consumer Price Index, Gross Domestic Products and Producer Price Index of the PRC, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

On that basis, the loss allowances of trade receivables as of December 31, 2023 and 2022 were determined as follows:

	As of December 31,	
	2023	2022
	RMB	*RMB*
	in millions, except for percentages	
Expected loss rate	**2.09%**	0.72%
Gross carrying amount	**6,595**	6,333
Loss allowance provision	**138**	45

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade receivables are presented as “administrative expenses” within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

On that basis, the loss allowances of other receivables as of December 31, 2023 and 2022 were determined as follows:

	As of December 31,	
	2023	2022
	RMB	*RMB*
	in millions, except for percentages	
Expected loss rate	**2.03%**	3.03%
Gross carrying amount	**2,270**	1,743
Loss allowance provision	**46**	53

(c) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets or to retain adequate financing arrangements to meet the Group's liquidity requirements.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB' Million*	Between 1 and 2 years *RMB' Million*	Between 2 and 5 years *RMB' Million*	Over 5 years *RMB' Million*	Total *RMB' Million*
As of December 31, 2023					
Accounts payables	23,601	—	—	—	23,601
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	11,363	—	—	—	11,363
Lease liabilities	3,388	3,330	4,869	1,505	13,092
Total	38,352	3,330	4,869	1,505	48,056
As of December 31, 2022					
Accounts payables	22,868	—	—	—	22,868
Other payables and accruals (excluding employee benefit payables, and other taxes payable)	5,965	—	—	—	5,965
Lease liabilities	3,740	3,059	5,364	1,808	13,971
Total	32,573	3,059	5,364	1,808	42,804

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyzes 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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at December 31, 2023:

	Level 1 *RMB'Million*	Level 2 *RMB'Million*	Level 3 *RMB'Million*	Total *RMB'Million*
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	60	—	—	60
— Investments in unlisted entities	—	—	2,609	2,609
— Wealth management products and others	—	333	27,371	27,704
	60	333	29,980	30,373

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*
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
	94	430	16,189	16,713

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 20) and investments in wealth management products and others (excluding investments in perpetual bonds) (Note 20). 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 market approach, etc.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 years ended December 31, 2023 and 2022.

	Financial assets at fair value through profit or loss *RMB'Million*
At January 1, 2023	16,189
Additions	61,263
Disposals	(47,997)
Change in fair value through profit or loss*	421
Currency translation differences	104
At December 31, 2023	29,980
*Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the year	19

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss *RMB'Million*
At January 1, 2022	11,583
Additions	43,934
Disposals	(39,771)
Change in fair value through profit or loss*	(215)
Currency translation differences	658
At December 31, 2022	16,189
*Includes unrealized losses recognized in profit or loss attributable to balances held at the end of the year	(447)

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 As of December 31, 2023 RMB' Million	Fair Values As of December 31, 2022 RMB' Million	Significant unobservable inputs	Range of inputs As of December 31, 2023	Range of inputs As of December 31, 2022	Relationship of unobservable inputs to fair values
Investments in unlisted entities	**2,609**	2,876	Expected volatility	**37%–83%**	37%–106%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("**DLOM**")	**6%–14%**	5%–15%	The higher the DLOM, the lower the fair value
			Risk-free rate	**2.30%–4.81%**	2.10%–4.16%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	**27,371**	13,313	Expected rate of return	**2.73%–8.68%**	0.15%–6.05%	The higher the expected rate of return, the higher the fair value

Investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the higher/(lower) of the profit before income tax for the year ended December 31, 2023 and the lower/(higher) of the loss before income tax for the year ended December 31, 2022 if the fair values of investments in listed and unlisted entities held by the Group had been 5% higher/lower.

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
5% higher	**133**	149
5% lower	**(133)**	(149)

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 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.

4 CRITICAL ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the Share Incentive Plan and granted options and RSUs to employees, directors, and other eligible persons. The fair value of the options is determined by the binomial model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Group (Note 27).

4.2 Estimation of the fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions including expected volatility, discount for lack of marketability, risk-free rate associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

4.3 Credit loss allowances for trade receivables, other receivables and other assets

By reference to IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including property and equipment, investments accounted for using the equity method, right-of-use assets and intangible assets other than the goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The assets are allocated to each of CGUs, or groups of CGUs. The recoverable amount of CGUs has been determined based on the higher amount of fair value less disposal cost model and value-in-use model. Under the fair value less disposal cost model, the management makes estimates based on quoted prices of active markets based on observable inputs. Under the value-in-use model, calculations require the use of assumptions and use cash flow projections based on financial forecast with an estimation of terminal value.

4.5 Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax asset in relation to (i) temporary differences (including but not limited to provisions and changes in fair values of financial asset); and (ii) unused tax losses had been recognized in the consolidated balance sheet. The realizability of the deferred tax asset mainly depends on whether sufficient future taxable profit or taxable temporary differences will be available in the future. The outcome of their actual utilization may be different from management's estimation.

4.6 Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent when a third-party is in the provision of certain services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or services before they transferred to the customer include, but are not limited to the following: (a) who is primarily responsible for fulfilling the contract, (b) who is subject to inventory risk, and (c) who has discretion in establishing prices. Refer to Note 2.1.9 for details.

4 CRITICAL ESTIMATES AND JUDGMENTS (CONTINUED)

4.7 Useful lives and depreciation of property and equipment

The Group's management determines the estimated useful lives and related depreciation for the Group's property and equipment based on the asset's expected utility to the Group. The asset management policy of the Group may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its physical life. The estimation of the useful life of the asset is a matter of judgment based on the experience of the Group with similar assets.

4.8 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

5 SEGMENT INFORMATION

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

- Domestic
- Overseas

5 SEGMENT INFORMATION (CONTINUED)

5.1 Description of segments and principal activities (Continued)

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 years ended December 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.

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.

	Year ended December 31, 2023			
	Domestic *RMB'Million*	Overseas *RMB'Million*	Unallocated items *RMB'Million*	Total *RMB'Million*
Revenues	111,186	2,284	—	113,470
Cost of revenues and operating expenses	(99,784)	(5,073)	—	(104,857)
Unallocated items	—	—	(2,182)	(2,182)
Operating profit/(loss)	11,402	(2,789)	(2,182)	6,431

5 SEGMENT INFORMATION (CONTINUED)

5.1 Description of segments and principal activities (Continued)

	Year ended December 31, 2022			
	Domestic *RMB'Million*	Overseas *RMB'Million*	Unallocated items *RMB'Million*	Total *RMB'Million*
Revenues	93,558	625	—	94,183
Cost of revenues and operating expenses	(93,366)	(7,263)	—	(100,629)
Unallocated items	—	—	(6,112)	(6,112)
Operating profit/(loss)	192	(6,638)	(6,112)	(12,558)

5.2 Segment assets

As of December 31, 2023 and 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.

6 REVENUES

The breakdown of revenues for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023 ***RMB'Million***	2022 *RMB'Million*
Online marketing services	**60,304**	49,042
Live streaming	**39,054**	35,388
Other services	**14,112**	9,753
	113,470	94,183

6 REVENUES (CONTINUED)

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

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Revenue recognized at a point in time	**110,808**	91,230
Revenue recognized over time	**2,662**	2,953
	113,470	94,183

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the years ended December 31, 2023 and 2022.

7 OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Government grants and value-added tax preferences	**923**	1,526
Others	**55**	21
	978	1,547

8 OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	**(302)**	(586)
— Wealth management products and others	**686**	285
Net gains/(losses) on disposal of property and equipment, intangible assets and right-of-use assets	**87**	(8)
Net foreign exchange gains	**8**	33
Dilution loss *(Note 19)*	**—**	(97)
Impairment provision for investments *(Note 19)*	**—**	(1,006)
Others	**(69)**	(31)
	410	(1,410)

9 EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Revenue sharing costs and related taxes	**34,957**	30,924
Promotion and marketing expenses	**33,802**	34,347
Employee benefit expenses *(Note 10)*	**18,334**	20,260
Bandwidth expenses and server custody costs	**5,987**	6,624
Depreciation of property and equipment	**3,989**	3,212
Depreciation of right-of-use assets *(Note a)*	**3,065**	3,222
Amortization of intangible assets	**148**	140
Payment processing costs	**2,569**	1,946
Outsourcing and other labor costs	**1,147**	1,377
Auditor's remuneration		
— Audit services	**30**	30
— Non-audit services	**12**	13
Other professional fees	**221**	256
Tax surcharges	**710**	983
Credit loss allowances on financial assets	**93**	35
Others *(Note b)*	**3,363**	3,509
	108,427	106,878

9 EXPENSES BY NATURE (CONTINUED)

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, traveling and communication fees and office facilities fees.

10 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Wages, salaries and bonuses	**12,093**	11,467
Share-based compensation expenses	**3,570**	6,249
Pension costs-defined contribution plans *(Note a)*	**969**	907
Other social security costs, housing benefits and other employee benefits	**1,702**	1,637
	18,334	20,260

Note a: Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. No forfeited contributions were utilized by the Group to reduce its contributions to these schemes for the years ended December 31, 2023 and 2022.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2023 include one director (2022: Nil). The emoluments to the five highest paid individuals for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**20,727**	19,735
Discretionary bonuses	**18,566**	19,768
Share-based compensation expenses	**498,229**	719,258
Pension costs-defined contribution plans	**269**	219
Other social security costs, housing benefits and other employee benefits	**414**	368
	538,205	759,348

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2023	2022
HK$87,500,001 to HK$88,000,000	**1**	—
HK$110,500,001 to HK$111,000,000	**1**	—
HK$128,000,001 to HK$128,500,000	**1**	—
HK$133,500,001 to HK$134,000,000	**1**	—
HK$137,000,001 to HK$137,500,000	**1**	—
HK$145,000,001 to HK$145,500,000	—	1
HK$148,500,001 to HK$149,000,000	—	1
HK$173,000,001 to HK$173,500,000	—	1
HK$206,000,001 to HK$206,500,000	—	1
HK$210,500,001 to HK$211,000,000	—	1
	5	5

All of these individuals have not received any emolument from the Group as an inducement to join or upon joining the Group, and have not received any compensation for loss of office for the years ended December 31, 2023 and 2022.

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2023:

Name	Fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman							
CHENG Yixiao *(Note a)*	—	4,864	4,500	114,208	63	89	123,724
Executive Director							
SU Hua *(Note b)*	—	5,046	—	—	63	89	5,198
Non-executive Directors							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
WANG Huiwen *(Note c)*	263	—	—	—	—	—	263
SHEN Dou *(Note d)*	—	—	—	—	—	—	—
Independent non-executive Directors							
HUANG Sidney Xuande	574	—	—	—	—	—	574
MA Yin	574	—	—	—	—	—	574
XIAO Xing *(Note e)*	203	—	—	—	—	—	203
WANG Huiwen *(Note c)*	180	—	—	—	—	—	180
Total	1,794	9,910	4,500	114,208	126	178	130,716

Note a: Mr. CHENG Yixiao was appointed as the Chairman with effect from October 29, 2023. During the years of 2023 and 2022, the exercise prices of share options granted to Mr. CHENG Yixiao were HK$66.46 and HK$59.40 respectively, of which the exercise prices were all above HK$55. Under IFRS 2, the accelerated approach is required to recognize compensation expenses for equity awards. For detailed grant information, please refer to the Company's announcements dated March 30, 2023 and April 14, 2022.

Note b: Mr. SU Hua waived his discretionary bonus entitlement for the year ended December 31, 2023, and agreed to waive his discretionary bonus entitlement from the Company for the year ending December 31, 2024.

Note c: Mr. WANG Huiwen was re-designated from an independent non-executive Director to a non-executive Director with effect from May 15, 2023.

Note d: Dr. SHEN Dou resigned with effect from September 13, 2023.

Note e: Prof. XIAO Xing was appointed with effect from September 13, 2023.

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

For the year ended December 31, 2022:

Name	Fees *RMB'000*	Wages and salaries *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expenses *RMB'000*	Pension costs-defined contribution plans *RMB'000*	Other social security costs, housing benefits and other employee benefits *RMB'000*	Total *RMB'000*
Chairman							
SU Hua *(Note a)*	—	4,310	750	—	58	81	5,199
Executive Director							
CHENG Yixiao	—	4,114	4,125	39,841	58	81	48,219
Non-executive Directors							
LI Zhaohui	—	—	—	—	—	—	—
ZHANG Fei	—	—	—	—	—	—	—
SHEN Dou	—	—	—	—	—	—	—
LIN Frank	—	—	—	—	—	—	—
Independent non- executive Directors							
WANG Huiwen	417	—	—	—	—	—	417
HUANG Sidney Xuande	417	—	—	—	—	—	417
MA Yin	417	—	—	—	—	—	417
Total	1,251	8,424	4,875	39,841	116	162	54,669

Note a: Mr. SU Hua waived a substantial portion of his discretionary bonus for the year ended December 31, 2022.

(i) Benefits and interests of directors

There is no other benefits and interests offered to directors except above.

(ii) Directors' retirement and termination benefits

No director's (including former director(s)) retirement and termination benefit subsisted at the end of the year or at any time during the years ended December 31, 2023 and 2022.

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Benefits and interests of directors (Continued)

(iii) Consideration provided to or receivable by third parties for making available directors' services

No consideration provided to or receivable by third parties for making available director's services subsisted at the end of the year or at any time during the years ended December 31, 2023 and 2022.

(iv) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by and entities connected with such directors

No loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by and entities connected with such directors was subsisted at the end of the years or at any time during the years ended December 31, 2023 and 2022.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2023 and 2022.

(vi) Inducement to join the Group and compensation for loss of office

No director received any emolument from the Group as an inducement to join or upon joining the Group or compensation for loss of office for the years ended December 31, 2023 and 2022.

11 FINANCE INCOME, NET

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Finance income:		
Interest income from bank deposits	**1,116**	732
Others	**—**	3
	1,116	735
Finance expense:		
Interest expense from lease liabilities	**(495)**	(549)
Others	**(82)**	(20)
	(577)	(569)
Finance income, net	**539**	166

12 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) during the year ended December 31, 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of operation.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held as of December 31, 2023	Principal activities
Subsidiaries					
Directly held:					
Fortune Ever Global Limited	Hong Kong, limited liability company	March 25, 2014	HKD10,000	100%	Investment holding and investment
Cosmic Blue Investments Limited	British Virgin Islands, limited liability company	March 16, 2017	—	100%	Investment holding and investment
Indirectly held:					
Joyo Technology PTE. LTD.	Singapore, limited liability company	August 3, 2016	USD1	100%	Development of software, provision of programming and advertising services
Beijing Dajia Internet Information Technology Co., Ltd.*	Beijing, China, limited liability company	July 2, 2014	RMB32,462,238,241	100%	Development of software, hardware and network technology
Beijing Kuaishou Ads Co., Ltd.	Beijing, China, limited liability company	September 23, 2016	RMB60,000	100%	Provision of online marketing and other services
Chengdu Magnetic Engine Media Co., Ltd.	Sichuan, China, limited liability company	September 25, 2020	RMB150,000,000	100%	Provision of online marketing services
Hainan Kuaishou Kuailian Information Technology Co., Ltd.	Hainan, China, limited liability company	May 12, 2021	—	100%	Provision of online marketing services
Huai'an Kuaishou Kuailian Information Technology Co., Ltd.	Jiangsu, China, limited liability company	July 13, 2022	—	100%	Provision of online marketing services

12 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held as of December 31, 2023	Principal activities
Structured entities *(Note a)*					
Beijing Kuaishou Technology Co., Ltd.	Beijing, China, limited liability company	March 20, 2015	RMB10,101,010	99%	Provision of live-streaming and online marketing services
Huai'an Kangxiangfu Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	January 9, 2017	—	100%	Provision of internet information services
Beijing Chenzhong Technology Co., Ltd.	Beijing, China, limited liability company	July 6, 2017	RMB2,015,000	100%	Provision of online marketing and other services
Chengdu Kuaigou Technology Co., Ltd.	Sichuan, China, limited liability company	October 31, 2019	—	100%	Provision of e-commerce and other services
Beijing Shunjie Zhongheng Technology Co., Ltd.	Beijing, China, limited liability company	July 5, 2021	—	100%	Provision of technology development and other services
Huai'an Kuaishou Shuangxin Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	August 7, 2020	—	100%	Provision of internet information services

* Registered as wholly foreign-owned enterprise under PRC law.

Note a: As described in Note 2.2.1, the Company does not have directly or indirectly legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from their involvement in these structured entities, and have the ability to affect those returns through their power over these structured entities. As a result, they are presented as consolidated structured entities of the Company.

13 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 years ended December 31, 2023 and 2022, based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia Internet Information Technology Co., Ltd. was accredited as High and New Technology Enterprises enabling it to enjoy a preferential tax rate of 15% from 2020 to 2022, and renewed this qualification in October 2023, hence it enjoys the preferential income tax rate of 15% from 2023 to 2025.

The State Taxation Administration of the PRC ("**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 year.

13 INCOME TAX (CONTINUED)

(e) Withholding tax in mainland China ("WHT")

According to the New Corporate Income Tax Law, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax expenses of the Group during the years ended December 31, 2023 and 2022 are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Current income tax	**(1,508)**	(853)
Deferred income tax *(Note 31)*	**1,018**	(305)
Income tax expenses	**(490)**	(1,158)

13 INCOME TAX (CONTINUED)

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Profit/(loss) before income tax	**6,889**	(12,531)
Tax calculated at statutory income tax rate of 25% in mainland China	**(1,722)**	3,133
Tax effects of:		
— Effect of different tax rates in other jurisdictions	**(226)**	(691)
— Effect of preferential income tax rates of certain subsidiaries	**486**	107
— Tax losses and temporary deductible timing differences for which no deferred tax assets was recognized	**(800)**	(3,678)
— Expenses not deductible for income tax purposes	**(55)**	(595)
— Utilization of previously unrecognized deductible tax losses and temporary differences	**50**	13
— Super deduction for research and development expenses	**956**	544
— Income not subject to tax	**12**	9
— Recognition of deferred income tax assets previously unrecognized	**809**	—
	(490)	(1,158)

14 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 year.

	Year ended December 31,	
	2023	2022
Earnings/(loss) attributable to equity holders of the Company *(RMB millions)*	**6,396**	(13,690)
Weighted average number of ordinary shares in issue *(million shares)*	**4,314**	4,254
Basic earnings/(loss) per share *(expressed in RMB per share)*	**1.48**	(3.22)

(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 years ended December 31, 2023 and 2022, the Company had two categories of potential ordinary shares: share options and RSUs. As the Company incurred loss for the year ended December 31, 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 amount of diluted loss per share for the year ended December 31, 2022 was the same as basic loss per share.

	Year ended December 31,	
	2023	2022
Earnings/(loss) attributable to equity holders of the Company *(RMB millions)*	**6,396**	(13,690)
Weighted average number of ordinary shares in issue *(million shares)*	**4,314**	4,254
Adjustments for share options and RSUs *(million shares)*	**127**	—
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share *(million shares)*	**4,441**	4,254
Diluted earnings/(loss) per share *(expressed in RMB per share)*	**1.44**	(3.22)

15 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during the years ended December 31, 2023 and 2022 is as below:

	Buildings RMB'Million	Servers, computers and equipment RMB'Million	Office equipment RMB'Million	Leasehold improvements RMB'Million	Construction in progress RMB'Million	Total RMB'Million
At January 1, 2023						
Cost	2,741	21,487	76	574	824	25,702
Accumulated depreciation	(138)	(11,956)	(39)	(354)	—	(12,487)
Net book amount	2,603	9,531	37	220	824	13,215
Year ended December 31, 2023						
Opening net book amount	2,603	9,531	37	220	824	13,215
Currency translation differences	—	8	—	1	—	9
Additions	—	2,927	34	41	178	3,180
Transfers	298	—	—	602	(900)	—
Disposals	—	(14)	(2)	(43)	—	(59)
Depreciation charge	(144)	(3,643)	(22)	(180)	—	(3,989)
Closing net book amount	2,757	8,809	47	641	102	12,356
At December 31, 2023						
Cost	3,039	24,153	101	965	102	28,360
Accumulated depreciation	(282)	(15,344)	(54)	(324)	—	(16,004)
Net book amount	2,757	8,809	47	641	102	12,356
At January 1, 2022						
Cost	2,542	16,852	65	489	467	20,415
Accumulated depreciation	—	(9,108)	(21)	(235)	—	(9,364)
Net book amount	2,542	7,744	44	254	467	11,051
Year ended December 31, 2022						
Opening net book amount	2,542	7,744	44	254	467	11,051
Currency translation differences	—	47	—	5	—	52
Additions	76	4,635	13	42	617	5,383
Transfers	123	—	—	126	(249)	—
Disposals	—	(4)	(1)	(43)	(11)	(59)
Depreciation charge	(138)	(2,891)	(19)	(164)	—	(3,212)
Closing net book amount	2,603	9,531	37	220	824	13,215
At December 31, 2022						
Cost	2,741	21,487	76	574	824	25,702
Accumulated depreciation	(138)	(11,956)	(39)	(354)	—	(12,487)
Net book amount	2,603	9,531	37	220	824	13,215

15 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Cost of revenues	**3,644**	2,870
Selling and marketing expenses	**50**	41
Administrative expenses	**52**	100
Research and development expenses	**243**	201
	3,989	3,212

16 LEASE

(a) Items recognized in the consolidated balance sheet

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Right-of-use assets		
Internet data centers	**8,261**	8,104
Office buildings	**2,111**	2,674
Land use rights	**27**	28
	10,399	10,806

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Lease liabilities		
Current	**3,327**	3,475
Non-current	**8,405**	8,721
	11,732	12,196

Additions and modifications to the right-of-use assets for the year ended December 31, 2023 was approximately RMB4.2 billion (2022: RMB2.3 billion). Refer to Note 32(c) for details.

16 LEASE (CONTINUED)

(b) Items recognized in the consolidated income statement and consolidated statement of cash flows

	Year ended December 31, 2023 RMB'Million	2022 RMB'Million
Depreciation charge of right-of-use assets		
— Internet data centers	**2,546**	2,496
— Office buildings	**518**	725
— Land use rights	**1**	1
Interest expense (included in finance income, net)	**495**	549
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses)	**127**	170
	3,687	3,941

The total cash outflows for leases (not including those for short-term leases which has been included as cash outflows from operating activities) in 2023 was approximately RMB3.5 billion (2022: RMB3.4 billion).

17 INTANGIBLE ASSETS

The detailed information of intangible assets during the years ended December 31, 2023 and 2022 is as below:

	Goodwill *(Note a)* *RMB'Million*	Licenses and copyrights *RMB'Million*	Trademarks and domain name *RMB'Million*	Software *RMB'Million*	Others *RMB'Million*	Total *RMB'Million*
At January 1, 2023						
Cost	845	662	16	124	10	1,657
Accumulated amortization and impairment	—	(431)	(8)	(86)	(9)	(534)
Net book amount	845	231	8	38	1	1,123
Year ended December 31, 2023						
Opening net book amount	845	231	8	38	1	1,123
Currency translation differences	—	—	—	—	—	—
Additions	—	44	—	54	—	98
Amortization charge	—	(107)	(1)	(39)	(1)	(148)
Closing net book amount	845	168	7	53	—	1,073
At December 31, 2023						
Cost	845	706	16	178	10	1,755
Accumulated amortization and impairment	—	(538)	(9)	(125)	(10)	(682)
Net book amount	845	168	7	53	—	1,073
At January 1, 2022						
Cost	845	589	10	112	10	1,566
Accumulated amortization and impairment	—	(320)	(5)	(61)	(8)	(394)
Net book amount	845	269	5	51	2	1,172
Year ended December 31, 2022						
Opening net book amount	845	269	5	51	2	1,172
Currency translation differences	—	—	—	—	—	—
Additions	—	73	6	12	—	91
Amortization charge	—	(111)	(3)	(25)	(1)	(140)
Closing net book amount	845	231	8	38	1	1,123
At December 31, 2022						
Cost	845	662	16	124	10	1,657
Accumulated amortization and impairment	—	(431)	(8)	(86)	(9)	(534)
Net book amount	845	231	8	38	1	1,123

17 INTANGIBLE ASSETS (CONTINUED)

Note a: For the purpose of impairment test of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose. The Group has two CGUs for the years ended December 31, 2023 and 2022. The management allocated all goodwill to its domestic CGU as the goodwill is only attributable to the domestic business.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2023 and 2022 according to IAS 36 "Impairment of assets". The Group conducted the annual impairment test on goodwill by comparing the recoverable amount to the carrying amount as of December 31, 2023 and 2022. The recoverable amount is determined based on the higher amount of value-in-use calculations and fair value less costs of disposal. As the recoverable amount was higher than the carrying amount, no impairment for the CGU was recorded.

Amortization expenses have been charged to the consolidated income statement as follow:

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Cost of revenues	**88**	95
Selling and marketing expenses	**—**	1
Administrative expenses	**26**	28
Research and development expenses	**34**	16
	148	140

18 FINANCIAL INSTRUMENTS BY CATEGORY

The detailed information of financial instruments by category as of December 31, 2023 and 2022 is as below:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Assets as per consolidated balance sheet		
Financial assets measured at fair value through profit or loss:		
— Investments in listed entities	**60**	94
— Investments in unlisted entities	**2,609**	2,876
— Wealth management products and others	**27,704**	13,743
Financial assets measured at amortized cost:		
— Trade receivables	**6,457**	6,288
— Prepayments, other receivables and other current assets (excluding prepaid promotion and marketing fees, recoverable VAT and other tax prepayments, rental prepayments, prepaid content cost and license fee and other prepayments)	**2,089**	1,234
— Other financial assets at amortized cost	**1,233**	1,396
— Other non-current assets	**135**	456
— Time deposits	**19,639**	16,188
— Restricted cash	**128**	59
— Cash and cash equivalents	**12,905**	13,274
Total	**72,959**	55,608

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Liabilities as per consolidated balance sheet		
Financial liabilities measured at amortized cost:		
— Accounts payables	**23,601**	22,868
— Other payables and accruals (excluding employee benefit payables, and other taxes payable)	**11,363**	5,965
— Lease liabilities	**11,732**	12,196
Total	**46,696**	41,029

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Investments in an associate accounted for using the equity method — Listed entity	**214**	268

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
At the beginning of the year	**268**	1,411
Share of loss	**(81)**	(139)
Currency translation differences	**6**	50
Impairment provision *(Note 8)*	**—**	(1,006)
Dilution loss *(Note 8)*	**—**	(97)
Share of other comprehensive income *(Note 25)*	**14**	—
Share of other changes in net assets *(Note 25)*	**7**	49
At the end of the year	**214**	268

During the year ended December 31, 2023, there were no indicators for impairment of the investment, so no impairment loss has been recognized (2022: the Group made an impairment provision of approximately RMB1.0 billion, where the recoverable amount was determined using fair value less costs of disposal).

20 INVESTMENTS

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	**2,609**	2,876
— Investment in a listed entity	**52**	78
— Wealth management products and others	**2,584**	672
	5,245	3,626
Other financial assets at amortized cost *(Note a)*	**283**	670
	5,528	4,296
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	**8**	16
— Wealth management products and others	**25,120**	13,071
	25,128	13,087
Other financial assets at amortized cost *(Note a)*	**950**	726
	26,078	13,813
Total	**31,606**	18,109

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

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
At the beginning of the year	**16,713**	12,143
Additions	**61,263**	44,111
Disposals	**(48,101)**	(39,956)
Change in fair value through profit or loss	**384**	(301)
Currency translation differences	**114**	716
At the end of the year	**30,373**	16,713

20 INVESTMENTS (CONTINUED)

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.

21 TRADE RECEIVABLES

The detailed information of trade receivables as of December 31, 2023 and 2022 is as below:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Trade receivables from contracts with customers	**6,595**	6,333
Less: credit loss allowances	**(138)**	(45)
	6,457	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 December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Up to 3 months	**5,816**	5,790
Over 3 months	**779**	543
	6,595	6,333

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

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
At the beginning of the year	**(45)**	(26)
Additional provision	**(93)**	(19)
At the end of the year	**(138)**	(45)

22 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The detailed information of prepayments, other receivables and other current assets as of December 31, 2023 and 2022 is as below:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Recoverable VAT and other tax prepayments	**1,739**	2,046
Receivables from third parties	**1,818**	826
Prepaid promotion and marketing fees	**659**	458
Deposits	**161**	215
Prepaid content cost and license fee	**150**	164
Rental prepayments	**48**	50
Others	**358**	369
	4,933	4,128
Less: credit loss allowances	**(14)**	(22)
	4,919	4,106

23 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Cash at bank and held in other financial institutions	**9,446**	10,830
Time deposits with initial terms within three months	**3,459**	2,444
	12,905	13,274

23 CASH AND BANK BALANCES (CONTINUED)

(a) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
RMB	**7,609**	8,889
USD	**4,432**	3,746
HKD	**744**	560
Others	**120**	79
	12,905	13,274

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
RMB	**126**	56
USD	**2**	3
	128	59

23 CASH AND BANK BALANCES (CONTINUED)

(c) Time deposits

Time deposits are denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
RMB	**14,706**	7,870
USD	**4,580**	7,754
HKD	**342**	564
Others	**11**	—
	19,639	16,188

24 SHARE CAPITAL

Authorized:

As of December 31, 2023 and 2022, the authorized share capital of the Company comprises 9,433,962,264 ordinary shares with par value of US$0.0000053 per share.

Issued:

	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	89	—	—	65
At December 31, 2022	4,294	—	—	274,473
Exercise of share options and vesting of RSUs	**62**	**—**	**—**	**199**
Cancelation of shares	**(23)**	**—**	**—**	**(1,213)**
At December 31, 2023	**4,333**	**—**	**—**	**273,459**

25 OTHER RESERVES

The following table shows a breakdown of the balance sheet line item "other reserves" and the movements in these reserves during the years.

	Capital reserve RMB'Million	Share-based compensation RMB'Million	Currency translation differences (Note a) RMB'Million	Statutory surplus reserve (Note b) RMB'Million	Investments in associates RMB'Million	Others RMB'Million	Total RMB'Million
At January 1, 2023	(364)	17,787	11,600	260	49	(93)	29,239
Share-based compensation	—	3,570	—	—	—	—	3,570
Exercise of share options and vesting of RSUs	—	—	—	—	—	—	—
Currency translation differences	—	—	348	—	—	—	348
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	14	—	14
Share of other changes in net assets of investments accounted for using the equity method	—	—	—	—	7	—	7
Appropriations to statutory reserves	—	—	—	5	—	—	5
At December 31, 2023	(364)	21,357	11,948	265	70	(93)	33,183
At January 1, 2022	(364)	11,538	9,532	240	—	(93)	20,853
Share-based compensation	—	6,249	—	—	—	—	6,249
Exercise of share options and vesting of RSUs	—	—	—	—	—	—	—
Currency translation differences	—	—	2,068	—	—	—	2,068
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	—	—	—
Share of other changes in net assets of investments accounted for using the equity method	—	—	—	—	49	—	49
Appropriations to statutory reserves	—	—	—	20	—	—	20
At December 31, 2022	(364)	17,787	11,600	260	49	(93)	29,239

Note a: Currency translation differences represent the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.

Note b: In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserve fund can be capitalized as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

26 DIVIDENDS

No dividends have been paid or declared by the Company during the years ended December 31, 2023 and 2022.

27 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. The purposes of the 2023 Share Incentive Scheme are to recognize and reward eligible participants for their contribution to the Group, to attract and retain best available personnel, and to encourage eligible participants to work towards enhancing the value of the Company and its shares.

Pre-IPO ESOP Plan

Share options granted to employees

The majority of share options have graded vesting terms, and will be vested from the grant date over 4 years on the condition that employees remain in service without any performance requirements.

The options may be exercised at any time after the IPO of the Company provided the options have vested and subject to the terms of the award agreement. The options are exercisable for a maximum period of 10 years after the date of grant.

27 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Share options granted to employees (Continued)

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

	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 year	**(8,545,105)**	**19.88**
Exercised during the year	**(22,084,289)**	**0.52**
Outstanding as of December 31, 2023	**57,491,358**	**12.66**
Exercisable as of December 31, 2023	**44,417,778**	**16.29**

	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 year	(37,296,860)	71.27
Exercised during the year	(55,332,598)	0.47
Outstanding as of December 31, 2022	88,120,752	10.32
Exercisable as of December 31, 2022	50,193,544	17.13

The weighted average remaining contract life for outstanding share options was 5.78 years and 6.95 years as of December 31, 2023 and 2022, respectively. The weighted average price of the shares at the time these share options were exercised was HKD59.86 per share during the year ended December 31, 2023.

27 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

The share options have graded vesting terms, and will be vested from the grant date up to 4 years generally on the condition that employees remain in service, among which certain employees were granted with performance targets.

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

	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 year	16,096,810	61.95
Forfeited during the year	(10,275,297)	63.21
Exercised during the year	(3,318,797)	62.25
Outstanding as of December 31, 2023	85,934,274	67.34
Exercisable as of December 31, 2023	35,864,337	65.95

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme (Continued)

Share options granted to employees (Continued)

	Number of share options	Weighted average exercise price per share option *HKD*
Outstanding as of January 1, 2022	—	—
Granted during the year	87,009,787	67.44
Forfeited during the year	(2,866,723)	62.30
Exercised during the year	(711,506)	62.30
Outstanding as of December 31, 2022	83,431,558	67.67
Exercisable as of December 31, 2022	11,457,210	64.66

The weighted average remaining contract life for outstanding share options was 4.31 years and 4.74 years as of December 31, 2023 and 2022, respectively. The weighted average price of the shares at the time these share options were exercised was HKD68.87 per share during the year ended December 31, 2023.

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme (Continued)

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:

	Year ended December 31,	
	2023	2022
Fair value of ordinary shares *(HKD)*	**59.90–68.15**	43.55–85.25
Exercise price *(HKD)*	**59.40–72.63**	48.86–86.85
Risk-free interest rate	**2.98%–3.42%**	1.63%–4.07%
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 HKD32.12 per share for the years ended December 31, 2023 and 2022, respectively.

27 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO RSU Scheme

RSUs granted to employees

The RSUs under the Post-IPO RSU Scheme have graded vesting terms, and will be vested from the grant date up to 4 years generally on the condition that employees remain in service, among which certain employees were granted with performance targets.

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:

	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 year	**33,831,540**	**49.49**
Forfeited during the year	**(25,972,579)**	**96.45**
Vested during the year	**(32,746,579)**	**101.95**
Outstanding as of December 31, 2023	**103,672,599**	**75.74**

	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 year	80,389,196	58.89
Forfeited during the year	(13,903,817)	136.36
Vested during the year	(24,931,669)	158.19
Outstanding as of December 31, 2022	128,560,217	93.51

27 SHARE-BASED COMPENSATION (CONTINUED)

2023 Share Incentive Scheme

The RSUs under the 2023 Share Incentive Scheme have graded vesting terms, and will be vested from the grant date up to 4 years generally on the condition that employees remain in service, among which certain employees were granted with performance targets.

Movements in the number of RSUs granted to the Company's employees under the 2023 Share Incentive Scheme and the respective weighted average grant date fair value are as below:

	Number of RSUs	Weighted average grant date fair value per RSU *HKD*
Outstanding as of January 1, 2023	—	—
Granted during the year	15,580,769	62.13
Forfeited during the year	(505,907)	63.72
Vested during the year	(288)	64.40
Outstanding as of December 31, 2023	15,074,574	62.08

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

The share-based compensation expenses of RMB3.6 billion and RMB6.2 billion were recognized in the consolidated income statement for the years ended December 31, 2023 and 2022, respectively.

28 ACCOUNTS PAYABLES

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

	As of December 31,	
	2023 *RMB'Million*	2022 *RMB'Million*
Up to 3 months	16,447	17,312
3 to 6 months	2,479	1,458
6 months to 1 year	3,165	3,358
Over 1 year	1,510	740
	23,601	22,868

29 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals are as follows:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Refundable deposits from customers	**6,103**	4,542
Employee benefit payables	**4,662**	3,355
Collection on behalf of others	**777**	615
Notes payable *(Note a)*	**3,990**	738
Other taxes payable	**567**	870
Others	**493**	70
	16,592	10,190

Note a: This balance represented the amount the Group owed the banks. For more details, please refer to Note 2.1.1(c).

30 ADVANCES FROM CUSTOMERS

The breakdown of advances from customers are as follows:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Advances from online marketing services customers	**2,267**	1,623
Advances from live streaming customers	**1,698**	1,590
Others	**71**	27
	4,036	3,240

The above mentioned advances from customers mainly represented the contract liability in connection with the advanced cash receipts for online marketing services and advances for purchase of virtual items and other services. Revenue recognized from the advances from customers balance as of January 1, 2023 in the year of 2023 was RMB1.7 billion (2022: RMB1.9 billion was recognized from the advances from customers balance as of January 1, 2022).

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities before offsetting, the offsetting amount, as well as the deferred tax assets and liabilities after offsetting are as follows:

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Deferred tax assets:		
To be recovered after 12 months	**3,792**	4,704
To be recovered within 12 months	**4,191**	2,339
	7,983	7,043
Deferred tax liabilities:		
To be settled after 12 months	**1,338**	1,325
To be settled within 12 months	**555**	646
	1,893	1,971
Offsetting amounts	**1,875**	1,948
Deferred tax assets after offsetting	**6,108**	5,095
Deferred tax liabilities after offsetting	**18**	23

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

	Year ended December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
At the beginning of the year	**7,043**	7,453
Credited/(debited) to the consolidated income statement	**940**	(410)
At the end of the year	**7,983**	7,043

31 DEFERRED INCOME TAX (CONTINUED)

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

	Year ended December 31, 2023 RMB'Million	2022 RMB'Million
At the beginning of the year	**1,971**	2,076
Credited to the consolidated income statement	**(78)**	(105)
At the end of the year	**1,893**	1,971

Deferred tax assets:

	Accrued liabilities and provisions RMB'Million	Lease liabilities RMB'Million	Tax losses RMB'Million	Others RMB'Million	Total RMB'Million
At January 1, 2023	**3,359**	**2,030**	**1,548**	**106**	**7,043**
Credited/(debited) to the consolidated income statement	**186**	**(61)**	**809**	**6**	**940**
At December 31, 2023	**3,545**	**1,969**	**2,357**	**112**	**7,983**
At January 1, 2022	3,989	2,095	1,296	73	7,453
(Debited)/credited to the consolidated income statement	(630)	(65)	252	33	(410)
At December 31, 2022	3,359	2,030	1,548	106	7,043

31 DEFERRED INCOME TAX (CONTINUED)

The unrecognized deferred tax assets for tax losses as of December 31, 2023 and 2022 are as the table below:

	As of December 31, 2023 RMB'Million	As of December 31, 2022 RMB'Million
Deductible cumulative tax losses		
— To be carried forward indefinitely	20,620	17,975
— To be expired within following years*	17,480	15,851
	38,100	33,826
Unrecognized deferred tax assets:	6,431	5,659

* As of December 31, 2023, the deductible cumulative tax losses will expire within 10 years (2022: 15 years).

Deferred tax liabilities:

	Right-of-use assets RMB'Million	Others RMB'Million	Total RMB'Million
At January 1, 2023	1,921	50	1,971
Credited to the consolidated income statement	(70)	(8)	(78)
At December 31, 2023	1,851	42	1,893
At January 1, 2022	2,012	64	2,076
Credited to the consolidated income statement	(91)	(14)	(105)
At December 31, 2022	1,921	50	1,971

32 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2023	2022*
	RMB'Million	*RMB'Million*
Profit/(loss) before income tax	**6,889**	(12,531)
Adjustments for:		
Depreciation of property and equipment	**3,989**	3,212
Depreciation of right-of-use assets	**3,065**	3,222
Amortization of intangible assets	**148**	140
Credit loss allowances on financial assets	**93**	35
Impairment provision for investments	**—**	1,006
Dilution loss on investments accounted for using the equity method	**—**	97
Share-based compensation expenses	**3,570**	6,249
Net (gains)/losses on disposal of property and equipment, intangible assets and right-of-use assets	**(87)**	8
Net fair value (gains)/losses on financial assets at fair value through profit or loss	**(384)**	301
Share of losses of investments accounted for using the equity method	**81**	139
Dividends received	**—**	(2)
Interest income from financial assets measured at amortized cost	**(55)**	(20)
Finance (income)/expense, net	**(156)**	132
Net foreign exchange gains	**(8)**	(33)
Changes in working capital:		
— Increase in trade receivables	**(257)**	(1,853)
— Increase in prepayments, other receivables and other assets	**(764)**	(557)
— Increase in restricted cash	**(122)**	(3)
— Increase in accounts payables	**1,677**	2,246
— Increase/(decrease) in advances from customers	**785**	(338)
— Increase in other payables and accruals	**3,524**	333
— Increase in other non-current liabilities	**16**	2
Cash generated from operations	**22,004**	1,785

* Cash generated from operations for the year ended December 31, 2022 has been adjusted for the voluntary change in accounting policy as described in Note 2.1.1(c).

32 CASH FLOW INFORMATION (CONTINUED)

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in accounts payable related to property and equipment and intangible assets addition described in Note 15 and Note 17, the additions as well as modifications of right-of-use assets and lease liabilities described in Note 16, the share-based compensation described in Note 27. Other than these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2023 and 2022.

As described in Note 2.1.1(c), the Group has voluntarily changed the presentation of cash flows related to notes payable transactions. De-recognition of the payables that the Group owes its suppliers and recognition of a note payable that it owes the banks is no longer being presented as a non-cash transaction.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities			
	Notes payable *RMB'Million*	Liability from notes receivable factoring to banks *RMB'Million*	Lease liabilities *RMB'Million*	Total *RMB'Million*
Liabilities from financing activities as of January 1, 2023	738	—	12,196	12,934
Financing cash flows				
— Payments for principal elements of lease and related interests	—	—	(3,451)	(3,451)
— Proceeds received under notes payable transaction	7,524	—	—	7,524
— Proceeds received from notes receivable factoring to banks	—	3,735	—	3,735
— Payments for principal of matured notes	(4,272)	(3,753)	—	(8,025)
Other changes				
— Increase in lease liabilities from entering into new leases	—	—	4,169	4,169
— Decrease in lease liabilities from disposal of right-of-use assets	—	—	(1,677)	(1,677)
— Interest on lease liabilities	—	—	495	495
— Interests on notes receivable factoring to banks	—	18	—	18
Liabilities from financing activities as of December 31, 2023	3,990	—	11,732	15,722

32 CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities generated from financing activities (Continued)

	Liabilities from financing activities		
	Notes payable *RMB'Million*	Lease liabilities *RMB'Million*	Total *RMB'Million*
Liabilities from financing activities as of January 1, 2022	—	13,609	13,609
Financing cash flows			
— Payments for principal elements of lease and related interests	—	(3,386)	(3,386)
— Proceeds received under notes payable transaction	1,909	—	1,909
— Payments for principal of matured notes	(1,171)	—	(1,171)
Other changes			
— Increase in lease liabilities from entering into new leases	—	1,234	1,234
— Decrease in lease liabilities from disposal of right-of-use assets	—	(875)	(875)
— Lease modification	—	1,065	1,065
— Interests on lease liabilities	—	549	549
Liabilities from financing activities as of December 31, 2022	738	12,196	12,934

33 COMMITMENTS

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

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
Property and equipment	**512**	542
Investments	**212**	223
Intangible assets	**3**	14
	727	779

34 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 years 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 years ended December 31, 2023 and 2022, and/or balances with the Group as of December 31, 2023 and 2022, respectively.

Company	**Relationship**
Tencent Holdings Limited and its subsidiaries	One of the Company's shareholders
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

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

	Year ended December 31, 2023 RMB'Million	Year ended December 31, 2022 RMB'Million
(i) Sales of services		
Investees of the Group	**310**	195
One of the Company's shareholders	**167**	56
	477	251

	Year ended December 31, 2023 RMB'Million	Year ended December 31, 2022 RMB'Million
(ii) Purchases of services		
Investees of the Group	**25**	52
One of the Company's shareholders	**5,066**	4,146
	5,091	4,198

(c) Balances with related parties

	As of December 31, 2023 RMB'Million	As of December 31, 2022 RMB'Million
(i) Prepayments and other receivables from related parties		
One of the Company's shareholders	**422**	154
	422	154

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
(ii) Trade receivables from related parties		
Investees of the Group	**48**	22
One of the Company's shareholders	**224**	21
	272	43

	As of December 31,	
	2023	2022
	RMB'Million	*RMB'Million*
(iii) Accounts payables to related parties		
Investees of the Group	**2**	7
One of the Company's shareholders	**238**	1,017
	240	1,024

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

34 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel compensation

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**21,579**	17,674
Discretionary bonuses	**14,739**	14,718
Share-based compensation expenses *(Note a)*	**233,578**	223,532
Pension costs-defined contribution plans	**324**	238
Other social security costs, housing benefits and other employee benefits	**424**	333
	270,644	256,495

Note a: Under IFRS 2, the accelerated method is required to recognize compensation expenses for equity awards. For the share-based compensation expenses of key management personnel in 2023 and 2022, approximately 80% and 70% was attributable to share options with the exercise price above HK$55.

35 CONTINGENCIES

As of December 31, 2023, the Group did not have any material contingent liabilities.

36 SUBSEQUENT EVENTS

There was no material subsequent events during the period from December 31, 2023 to the approval date of these consolidated financial statements by the Board on March 20, 2024.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	As of December 31, 2023 RMB'Million	2022 RMB'Million
ASSETS			
Non-current assets			
Investments in subsidiaries		**21,357**	18,001
Prepayments, other receivables and other non-current assets		**—**	23,629
		21,357	41,630
Current assets			
Prepayments, other receivables and other current assets		**73,484**	50,595
Short-term time deposits		**502**	—
Cash and cash equivalents		**61**	8
		74,047	50,603
Total assets		**95,404**	92,233
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*24*	**—**	—
Share premium	*24,37(b)*	**273,459**	274,473
Treasury shares	*37(b)*	**(88)**	—
Other reserves	*37(b)*	**36,845**	31,989
Accumulated losses	*37(b)*	**(214,823)**	(214,243)
Total equity		**95,393**	92,219
LIABILITIES			
Current liabilities			
Accounts payables		**8**	10
Other payables and accruals		**3**	4
		11	14
Total liabilities		**11**	14
Total equity and liabilities		**95,404**	92,233

CHENG Yixiao
Director

SU Hua
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'Million	Treasury Shares RMB'Million	Share-based compensation RMB'Million	Currency translation differences RMB'Million	Capital reserve RMB'Million	Accumulated losses RMB'Million	Others RMB'Million	Total RMB'Million
As of January 1, 2023	274,473	–	17,787	14,657	(362)	(214,243)	(93)	92,219
Share-based compensation	–	–	3,570	–	–	–	–	3,570
Exercise of share options and vesting of RSUs	199	–	–	–	–	–	–	199
Currency translation differences	–	–	–	1,286	–	–	–	1,286
Repurchase of shares (to be canceled)	–	(1,301)	–	–	–	–	–	(1,301)
Cancelation of shares	(1,213)	1,213	–	–	–	–	–	–
Loss for the year	–	–	–	–	–	(580)	–	(580)
As of December 31, 2023	273,459	(88)	21,357	15,943	(362)	(214,823)	(93)	95,393
As of January 1, 2022	274,408	–	11,538	8,298	(362)	(212,279)	(93)	81,510
Share-based compensation	–	–	6,249	–	–	–	–	6,249
Exercise of share options and vesting of RSUs	65	–	–	–	–	–	–	65
Currency translation differences	–	–	–	6,359	–	–	–	6,359
Loss for the year	–	–	–	–	–	(1,964)	–	(1,964)
As of December 31, 2022	274,473	–	17,787	14,657	(362)	(214,243)	(93)	92,219

Definitions

In this annual 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
"2023 Cloud Services and Technical Services Framework Agreement"	the cloud services and technical services framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on November 21, 2023
"2023 Game Co-operation Framework Agreement"	the game co-operation framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on November 21, 2023
"2023 Marketing and Promotion Services Framework Agreement"	the marketing and promotion services framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on November 21, 2023
"2023 Payment Services Framework Agreement"	the payment services framework agreement entered into between Beijing Dajia (for itself and on behalf of other members of the Group) and Tencent Computer (for itself and on behalf of other members of the Represented Tencent Group) on November 21, 2023
"2024 AGM"	the 2024 annual general meeting of the Company to be held on Thursday, June 13, 2024 at 3:00 p.m. or any adjournment thereof
"Administrator"	the administrator of the Post-IPO RSU Scheme, being the Board or the Chief Executive Officer, or person(s) to which the Board has delegated its authority
"AI"	artificial intelligence
"ARPPU"	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time) adopted on June 16, 2023
"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 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 Kuaishou"	Beijing Kuaishou Technology Co., Ltd. (北京快手科技有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2015 and our Consolidated Affiliated Entity
"Beijing Kuaishou Ads"	Beijing Kuaishou Ads Co., Ltd. (北京快手廣告有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2016 and an indirect wholly-owned subsidiary of the Company
"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
"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
"Chief Executive Officer"	the chief executive officer of the Company
"Class A Shares"	class A ordinary shares of the share capital of the Company with a par value of US$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share

Definitions

"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 Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our Company", "the Company", "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
"Consolidated Financial Statements"	the consolidated financial statements of the Group for the Reporting Period
"Contractual Arrangements"	the series of contractual arrangements entered into between WFOE, PRC Holdcos and the Registered Shareholders (as applicable)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua, Mr. CHENG Yixiao, Reach Best and Ke Yong
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 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
"Employee Participant(s)"	means Director(s) and employee(s) of any member of the Group (including persons who are granted Options and/or RSUs under the 2023 Share Incentive Scheme as an inducement to enter into employment contracts with the Group)
"ESG Reporting Guide"	the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules
"Fortune One"	Fortune One Ventures Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. YIN Xin
"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 before its deregistration
"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 before its deregistration

Definitions

"Hangzhou Youqu"	Hangzhou Youqu Network Co., Ltd. (杭州遊趣網絡有限公司), a limited liability company incorporated under the laws of the PRC on July 7, 2008 and our Consolidated Affiliated Entity
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huai'an Shuangxin"	Huai'an Kuaishou Shuangxin Culture Communication Co., Ltd. (淮安快手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
"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 Accounting Standards"	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
"Industry Research Consultants"	means persons who provide industry research and strategic consulting services to the Group in relation to product, professional technology, research and development, operations, marketing, capital market, experience and other professional areas, and in the opinion of the Directors, the continuity and frequency of those services are akin to those of employees of the Group
"Jovial Star"	Jovial Star Global Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. YANG Yuanxi
"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, *GIF Kuaishou* (launched in 2011)
"Latest Practicable Date"	April 10, 2024, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this annual report
"Listing"	the listing of our Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	February 5, 2021, on which the Class B Shares were listed and dealings in the Class B Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MAUs"	refers to monthly active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the calendar month
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time) adopted on June 16, 2023
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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

Definitions

"Other Service Providers"	means independent contractors, consultants and/or advisors who provide services to the Group in relation to research and development, product commercialization, marketing, innovation upgrading, strategic/commercial planning, investor relations, human resources, business development and corporate governance areas on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group
"paying user(s)"	user account(s) that purchase(s) 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 and terminated on June 23, 2023
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by our Company on January 18, 2021 and terminated on June 23, 2023
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Holdcos"	(i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, and (iv) Shandong Yixiang
"Pre-IPO ESOP"	the pre-IPO employee incentive scheme adopted by the Company dated February 6, 2018 and terminated upon Listing
"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
"Related Entity Participant(s)"	includes director(s) and employee(s) of the holding companies, fellow subsidiaries or associated companies of the Company
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 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
"Service Provider(s)"	means person(s) and/or corporate entity(ies) who provide(s) services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, namely the Strategic Consulting Consultants, Industry Research Consultants, and Other Service Providers, but excluding (for the avoidance of doubt) (i) placing agents or financial advisers providing advisory services for fund-raising, mergers or acquisitions, (ii) professional service providers (such as auditors or valuers) who provide assurance, or are required to perform their services with impartiality and objectivity
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shandong 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
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Consulting Consultants"	means persons who provide strategic consulting services to the Group whose services will lead, collaborate with or optimize the businesses operated by the Group from time to time, and in the opinion of the Directors, the continuity and frequency of those services are akin to those of employees of the Group
"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

Definitions

"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
"WFOE" or "Beijing Dajia"	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
"WVR" or "weighted voting right"	has the meaning ascribed to it in the Listing Rules
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua and Mr. CHENG Yixiao, being the holders of the Class A Shares, entitling each to weighted voting rights
"Yunshitai Beijing"	Yunshitai (Beijing) Network Technology Co., Ltd. (雲什泰(北京)網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on May 27, 2016 and our Consolidated Affiliated Entity
"%"	per cent

Notes:

1. In this annual 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 annual 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 annual 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 annual 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 annual 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 annual 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 annual report or those that might reflect the occurrence of unanticipated events.

KUAISHOU

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