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Kuaishou Technology 快手科技

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock Code: 1024)

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2021. The consolidated financial statements for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, the independent auditor of the Company (the “**Auditor**”) in accordance with International Standards on Auditing. The results have been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Year Ended December 31,				Year-over-year change
	2021	2020	As a percentage of revenues	As a percentage of revenues	
	Amount	Amount			
	<i>(RMB thousands, except for percentages)</i>				
Revenues	81,081,513	58,776,097	100.0	100.0	37.9%
Gross profit	34,029,705	23,814,637	42.0	40.5	42.9%
Operating loss	(27,701,265)	(10,319,953)	(34.2)	(17.6)	168.4%
Loss before income tax	(79,102,256)	(117,200,790)	(97.6)	(199.4)	(32.5%)
Loss for the year	(78,077,101)	(116,635,242)	(96.3)	(198.4)	(33.1%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾ (unaudited)	(18,851,769)	(7,863,818)	(23.3)	(13.4)	139.7%
Adjusted EBITDA ⁽²⁾ (unaudited)	(12,953,371)	(3,531,086)	(16.0)	(6.0)	266.8%

	Unaudited Three Months Ended December 31, 2021		2020		Year-over-year change
	Amount	As a percentage of revenues <i>(RMB thousands, except for percentages)</i>	Amount	As a percentage of revenues	
Revenues	24,430,260	100.0	18,098,656	100.0	35.0%
Gross profit	10,148,563	41.5	8,503,832	47.0	19.3%
Operating loss	(5,790,154)	(23.7)	(1,377,525)	(7.6)	320.3%
Loss before income tax	(5,871,655)	(24.0)	(19,081,735)	(105.4)	(69.2%)
Loss for the period	(6,202,743)	(25.4)	(19,263,780)	(106.4)	(67.8%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(3,568,768)	(14.6)	(459,271)	(2.5)	677.1%
Adjusted EBITDA ⁽²⁾	(1,290,186)	(5.3)	1,172,504	6.5	(210.0%)

Notes:

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

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, 2021		Three Months Ended December 31, 2021	
	2021	2020	2021	2020
Average DAUs <i>(in millions)</i>	308.2	264.6	323.3	271.3
Average MAUs <i>(in millions)</i>	544.2	481.1	578.0	475.7
Average daily time spent per DAU <i>(in minutes)</i>	111.5	87.3	118.9	89.9
Average online marketing services revenue per DAU <i>(in RMB)</i>	138.4	82.6	40.9	31.4
Total e-commerce GMV ⁽¹⁾ <i>(in RMB millions)</i>	680,036.1	381,168.5	240,291.5	177,108.2

Note:

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

BUSINESS REVIEW AND OUTLOOK

Business Review

We ended the year of 2021 with a robust fourth quarter performance as well as exceptional user and traffic growth, setting new records in both metrics. In the fourth quarter of 2021, our total traffic grew at a vigorous pace, representing a year-over-year increase of 57.6% on Kuaishou App, while total revenues reached RMB24.4 billion, increasing by 35.0% year-over-year. For the full year of 2021, our total revenues grew by 37.9% year-over-year to RMB81.1 billion.

Enriched content and a close-knit and vibrant social community fortified our healthy ecosystem and closed-loop, virtuous business cycle, which along with our improved monetization capabilities, drove our consistent revenue growth throughout the year. Setting out to align with our strategic development, we completed a major organizational restructuring in September 2021, which has effectively transformed our organizational structure from a function-based system to a business unit-based system and significantly strengthened our core capabilities in operations, monetization and efficiency. In particular, we have continuously gained market share in online marketing services and e-commerce, which was demonstrated by the 95.2% and 78.4% year-over-year growth in revenue from online marketing services and e-commerce GMV in the year of 2021, respectively. In the fourth quarter of 2021, we continued to optimize our revenue and cost structure and enhance operating leverage, driving our adjusted net margin to improve by 7.9 percentage points, on a quarter-over-quarter basis.

Ecosystem

In the fourth quarter of 2021, average DAUs and average MAUs on Kuaishou App reached new record highs of 323.3 million and 578.0 million, respectively, increasing by 19.2% and 21.5% year-over-year, respectively. These fourth quarter metrics marked our highest year-over-year growth rate in 2021 for both average DAUs and average MAUs on Kuaishou App, as well as demonstrated a quarter-over-quarter growth which outperformed our typical seasonal patterns. In the fourth quarter of 2021, average daily time spent per DAU on Kuaishou App increased by 32.3% year-over-year to 118.9 minutes. Our user and traffic growth was driven by the enhancement of our platform's differentiated social attributes, the expansion of our unique and immersive content, and our effective organizational restructuring.

Our efforts in strengthening social attributes have significantly enhanced our highly interactive and engaged one-stop digital community, which differentiates Kuaishou from other short video platforms as a social platform. Pairs of mutual followers on Kuaishou App reached over 16.3 billion by the end of 2021, on a cumulative basis, representing a 68.2% year-over-year increase.

Our targeted content operations and recommendations across different user demographics have enabled us to better serve evolving user needs and acquire targeted new users, which resulted in growth in both user base and user time spent, as well as reinforced Kuaishou's featured content in users' share of mind and heart. For example, our distinctive ***Kuaishou Playlet*** (快手短劇) has been successful in attracting female users in higher-tier cities, further diversifying our massive user base. With more than 10,000 short plays on our platform at the end of 2021, we had become home to many blockbuster short plays.

Following our organizational restructuring, we focused on the implementation of a more efficient and higher-quality user growth strategy. Through our more dynamic and holistic operation of different users and our enhanced user management infrastructure, we successfully improved user growth efficiency and user retention rate with more disciplined spending on user acquisition and user maintenance.

Online marketing services

Online marketing services led our revenue growth in the fourth quarter of 2021, reaching revenue of RMB13.2 billion, representing an increase of 55.5% year-over-year and 21.3% quarter-over-quarter, which was a strong demonstration of our increasing market share in the online marketing sector. For 2021, revenue of our online marketing services was RMB42.7 billion, increasing by 95.2% year-over-year.

The performance of our online marketing business was boosted by our consistent traffic growth, which has laid a solid foundation for our market share expansion. In addition, advertisements in short video and live streaming format are being increasingly adopted by more advertisers, providing tailwinds for our growth. Motivated by our characteristic combination of public and private traffic, an increasing number of advertisers came to our platform to capture the attention of our valuable and growing user community. Furthermore, with continued improvements in our product and operating capabilities, advertiser experience and ad performance on our platform were further optimized. As a result, in 2021, the number of advertisers increased by over 60% year-over-year and their monthly average spending on our platform increased by double digits year-over-year, leading to our further market share gain in the online marketing sector.

Our e-commerce business, as a natural extension to our platform, also contributed to the resilience of our online marketing business, which jointly empowered the closed-loop transactions within our ecosystem where merchants on our platform can implement integrated brand promotion and product sales strategies. Our one-stop service capability has further reinforced the merchants' bond with our platform.

Brand advertisement has been an additional growth driver to our online marketing services. Our massive and diverse user base, along with our enhanced service capabilities and creative marketing campaign format attracted an increasing number of brand advertisers to our platform. Revenue from our brand advertisement experienced a more than 150% year-over-year increase in 2021.

Live streaming

Revenue from our live streaming was RMB8.8 billion in the fourth quarter of 2021, increasing by 14.3% quarter-over-quarter, and 11.7% year-over-year. By further expanding our collaboration with talent agencies, we attracted more creative talents and motivated them to create more high-quality content. As of December 31, 2021, the number of professional streamers engaged by talent agencies doubled year-over-year on our platform.

Our enhanced and enriched live streaming content encouraged more users to interact with streamers. For the fourth quarter of 2021, penetration of live streaming viewers and penetration of live streaming paying users both increased quarter-over-quarter, and average MPUs for live streaming increased by 5.2% quarter-over-quarter to 48.5 million. Talent agencies bring other benefits to our platform as well, including more efficient live streaming operations and higher monetization efficiency. Monthly ARPPU for live streaming grew to RMB60.7 in the fourth quarter of 2021, up 8.6% quarter-over-quarter and 17.2% year-over-year.

Supported by enhanced content quality and operating efficiency, we continue to sustain vigorous user activities and a highly engaged user community that is built on trust, while expanding use case scenarios for live streaming during the quarter. With content categories spanning entertainment, online games, sports and more, we are looking to introduce more genres of interest to our growing community.

Other services including e-commerce

Our other services are also thriving with revenue of RMB2.4 billion in the fourth quarter of 2021, representing an increase of 40.2% year-over-year and 27.3% quarter-over-quarter, primarily driven by growth in e-commerce. In 2021, revenue of our other services reached RMB7.4 billion, increasing by 99.9% year-over-year.

Our unique trust-based e-commerce model has contributed to the significant growth of our live streaming e-commerce and boosted our market share in this segment. In the fourth quarter of 2021, we further optimized supply, content, services, technology and user experience to expand our growth potential. Our total e-commerce GMV reached RMB680.0 billion in 2021, representing an increase of 78.4% year-over-year. In December 2021, **Kwai Shop (快手小店)**, our closed-loop e-commerce marketplace, contributed to 98.8% of our total e-commerce GMV. In the fourth quarter of 2021, driven by our reinforced trust-based e-commerce model, the repeat purchase rate of our e-commerce business increased by over five percentage points year-over-year.

During the fourth quarter of 2021, we upgraded ***Kuaishou Selection*** (好物聯盟), our official platform for e-commerce product selection, to ***Kuaishou Distribution*** (快分銷), which lowers the threshold for brands and merchants to join our platform. ***Kuaishou Distribution*** features a more refined scoring system to direct traffic to better quality products and achieve more accurate matching between products and streamers. In recognition of our superior platform infrastructure and service capabilities, more brands and merchants have further enriched merchandise supply and improved product quality on our platform, boosting the growth of active buyers, purchasing frequency and average order value. In the fourth quarter of 2021, over 30% of our total e-commerce GMV was contributed by ***Kuaishou Distribution***.

Our unique positioning in the e-commerce sector has demonstrated our differentiated advantage to brand clients. Our Key Account team was established in the second half of 2021, which has become a strong addition to serve and empower brands. In the fourth quarter of 2021, the e-commerce GMV from self-operated live streaming of well-known brands was more than nine times of that in the first quarter of 2021 on our platform. At the same time, we provided support to the upgrade of many niche brands and regional brands, which together have driven the growth of branded GMV.

Empowered by our platform and our service providers, the number of active e-commerce streamers on our platform grew continuously throughout the year, leading to enriched e-commerce-related live streaming content. Total user time spent on e-commerce content increased by over 50% year-over-year on Kuaishou App in 2021.

As our traffic grows, we continuously iterate and optimize our technologies and services to enhance targeting accuracy and sales conversion rates for our merchants. As of December 31, 2021, more than 500 service partners had been attracted to our platform. Our collaborating service partners have enabled merchants on our platform to improve their professional and systematic operations and service capabilities.

Overseas

We achieved successful user acquisition in the overseas market in 2021. Since mid-2021, we started to focus on optimizing local infrastructure and investing in content and products to improve user quality effectively. In particular, we increased investments in high-quality copyrights and content creator incentive plans to build our overseas content community, which are considered to be very important to short video platforms. In addition, we continuously refined our products and algorithms to emphasize our positioning as a social platform and improve user stickiness in the overseas market.

Through the enrichment of content creation and enhanced content consumption on the platform, we gradually formed a virtuous business cycle in some of our key overseas markets. Internally, we further enhanced our operating efficiency as our organizational restructuring in our international business unit started to show positive effects in the fourth quarter of 2021. We managed to continue to increase our DAUs, user time spent, and retention rates in our overseas market in the second half of 2021, while implementing a more disciplined budget plan.

Business Outlook

Looking ahead, leveraging our unique business proposition and capabilities, we are committed to creating social value through promoting the development of digital economy and industrial upgrade. We expect short videos and live streams, as our fundamental infrastructure, to provide more users and industry participants with high-quality, efficient and convenient services and solutions.

We will continue to focus on and invest in four main areas. Firstly, we will continue to accentuate our inclusive and balanced traffic distribution and private domain strength that differentiate us from others. Secondly, we will further develop differentiated content and enhance our content operation capabilities to strengthen and emphasize our unique share of mind. Our third area of focus is algorithm improvement, which in turn will result in increased user consumption on our platform, leading to reinforcement of our recommendation mechanism. Lastly, we will continue to expand use case scenarios to better serve our user needs and further enrich offerings in our community.

The sustainable and healthy development of our core business paves the way for our future growth. At the same time, we remain committed to managing costs and improving efficiency. We will strive to effectively execute our initiatives to improve efficiency in key areas including organizational synergy, user growth, operation and monetization, driving sustainable growth of our ecosystem.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

The following table sets forth the comparative figures for the years ended December 31, 2021 and 2020, respectively:

	Year Ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	81,081,513	100.0	58,776,097	100.0
Cost of revenues	<u>(47,051,808)</u>	<u>(58.0)</u>	<u>(34,961,460)</u>	<u>(59.5)</u>
Gross profit	34,029,705	42.0	23,814,637	40.5
Selling and marketing expenses	(44,175,898)	(54.5)	(26,614,746)	(45.3)
Administrative expenses	(3,400,316)	(4.2)	(1,676,745)	(2.9)
Research and development expenses	(14,956,247)	(18.4)	(6,547,578)	(11.1)
Other income	1,026,742	1.3	527,996	0.9
Other (losses)/gains, net	<u>(225,251)</u>	<u>(0.4)</u>	<u>176,483</u>	<u>0.3</u>
Operating loss	(27,701,265)	(34.2)	(10,319,953)	(17.6)
Finance expense, net	(38,536)	(0.0)	(35,288)	(0.0)
Fair value changes of convertible redeemable preferred shares	(51,275,797)	(63.3)	(106,845,549)	(181.8)
Share of losses of investments accounted for using the equity method	<u>(86,658)</u>	<u>(0.1)</u>	<u>—</u>	<u>—</u>
Loss before income tax	(79,102,256)	(97.6)	(117,200,790)	(199.4)
Income tax benefits	<u>1,025,155</u>	<u>1.3</u>	<u>565,548</u>	<u>1.0</u>
Loss for the year	<u>(78,077,101)</u>	<u>(96.3)</u>	<u>(116,635,242)</u>	<u>(198.4)</u>
Non-IFRS Measures:				
Adjusted net loss (unaudited)	(18,851,769)	(23.3)	(7,863,818)	(13.4)
Adjusted EBITDA (unaudited)	(12,953,371)	(16.0)	(3,531,086)	(6.0)

Revenues

Our revenues increased by 37.9% to RMB81.1 billion in 2021, from RMB58.8 billion in 2020. The increase was primarily attributable to the growth of our online marketing services and other services including e-commerce business.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues in 2021 and 2020, respectively:

	Year Ended December 31,			
	2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	42,665,483	52.6	21,854,539	37.2
Live streaming	30,995,152	38.2	33,209,115	56.5
Other services	7,420,878	9.2	3,712,443	6.3
Total	<u>81,081,513</u>	<u>100.0</u>	<u>58,776,097</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 95.2% to RMB42.7 billion in 2021 from RMB21.9 billion in 2020, primarily attributable to user traffic growth and the growing number of advertisers, driven by improvements in advertiser experience and ad performance.

Live streaming

Revenue from our live streaming business decreased by 6.7% to RMB31.0 billion in 2021 from RMB33.2 billion in 2020, primarily attributable to the improvement in the containment of COVID-19 and more people returning to their normal routines in 2021, while the COVID-19 outbreak in early part of 2020 and the strict quarantine during that period caused more users to turn to online social and entertainment activities in 2020.

Other services

Revenue from our other services increased by 99.9% to RMB7.4 billion in 2021 from RMB3.7 billion in 2020, primarily due to the growth of our e-commerce business, which is further attributable to our optimizing supply, content, services, technology and user experience.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues in 2021 and 2020, respectively:

	Year Ended December 31,			
	2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes ⁽¹⁾	24,792,937	30.6	20,519,492	34.9
Bandwidth expenses and server custody costs ⁽²⁾	7,638,475	9.4	5,735,392	9.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽²⁾	6,246,286	7.7	4,573,549	7.8
Employee benefit expenses	3,451,634	4.3	1,712,980	2.9
Payment processing costs	1,602,030	2.0	1,004,480	1.7
Other cost of revenues	3,320,446	4.0	1,415,567	2.4
Total	47,051,808	58.0	34,961,460	59.5

Notes:

- (1) Revenue sharing costs and related taxes included related costs from online marketing services, live streaming and other services.
- (2) Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under the new standard of IFRS 16-Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

Our cost of revenues increased by 34.6% to RMB47.1 billion in 2021 from RMB35.0 billion in 2020, primarily attributable to (i) the increase in revenue sharing costs and related taxes in line with our revenue growth; (ii) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with the increase in user traffic attributable to the enlarged user base and the growth of our business including overseas business; (iii) the increase in employee benefit expenses as a result of the increase in the headcount of employees to support our business growth and the related share-based compensation expenses; and (iv) the increase in content costs as part of other cost of revenues, as a result of our continuous efforts to diversify content verticals and enrich content ecosystem.

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 2021 and 2020, respectively:

	Year Ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	34,029,705	42.0	23,814,637	40.5

As a result of the foregoing, our gross profit increased by 42.9% to RMB34.0 billion in 2021 from RMB23.8 billion in 2020. Our gross profit margin increased to 42.0% in 2021 from 40.5% in 2020, mainly due to the decreased cost of revenues as a percentage of our total revenues primarily driven by the decrease in revenue sharing costs and related taxes as a percentage of our total revenues as a result of change in revenue mix, partially offset by increases in employee benefit expenses, and content costs as part of other cost of revenues, both as a percentage of our total revenues.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 66.0% to RMB44.2 billion in 2021 from RMB26.6 billion in 2020, and increased to 54.5% in 2021 from 45.3% in 2020 as a percentage of our total revenues. The increase was primarily attributable to (i) an increase in promotion and advertising expenses as a result of the increased spending for promotion of our products, which to some extent was due to the intense competition surrounding traffic acquisition, and (ii) the increased spending for our brand marketing campaign and for overseas market business development.

Administrative Expenses

Our administrative expenses increased by 102.8% to RMB3.4 billion in 2021 from RMB1.7 billion in 2020, primarily due to an increase in employee benefits expenses as a result of the administrative personnel expansion to support our business growth and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, the administrative expenses as a percentage of revenues would have been 2.8% and 2.4% for 2021 and 2020, respectively.

Research and Development Expenses

Our research and development expenses increased by 128.4% to RMB15.0 billion in 2021 from RMB6.5 billion in 2020, primarily due to an increase in employee benefit expenses attributable to the research and development personnel expansion as we continue to invest in big data and other advanced technologies, and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, the research and development expenses as a percentage of revenues would have been 12.1% and 8.9% for 2021 and 2020, respectively.

Other Income

Our other income increased by 94.5% to RMB1.0 billion in 2021 from RMB528.0 million in 2020, primarily due to more government grants and value-added tax subsidies in 2021 as compared to 2020.

Other (Losses)/Gains, Net

We had other losses, net of RMB225.3 million in 2021, compared to other gains, net of RMB176.5 million in 2020, which was primarily due to the impairment provision for investments recorded in 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB27.7 billion and a negative operating margin of 34.2% in 2021, compared to an operating loss of RMB10.3 billion and a negative operating margin of 17.6% in 2020.

Finance Expense, Net

We had finance expense, net of RMB38.5 million and RMB35.3 million in 2021 and 2020, respectively, primarily attributable to interest expense from lease liabilities, which was partially offset by interest income from bank deposits. The interest expense from lease liabilities was in connection with the leasing of internet data centers to host additional servers to meet the growth of our user base and the leasing of office buildings.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were negative RMB51.3 billion in 2021, compared to negative RMB106.8 billion in 2020, primarily due to changes in valuation of the Company, which was determined by the offering price of Shares in our initial public offering.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB86.7 million in 2021, compared to nil in 2020, primarily due to the conversion of the Group's investment in certain investee from financial assets at fair value through profit or loss to investment accounted for using the equity method at the end of March 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB79.1 billion and RMB117.2 billion in 2021 and 2020, respectively.

Income Tax Benefits

We had income tax benefits of RMB1.0 billion and RMB565.5 million in 2021 and 2020, respectively, primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries.

Loss for the Year

As a result of the foregoing, our loss for the year was RMB78.1 billion and RMB116.6 billion in 2021 and 2020, respectively.

Fourth Quarter of 2021 Compared to Fourth Quarter of 2020

The following table sets forth the comparative figures for the fourth quarter of 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	24,430,260	100.0	18,098,656	100.0
Cost of revenues	<u>(14,281,697)</u>	<u>(58.5)</u>	<u>(9,594,824)</u>	<u>(53.0)</u>
Gross profit	10,148,563	41.5	8,503,832	47.0
Selling and marketing expenses	(10,229,580)	(41.9)	(6,781,475)	(37.5)
Administrative expenses	(919,756)	(3.8)	(595,398)	(3.3)
Research and development expenses	(4,016,063)	(16.4)	(2,429,671)	(13.4)
Other income	222,516	0.9	131,845	0.7
Other losses, net	<u>(995,834)</u>	<u>(4.0)</u>	<u>(206,658)</u>	<u>(1.1)</u>
Operating loss	(5,790,154)	(23.7)	(1,377,525)	(7.6)
Finance expense, net	(56,730)	(0.2)	(8,717)	(0.0)
Fair value changes of convertible redeemable preferred shares	—	—	(17,695,493)	(97.8)
Share of losses of investments accounted for using the equity method	<u>(24,771)</u>	<u>(0.1)</u>	—	—
Loss before income tax	(5,871,655)	(24.0)	(19,081,735)	(105.4)
Income tax expenses	<u>(331,088)</u>	<u>(1.4)</u>	<u>(182,045)</u>	<u>(1.0)</u>
Loss for the period	<u>(6,202,743)</u>	<u>(25.4)</u>	<u>(19,263,780)</u>	<u>(106.4)</u>
Non-IFRS Measures:				
Adjusted net loss	(3,568,768)	(14.6)	(459,271)	(2.5)
Adjusted EBITDA	(1,290,186)	(5.3)	1,172,504	6.5

Revenues

Our revenues increased by 35.0% to RMB24.4 billion for the fourth quarter of 2021, from RMB18.1 billion for the same period of 2020. The increase was primarily attributable to our online marketing services, e-commerce business and live streaming.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the fourth quarter of 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended December 31,		2020	
	2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	13,236,475	54.2	8,511,345	47.0
Live streaming	8,827,182	36.1	7,899,803	43.6
Other services	2,366,603	9.7	1,687,508	9.4
Total	<u>24,430,260</u>	<u>100.0</u>	<u>18,098,656</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 55.5% to RMB13.2 billion for the fourth quarter of 2021, from RMB8.5 billion for the same period of 2020, primarily attributable to user traffic growth and the growing number of advertisers, driven by improvements in advertiser experience and ad performance.

Live streaming

Revenue from our live streaming business increased by 11.7% to RMB8.8 billion for the fourth quarter of 2021, from RMB7.9 billion for the same period of 2020, as a result of 17.2% year-over-year growth in the monthly ARPPU, which was further supported by improved content quality and operating efficiency.

Other services

Revenue from our other services increased by 40.2% to RMB2.4 billion for the fourth quarter of 2021, from RMB1.7 billion for the same period of 2020, primarily due to the growth of our e-commerce business.

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 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended December 31, 2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes ⁽¹⁾	8,191,079	33.5	5,137,058	28.4
Bandwidth expenses and server custody costs ⁽²⁾	1,808,818	7.4	1,814,894	10.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽²⁾	1,686,273	6.9	1,338,734	7.4
Employee benefit expenses	893,225	3.7	560,532	3.1
Payment processing costs	526,692	2.2	317,145	1.8
Other cost of revenues	1,175,610	4.8	426,461	2.3
Total	14,281,697	58.5	9,594,824	53.0

Notes:

- (1) Revenue sharing costs and related taxes included related costs from online marketing services, live streaming and other services.
- (2) Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under the new standard of IFRS 16-Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

Our cost of revenues increased by 48.8% to RMB14.3 billion for the fourth quarter of 2021, from RMB9.6 billion for the same period of 2020, primarily attributable to (i) the increase in revenue sharing costs and related taxes in line with our revenue growth; (ii) the increase in content costs as part of other cost of revenues, as a result of our continuous efforts to diversify content verticals and enrich content ecosystem; (iii) increases in depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with the increase in user traffic attributable to the enlarged user base and the growth of our business including overseas business; and (iv) the increase in employee benefit expenses as a result of the increase in the headcount of employees to support our business growth and the related share-based compensation expenses.

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 2021 and 2020, respectively:

	Unaudited			
	Three Months Ended December 31,		2020	
	2021		2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	10,148,563	41.5	8,503,832	47.0

As a result of the foregoing, our gross profit increased by 19.3% to RMB10.1 billion for the fourth quarter of 2021, from RMB8.5 billion for the same period of 2020. Our gross profit margin decreased to 41.5% for the fourth quarter of 2021, from 47.0% in the same period of 2020, mainly due to the increased cost of revenues as a percentage of our total revenues primarily driven by the increases in revenue sharing costs and related taxes, and content costs as part of other cost of revenues, both as a percentage of our total revenues, partially offset by a decrease in bandwidth expenses and server custody costs as a percentage of our total revenues.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 50.8% to RMB10.2 billion for the fourth quarter of 2021, from RMB6.8 billion for the same period of 2020, and increased to 41.9% from 37.5% as a percentage of our total revenues. The increase was primarily attributable to an increase in promotion and advertising expenses as a result of the increased spending for promotion of our products, for our brand marketing campaign and for overseas market business development.

Administrative Expenses

Our administrative expenses increased by 54.5% to RMB919.8 million for the fourth quarter of 2021, from RMB595.4 million for the same period of 2020, primarily due to an increase in employee benefits expenses as a result of the administrative personnel expansion to support our business growth and the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses increased by 65.3% to RMB4.0 billion for the fourth quarter of 2021, from RMB2.4 billion for the same period of 2020, primarily attributable to an increase in employee benefit expenses attributable to the research and development personnel expansion as we continue to invest in big data and other advanced technologies, and the related share-based compensation expenses. If the impact from share-based compensation expenses had been excluded, the research and development expenses as a percentage of revenues would have been 11.9% and 9.9% for the fourth quarter of 2021 and 2020, respectively.

Other Income

Our other income increased by 68.8% to RMB222.5 million for the fourth quarter of 2021, from RMB131.8 million for the same period of 2020, primarily due to more government grants and value-added tax subsidies for the fourth quarter of 2021 as compared to the same period of 2020.

Other Losses, Net

We recorded other losses, net of RMB995.8 million and RMB206.7 million for the fourth quarter of 2021 and 2020, respectively. The increase was primarily due to the impairment provision for investments recorded in 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB5.8 billion and a negative operating margin of 23.7% for the fourth quarter of 2021, compared to an operating loss of RMB1.4 billion and a negative operating margin of 7.6% for the same period of 2020.

Finance Expense, Net

Our finance expense, net was RMB56.7 million and RMB8.7 million for the fourth quarter of 2021 and 2020, respectively, primarily attributable to interest expense from lease liabilities, which was partially offset by interest income from bank deposits. The interest expense from lease liabilities was in connection with the leasing of internet data centers to host additional servers to meet the growth of our user base and the leasing of office buildings.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were nil for the fourth quarter of 2021, as a result of the completion of our initial public offering in February 2021, compared to negative RMB17.7 billion for the same period of 2020.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB24.8 million for the fourth quarter of 2021, compared to nil for the same period of 2020, primarily due to the conversion of the Group's investment in certain investee from financial assets at fair value through profit or loss to investment accounted for using the equity method at the end of March 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB5.9 billion and RMB19.1 billion for the fourth quarter of 2021 and 2020, respectively.

Income Tax Expenses

We incurred income tax expenses of RMB331.1 million and RMB182.0 million for the fourth quarter of 2021 and 2020, respectively.

Loss for the Period

As a result of the foregoing, our loss was RMB6.2 billion for the fourth quarter of 2021, compared to RMB19.3 billion for the same period of 2020.

Fourth Quarter of 2021 Compared to Third Quarter of 2021

The following table sets forth the comparative figures for the fourth and third quarter of 2021, respectively:

	Unaudited			
	Three Months Ended			
	December 31, 2021		September 30, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	24,430,260	100.0	20,492,977	100.0
Cost of revenues	<u>(14,281,697)</u>	<u>(58.5)</u>	<u>(11,984,377)</u>	<u>(58.5)</u>
Gross profit	10,148,563	41.5	8,508,600	41.5
Selling and marketing expenses	(10,229,580)	(41.9)	(11,016,923)	(53.8)
Administrative expenses	(919,756)	(3.8)	(913,050)	(4.5)
Research and development expenses	(4,016,063)	(16.4)	(4,217,699)	(20.6)
Other income	222,516	0.9	425,534	2.2
Other losses, net	<u>(995,834)</u>	<u>(4.0)</u>	<u>(190,052)</u>	<u>(0.9)</u>
Operating loss	(5,790,154)	(23.7)	(7,403,590)	(36.1)
Finance (expense)/income, net	(56,730)	(0.2)	23,420	0.1
Share of losses of investments accounted for using the equity method	<u>(24,771)</u>	<u>(0.1)</u>	<u>(36,995)</u>	<u>(0.2)</u>
Loss before income tax	(5,871,655)	(24.0)	(7,417,165)	(36.2)
Income tax (expenses)/benefits	<u>(331,088)</u>	<u>(1.4)</u>	<u>330,269</u>	<u>1.6</u>
Loss for the period	<u>(6,202,743)</u>	<u>(25.4)</u>	<u>(7,086,896)</u>	<u>(34.6)</u>
Non-IFRS Measures:				
Adjusted net loss	(3,568,768)	(14.6)	(4,616,262)	(22.5)
Adjusted EBITDA	(1,290,186)	(5.3)	(3,174,157)	(15.5)

Revenues

Our revenues increased by 19.2% to RMB24.4 billion for the fourth quarter of 2021, from RMB20.5 billion for the third quarter of 2021, primarily attributable to our online marketing services, live streaming and e-commerce business.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the fourth and third quarter of 2021, respectively:

	Unaudited			
	Three Months Ended			
	December 31, 2021		September 30, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	13,236,475	54.2	10,909,035	53.2
Live streaming	8,827,182	36.1	7,724,141	37.7
Other services	2,366,603	9.7	1,859,801	9.1
Total	<u>24,430,260</u>	<u>100.0</u>	<u>20,492,977</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 21.3% to RMB13.2 billion for the fourth quarter of 2021, from RMB10.9 billion for the third quarter of 2021, primarily attributable to user traffic growth and the growing number of advertisers, driven by improvements in advertiser experience and ad performance.

Live streaming

Revenue from our live streaming business was RMB8.8 billion for the fourth quarter of 2021, compared to RMB7.7 billion for the third quarter of 2021, as more audience were drawn to our live streaming by improved content quality and operating efficiency.

Other services

Revenue from our other services increased by 27.3% to RMB2.4 billion for the fourth quarter of 2021, from RMB1.9 billion for the third quarter of 2021, primarily due to the growth of our e-commerce business.

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 2021, respectively:

	Unaudited			
	Three Months Ended			
	December 31, 2021		September 30, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes ⁽¹⁾	8,191,079	33.5	6,105,445	29.8
Bandwidth expenses and server custody costs ⁽²⁾	1,808,818	7.4	1,945,954	9.5
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽²⁾	1,686,273	6.9	1,620,731	7.9
Employee benefit expenses	893,225	3.7	926,541	4.5
Payment processing costs	526,692	2.2	398,484	1.9
Other cost of revenues	1,175,610	4.8	987,222	4.9
Total	<u>14,281,697</u>	<u>58.5</u>	<u>11,984,377</u>	<u>58.5</u>

Notes:

- (1) Revenue sharing costs and related taxes included related costs from online marketing services, live streaming and other services.
- (2) Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under the new standard of IFRS 16-Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

Our cost of revenues increased by 19.2% to RMB14.3 billion for the fourth quarter of 2021, from RMB12.0 billion for the third quarter of 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the fourth and third quarter of 2021, respectively:

	Unaudited			
	Three Months Ended			
	December 31, 2021		September 30, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	10,148,563	41.5	8,508,600	41.5

As a result of the foregoing, our gross profit increased by 19.3% to RMB10.1 billion for the fourth quarter of 2021, from RMB8.5 billion for the third quarter of 2021. Our gross profit margin was 41.5% for both the fourth and the third quarter of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 7.1% to RMB10.2 billion for the fourth quarter of 2021, from RMB11.0 billion for the third quarter of 2021, and decreased to 41.9% for the fourth quarter of 2021 from 53.8% for the third quarter of 2021 as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and maintenance.

Administrative Expenses

Our administrative expenses slightly increased by 0.7% to RMB919.8 million for the fourth quarter of 2021, from RMB913.1 million for the third quarter of 2021.

Research and Development Expenses

Our research and development expenses decreased by 4.8% to RMB4.0 billion for the fourth quarter of 2021, from RMB4.2 billion for the third quarter of 2021.

Other Income

Our other income was RMB222.5 million for the fourth quarter of 2021, compared to RMB425.5 million for the third quarter of 2021, mainly attributable to less government grants in the fourth quarter of 2021 as compared to the third quarter of 2021.

Other Losses, Net

We recorded other losses, net of RMB995.8 million for the fourth quarter of 2021, compared to other losses, net of RMB190.1 million for the third quarter of 2021. The increase was primarily due to the impairment provision for investments recorded in the fourth quarter of 2021.

Operating Loss

As a result of the foregoing, we had operating loss of RMB5.8 billion for the fourth quarter of 2021, and operating loss of RMB7.4 billion for the third quarter of 2021, and our operating margin was negative 23.7% for the fourth quarter of 2021, compared to negative 36.1% for the third quarter of 2021.

Finance (Expense)/Income, Net

We had finance expense, net of RMB56.7 million in the fourth quarter of 2021, compared to finance income, net of RMB23.4 million in the third quarter of 2021. The change was primarily due to the increase in interest expense from lease liabilities, partially offset by the 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 were RMB24.8 million for the fourth quarter of 2021 and RMB37.0 million for the third quarter of 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB5.9 billion for the fourth quarter of 2021, compared to RMB7.4 billion for the third quarter of 2021.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB331.1 million for the fourth quarter of 2021, compared to income tax benefits of RMB330.3 million for the third quarter of 2021, because more current income tax expenses were incurred than deferred income tax benefits for the fourth quarter of 2021.

Loss for the Period

As a result of the foregoing, our loss was RMB6.2 billion for the fourth quarter of 2021, compared to RMB7.1 billion for the third quarter of 2021.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the years ended December 31, 2021 and 2020, respectively, to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,	
	2021	2020
	<i>(in RMB thousands)</i>	
Loss for the year	(78,077,101)	(116,635,242)
Add:		
Share-based compensation expenses	7,830,249	1,840,886
Fair value changes of convertible redeemable preferred shares	51,275,797	106,845,549
Net fair value changes on investments ⁽¹⁾	119,286	84,989
Adjusted net loss (unaudited)	<u>(18,851,769)</u>	<u>(7,863,818)</u>
Adjusted net loss (unaudited)	(18,851,769)	(7,863,818)
Add:		
Income tax benefits	(1,025,155)	(565,548)
Depreciation of property and equipment	3,985,910	3,077,674
Depreciation of right-of-use assets	2,735,442	1,656,457
Amortization of intangible assets	163,665	128,861
Finance expense, net	38,536	35,288
Adjusted EBITDA (unaudited)	<u>(12,953,371)</u>	<u>(3,531,086)</u>

Note:

- (1) Net fair value changes on investments represents net fair value (gains)/losses on financial assets at fair value through profit or loss of our investments in listed and unlisted entities 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.

The following table sets forth the reconciliations of our non-IFRS financial measures for the fourth quarter of 2021, the third quarter of 2021 and the fourth quarter of 2020, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	December 31,	September 30,	December 31,
	2021	2021	2020
	<i>(in RMB thousands)</i>		
Loss for the period	(6,202,743)	(7,086,896)	(19,263,780)
Add:			
Share-based compensation expenses	1,742,471	2,264,622	863,799
Fair value changes of convertible redeemable preferred shares	—	—	17,695,493
Net fair value changes on investments ⁽¹⁾	891,504	206,012	245,217
Adjusted net loss	<u>(3,568,768)</u>	<u>(4,616,262)</u>	<u>(459,271)</u>
Adjusted net loss	(3,568,768)	(4,616,262)	(459,271)
Add:			
Income tax expenses/(benefits)	331,088	(330,269)	182,045
Depreciation of property and equipment	1,077,220	1,030,724	903,482
Depreciation of right-of-use assets	776,990	721,717	499,239
Amortization of intangible assets	36,554	43,353	38,292
Finance expense/(income), net	56,730	(23,420)	8,717
Adjusted EBITDA	<u>(1,290,186)</u>	<u>(3,174,157)</u>	<u>1,172,504</u>

Note:

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

Liquidity and Capital Resources

Other than the funds raised through our global offering in February 2021, we historically met our working capital and other capital requirements primarily through capital contributions from shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB32.6 billion as of December 31, 2021, compared to RMB20.4 billion as of December 31, 2020.

The following table sets forth a summary of our cash flows for the years ended December 31, 2021 and 2020, respectively:

	Year Ended December 31,	
	2021	2020
	<i>(in RMB thousands)</i>	
Net cash (used in)/generated from operating activities	(5,519,291)	2,288,640
Net cash used in investing activities	(18,361,335)	(4,867,465)
Net cash generated from financing activities	36,500,187	19,290,120
Net increase in cash and cash equivalents	12,619,561	16,711,295
Cash and cash equivalents at the beginning of the year	20,391,545	3,996,236
Effects of exchange rate changes on cash and cash equivalents	(398,687)	(315,986)
Cash and cash equivalents at the end of the year	<u>32,612,419</u>	<u>20,391,545</u>

Net Cash (Used in)/Generated from Operating Activities

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

For the year ended December 31, 2021, our net cash used in operating activities was RMB5.5 billion, which was primarily attributable to our loss before income tax of RMB79.1 billion, adjusted by non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB51.3 billion, share-based compensation expenses of RMB7.8 billion, depreciation of property and equipment of RMB4.0 billion, depreciation of right-of-use assets of RMB2.7 billion, partially offset by net fair value gains on financial assets at fair value through profit or loss of RMB1.0 billion. The amount was further adjusted by changes in working capital, which primarily comprised increases in accounts payables of RMB8.0 billion and other payables and accruals of RMB3.4 billion, partially offset by increase in trade receivables of RMB2.0 billion and increase in prepayments, other receivables and other current assets of RMB907.2 million. We also paid income tax of RMB1.5 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2021, our net cash used in investing activities was RMB18.4 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit or loss of RMB72.4 billion, purchase of time deposits with initial terms of over three months of RMB12.9 billion, purchase of property, equipment and intangible assets of RMB7.8 billion and purchase of investments in non-current financial assets at fair value through profit or loss of RMB1.0 billion, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB67.4 billion and proceeds from maturity of time deposits with initial terms over three months of RMB8.2 billion.

Net Cash Generated from Financing Activities

For the year ended December 31, 2021, our net cash generated from financing activities was RMB36.5 billion, which was primarily attributable to net proceeds from issuance of ordinary shares relating to the initial public offering of RMB39.2 billion, partially offset by payments for principal elements of lease and the related interest of RMB2.7 billion.

Impact of the Coronavirus Outbreak

During the outbreak of COVID-19, including the emergence of the Delta and Omicron virus variants, the PRC government adopted various social distancing initiatives in response to the pandemic, and many people turned to online social and entertainment activities in lieu of physical gatherings. Consequently, there was a surge in demand for internet and mobile services. However, the surge in demand was offset by certain factors, including (i) decreased advertising spending from certain of our advertisers who experienced uncertainties in their business operations due to the further spread of COVID-19 and its multiple variants, which in turn affected our online marketing service revenue; (ii) reduced incomes and declined consumption of our users as a result of the economic disruption caused by the COVID-19 pandemic, which had an impact on the revenue from our live streaming business and the growth of our e-commerce GMV; and (iii) supply chain disruptions and logistics challenges that had limited our merchants' capabilities to provide merchandise and services to our users, affecting our e-commerce GMV.

While there has been improvement in the COVID-19 situation in China, we are uncertain as to when the outbreak of COVID-19 will continue to be contained, and we also cannot predict if the impact will be long-lasting. In particular, the recent emergence of the Omicron virus variant, a COVID-19 virus variant that is significantly more infectious than its predecessors, could affect the overall business sentiment. We took a series of measures in response to the outbreak to protect our employees in compliance with governments' measures, including, among others, remote working arrangements for our employees and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
		2021	2020
	Note	RMB'000	RMB'000
Revenues	3	81,081,513	58,776,097
Cost of revenues	5	(47,051,808)	(34,961,460)
Gross profit		34,029,705	23,814,637
Selling and marketing expenses	5	(44,175,898)	(26,614,746)
Administrative expenses	5	(3,400,316)	(1,676,745)
Research and development expenses	5	(14,956,247)	(6,547,578)
Other income		1,026,742	527,996
Other (losses)/gains, net	4	(225,251)	176,483
Operating loss		(27,701,265)	(10,319,953)
Finance expense, net		(38,536)	(35,288)
Fair value changes of convertible redeemable preferred shares	16	(51,275,797)	(106,845,549)
Share of losses of investments accounted for using the equity method		(86,658)	—
Loss before income tax		(79,102,256)	(117,200,790)
Income tax benefits	6	1,025,155	565,548
Loss for the year		(78,077,101)	(116,635,242)
Attributable to:			
— Equity holders of the Company		(78,073,643)	(116,635,242)
— Non-controlling interests		(3,458)	—
		(78,077,101)	(116,635,242)
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	7		
Basic loss per share		(20.37)	(125.25)
Diluted loss per share		(20.37)	(125.25)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Year ended December 31,	
	2021	2020
	<i>Note</i> RMB'000	RMB'000
Loss for the year	(78,077,101)	(116,635,242)
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value change on convertible redeemable preferred shares due to own credit risk	16 —	2,404
Currency translation differences	282,560	9,816,967
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	740,239	819,897
Other comprehensive income for the year, net of taxes	1,022,799	10,639,268
Total comprehensive loss for the year	(77,054,302)	(105,995,974)
Attributable to:		
— Equity holders of the Company	(77,050,839)	(105,995,974)
— Non-controlling interests	(3,463)	—
	(77,054,302)	(105,995,974)

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	8	11,050,654	7,206,100
Right-of-use assets	9	12,561,745	5,199,712
Intangible assets		1,171,754	1,247,788
Investments accounted for using the equity method		1,411,141	—
Financial assets at fair value through profit or loss	10	3,300,623	3,843,315
Deferred tax assets		5,405,224	2,313,301
Long-term time deposits	12	4,000,000	500,000
Other non-current assets		603,367	308,982
		<u>39,504,508</u>	<u>20,619,198</u>
Current assets			
Trade receivables	11	4,450,092	2,428,039
Prepayments, other receivables and other current assets		3,278,318	2,285,420
Financial assets at fair value through profit or loss	10	8,842,203	3,690,448
Short-term time deposits	12	3,825,420	2,729,095
Restricted cash	12	2,415	3,698
Cash and cash equivalents	12	32,612,419	20,391,545
		<u>53,010,867</u>	<u>31,528,245</u>
Total assets		<u><u>92,515,375</u></u>	<u><u>52,147,443</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As of December 31,	
		2021	2020
	Note	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		142	30
Share premium		274,407,796	—
Other reserves		20,853,674	12,011,644
Accumulated losses		(250,172,236)	(172,061,513)
		<u>45,089,376</u>	<u>(160,049,839)</u>
Non-controlling interests		<u>6,595</u>	<u>—</u>
Total equity		<u>45,095,971</u>	<u>(160,049,839)</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	9	10,079,847	3,608,041
Deferred tax liabilities		28,477	31,601
Convertible redeemable preferred shares	16	—	185,372,816
Other non-current liabilities		55,560	—
		<u>10,163,884</u>	<u>189,012,458</u>
Current liabilities			
Accounts payables	14	20,021,082	11,544,297
Other payables and accruals		9,123,367	5,763,226
Advances from customers	15	3,502,642	3,290,098
Income tax liabilities		1,079,591	487,843
Lease liabilities	9	3,528,838	2,099,360
		<u>37,255,520</u>	<u>23,184,824</u>
Total liabilities		<u>47,419,404</u>	<u>212,197,282</u>
Total equity and liabilities		<u>92,515,375</u>	<u>52,147,443</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(5,519,291)	2,288,640
Net cash used in investing activities	(18,361,335)	(4,867,465)
Net cash generated from financing activities	<u>36,500,187</u>	<u>19,290,120</u>
Net increase in cash and cash equivalents	12,619,561	16,711,295
Cash and cash equivalents at the beginning of the year	20,391,545	3,996,236
Effects of exchange rate changes on cash and cash equivalents	<u>(398,687)</u>	<u>(315,986)</u>
Cash and cash equivalents at the end of the year	<u><u>32,612,419</u></u>	<u><u>20,391,545</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. General information

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company completed the listing on the Main Board of The Stock Exchange of Hong Kong Limited on February 5, 2021 (“**IPO**”).

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

Mr. Su Hua and Mr. Cheng Yixiao are the ultimate controlling shareholders of the Company as of the date of approval of the consolidated financial statements.

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies applied in the preparation of the consolidated financial statements. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) applicable to companies reporting under IFRSs 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 and liabilities measured at fair value.

2.2 *New and amended standards adopted by the Group*

The following new and amended standards are mandatory for the first time for the Group's financial year beginning on January 1, 2021 and are applicable for the Group:

- Interest Rate Benchmark Reform Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-related Rent Concessions — Amendments to IFRS 16

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements.

2.3 *New standards and interpretations not yet adopted*

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the year beginning on January 1, 2021 and have not been early adopted by the Group during the year ended December 31, 2021. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards and amendments	Effective for annual years beginning on or after
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2023
Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimates — Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12	January 1, 2023
IFRS 17 Insurance Contracts	January 1, 2023
Reference to the Conceptual Framework — Amendments to IFRS 3	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use — Amendments to IAS 16	January 1, 2022
Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

3. Revenues

The breakdown of revenues during the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Online marketing services	42,665,483	21,854,539
Live streaming	30,995,152	33,209,115
Other services	7,420,878	3,712,443
	<u>81,081,513</u>	<u>58,776,097</u>

4. Other (losses)/gains, net

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net (losses)/gains on disposal of property and equipment, intangible assets and right-of-use assets	(43,373)	90
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	802,747	(84,989)
— Wealth management products and others	242,978	357,733
Net foreign exchange (losses)/gains	(90,773)	35,884
Impairment provision for investments	(922,033)	—
Others	(214,797)	(132,235)
	<u>(225,251)</u>	<u>176,483</u>

5. Expenses by nature

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue sharing costs and related taxes	24,792,937	20,519,492
Employee benefit expenses	21,870,107	9,616,960
Promotion and advertising expenses	41,216,431	25,491,328
Bandwidth expenses and server custody costs	7,638,475	5,735,392
Depreciation of property and equipment	3,985,910	3,077,674
Depreciation of right-of-use assets	2,735,442	1,656,457
Amortization of intangible assets	163,665	128,861
Outsourcing and other labor costs	1,498,304	583,084
Payment processing costs	1,602,030	1,004,480
Auditor's remuneration		
— Audit services	30,000	32,524
— Non-audit services	23,126	3,641
Other professional fees	284,508	164,047
Tax surcharges	378,263	377,097
Credit loss allowances on financial assets	27,550	12,424
Others (<i>Note a</i>)	3,337,521	1,397,068
	<u>109,584,269</u>	<u>69,800,529</u>

Note:

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

6. 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. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2021 (2020: Nil).

(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 year ended December 31, 2021 based on the existing legislation, interpretation and practices in respect thereof (2020: 25%).

Beijing Dajia Internet Information Technology Co., Ltd. (“**Beijing Dajia**”) was accredited as High and New Technology Enterprises enabling it to enjoy a preferential tax rate of 15% from 2020 to 2022. In addition, Beijing Dajia was granted as “Software Enterprise”, which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years from 2017 to 2021. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” which entitled it to a further reduced preferential income tax rate of 10% for the year of 2019.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expense so incurred as tax deductible expense when determining their assessable profit for that year (“**Super Deduction**”). The State Taxation Administration of the PRC announced in September 2018 that enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

(e) *Withholding Tax in Mainland China (“WHT”)*

According to the New Corporate Income Tax Law, beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax benefits of the Group during the years ended December 31, 2021 and 2020 are analysed as follows:

	Year ended December 31,	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax	(2,072,167)	(893,467)
Deferred income tax	3,097,322	1,459,015
	<hr/>	<hr/>
Income tax benefits	<u>1,025,155</u>	<u>565,548</u>

7. Loss per share

(a) *Basic loss per share*

Basic loss per share for the year are calculated by dividing the 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,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss attributable to equity holders of the Company	(78,073,643)	(116,635,242)
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>3,833,009</u>	<u>931,245</u>
Basic loss per share (<i>expressed in RMB per share</i>)	<u>(20.37)</u>	<u>(125.25)</u>

(b) *Diluted loss per share*

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

During the years ended December 31, 2021 and 2020, the Company had three categories of potential ordinary shares: convertible redeemable preferred shares ("**Preferred Shares**"), share options and restricted share units. As the Company incurred losses for the years ended December 31, 2021 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2021 and 2020 were the same as basic loss per share of the respective years.

8. Property and equipment

The detailed information of property and equipment during the years ended December 31, 2021 and 2020 is as below:

	Buildings <i>RMB'000</i>	Servers, computers and equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021						
Cost	—	12,315,894	29,566	253,481	25,173	12,624,114
Accumulated depreciation	—	(5,311,475)	(10,199)	(96,340)	—	(5,418,014)
Net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Year ended December 31, 2021						
Opening net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
Currency translation differences	—	(4,537)	(10)	(564)	—	(5,111)
Additions	2,541,793	4,576,165	36,424	103,445	636,205	7,894,032
Transfer from construction in progress to leasehold improvements	—	—	—	141,666	(141,666)	—
Disposal	—	(5,176)	(125)	(609)	(52,671)	(58,581)
Depreciation charge	—	(3,827,465)	(11,295)	(147,150)	—	(3,985,910)
Business combination	—	24	1	99	—	124
Closing net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
At December 31, 2021						
Cost	2,541,793	16,851,672	65,172	488,604	467,041	20,414,282
Accumulated depreciation	—	(9,108,242)	(20,810)	(234,576)	—	(9,363,628)
Net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654

	Buildings <i>RMB'000</i>	Servers, computers and equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2020						
Cost	—	8,401,480	15,945	122,734	34,029	8,574,188
Accumulated depreciation	—	(2,312,079)	(4,972)	(24,832)	—	(2,341,883)
Net book amount	—	6,089,401	10,973	97,902	34,029	6,232,305
Year ended December 31, 2020						
Opening net book amount	—	6,089,401	10,973	97,902	34,029	6,232,305
Currency translation differences	—	(792)	(15)	—	—	(807)
Additions	—	3,916,919	14,394	32,973	88,918	4,053,204
Transfer from construction in progress to leasehold improvements	—	—	—	97,774	(97,774)	—
Disposal	—	(691)	(237)	—	—	(928)
Depreciation charge	—	(3,000,418)	(5,748)	(71,508)	—	(3,077,674)
Closing net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100
At December 31, 2020						
Cost	—	12,315,894	29,566	253,481	25,173	12,624,114
Accumulated depreciation	—	(5,311,475)	(10,199)	(96,340)	—	(5,418,014)
Net book amount	—	7,004,419	19,367	157,141	25,173	7,206,100

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Cost of revenues	3,790,217	2,980,192
Selling and marketing expenses	21,347	7,413
Administrative expenses	61,178	40,839
Research and development expenses	113,168	49,230
	<u>3,985,910</u>	<u>3,077,674</u>

9. Lease

(a) *Items recognized in the consolidated balance sheet*

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Right-of-use assets		
Internet data centers	10,101,628	4,435,397
Office buildings	2,431,689	764,315
Land use rights	28,428	—
	<u>12,561,745</u>	<u>5,199,712</u>
Lease liabilities		
Current	3,528,838	2,099,360
Non-current	10,079,847	3,608,041
	<u>13,608,685</u>	<u>5,707,401</u>

Additions to the right-of-use assets for the year ended December 31, 2021 was RMB10.4 billion (2020: RMB2.5 billion).

(b) *Items recognized in the consolidated income statement and consolidated statement of cash flows*

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
— Internet data centers	2,220,689	1,434,374
— Office buildings	514,262	222,083
— Land use rights	491	—
Interest expense (included in finance expense, net)	562,344	225,084
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)	118,065	67,755
	<u>3,415,851</u>	<u>1,949,296</u>

The total cash outflows in financing activities for leases during the years ended December 31, 2021 and 2020 are as below:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Principal elements of lease payments	2,185,593	1,421,162
Related interest paid	562,344	225,084
	<u>2,747,937</u>	<u>1,646,246</u>

10. Financial assets at fair value through profit or loss

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Investments in unlisted entities	2,844,187	3,843,315
Investments in listed entity		
— United States listed	146,165	—
Wealth management products and others	310,271	—
	<u>3,300,623</u>	<u>3,843,315</u>
Current assets		
Investments in listed entity		
— Hong Kong listed	30,738	82,646
Wealth management products and others	8,811,465	3,607,802
	<u>8,842,203</u>	<u>3,690,448</u>
Total	<u><u>12,142,826</u></u>	<u><u>7,533,763</u></u>

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

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	7,533,763	11,160,542
Additions	73,569,288	48,657,244
Disposal	(67,426,383)	(52,084,645)
Transfer to investments accounted for using the equity method	(2,470,647)	—
Change in fair value through profit or loss	1,045,725	272,744
Deemed disposal due to business combination	(6,959)	—
Currency translation differences	(101,961)	(472,122)
At the end of the year	<u><u>12,142,826</u></u>	<u><u>7,533,763</u></u>

11. Trade receivables

The detailed information of trade receivables during the years ended December 31, 2021 and 2020 is as below:

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	4,476,135	2,444,121
Less: credit loss allowances	(26,043)	(16,082)
	<u>4,450,092</u>	<u>2,428,039</u>

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,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	4,358,887	2,339,276
3 to 6 months	117,248	104,845
	<u>4,476,135</u>	<u>2,444,121</u>

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

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(16,082)	(4,774)
Additional provision	(9,961)	(11,308)
At the end of the year	<u>(26,043)</u>	<u>(16,082)</u>

12. Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
Cash at bank and in hand	27,511,859	20,391,545
Time deposits with initial terms within three months	5,100,560	—
	<u>32,612,419</u>	<u>20,391,545</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	15,441,937	8,710,497
USD	15,377,699	11,657,970
HKD	1,761,064	7
Others	31,719	23,071
	<u>32,612,419</u>	<u>20,391,545</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2021 was 0.57% per annum (2020: Nil).

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	—	1,214
USD	2,415	2,484
	<u>2,415</u>	<u>3,698</u>

(c) Time deposits

	As of December 31,	
	2021	2020
	RMB'000	RMB'000
RMB	4,000,000	610,000
USD	3,825,420	2,619,095
	<u>7,825,420</u>	<u>3,229,095</u>

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2021 were in the range of 0.78% to 3.85% per annum (2020: 0.57% to 4.18%).

13. Dividends

No dividends have been paid or declared by the Company during the year ended December 31, 2021 (2020: Nil).

14. Accounts payables

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

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	16,173,978	8,745,012
3 to 6 months	2,347,408	1,816,541
6 months to 1 year	1,145,454	898,262
Over 1 year	354,242	84,482
	<u>20,021,082</u>	<u>11,544,297</u>

15. Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from live streaming customers	1,683,750	1,699,624
Advances from online marketing services customers	1,795,887	1,571,975
Others	23,005	18,499
	<u>3,502,642</u>	<u>3,290,098</u>

The above mentioned advances from customers represented the contract liability in connection with the advances for the purchase of virtual items and advanced cash receipt for services including online marketing services and others. Revenue recognized from the advances from customers balance as of January 1, 2021 in the year of 2021 was RMB2.3 billion (2020 : RMB1.4 billion was recognized from the advances from customers balance as of January 1, 2020).

16. Convertible redeemable preferred shares

The movements of the Preferred Shares are set out as below:

	<i>RMB'000</i>
At January 1, 2021	185,372,816
Change in fair value	51,275,797
— Includes: change in fair value due to own credit risk	—
Currency translation differences	(1,564,067)
Conversion into ordinary shares	<u>(235,084,546)</u>
At December 31, 2021	<u>—</u>
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F-1 & F-2 Preferred Shares from ordinary shares	163,809
Change in fair value	106,843,145
— Includes: change in fair value due to own credit risk	(2,404)
Currency translation differences	<u>(12,034,843)</u>
At December 31, 2020	<u>185,372,816</u>
Total unrealized gains and change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	<u>106,845,549</u>

In February 2021, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited. Upon listing, all the convertible redeemable preferred shares were automatically converted into ordinary shares and were reclassified from liabilities to equity accordingly.

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

Use of Proceeds from the Global Offering

The Class B Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Based on the offer price of HK\$115.00 per offer share, the net proceeds from the Global Offering received by the Company, after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, were approximately HK\$41,218.0 million.

On February 7, 2021, the underwriters of the Global Offering fully exercised the over-allotment option in respect of an aggregate of 54,782,700 Class B Shares, among which 50,737,300 Class B Shares were newly allotted and issued by the Company. The additional net proceeds of approximately HK\$5,746.4 million were received by the Company from the allotment and issuance of such 50,737,300 new Class B Shares, after deducting the underwriting commission and related expenses payable by the Company relating to the exercise of the over-allotment option.

There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. Please refer to “Future Plans and Use of Proceeds” in the Prospectus for details.

As of December 31, 2021, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from the Global Offering (HK\$ million)	Amount of net proceeds utilized as of December 31, 2021 (HK\$ million)	Balance of net proceeds as of December 31, 2021 (HK\$ million)	Expected timeline of full utilization of net proceeds
Approximately 35% to enhance and grow the ecosystem	16,437.5	9,409.6	7,027.9	Before December 31, 2023
Approximately 30% to strengthen research and development and technological capabilities	14,089.3	6,981.4	7,107.9	Before December 31, 2023
Approximately 25% to selectively acquire or invest in products, services and businesses	11,741.1	335.6	11,405.5	Before December 31, 2023
Approximately 10% for working capital and general corporate purposes	4,696.5	2,162.8	2,533.7	Before December 31, 2023
Total	46,964.4	18,889.4	28,075.0	

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.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices during the period from the Listing Date to December 31, 2021.

Save for the deviation from code provision C.2.1, which is explained in the following paragraph, the Company complied with all applicable code provisions as set out in the Corporate Governance Code during the period from the Listing Date to December 31, 2021.

The code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Su Hua assumed the roles of both the chairman of the Board and the chief executive officer of the Company from the Listing Date and up to October 28, 2021, to ensure effective and efficient overall strategic planning of the Group.

With effect from October 29, 2021, Mr. Su Hua has ceased to serve as the chief executive officer of the Company, and Mr. Cheng Yixiao, the co-founder, an executive Director and chief product officer of the Company, has been appointed as the chief executive officer of the Company. The chairman of the Board and the chief executive officer of the Company are currently two separate positions with clear distinction in responsibilities. Mr. Su Hua is responsible for formulating the Group's long-term strategies and exploring new initiatives, while Mr. Cheng Yixiao is leading the day-to-day operations and business development of the Group. Following such change of the chief executive officer, the Company has duly complied with code provision C.2.1 of the Corporate Governance Code.

Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiries of all Directors, each of the Directors has confirmed that he complied with the required standards as set out in the Model Code during the period from the Listing Date to December 31, 2021.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2021.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules (with effect from the Listing Date) 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. Wang Huiwen and Mr. Ma Yin. 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 year ended December 31, 2021. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's audited consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with IFRS.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's results for the year ended December 31, 2021 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Significant Events after December 31, 2021

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after December 31, 2021 and up to the date of this announcement.

Annual General Meeting

The 2022 AGM of the Company will be held on Friday, June 17, 2022. A notice convening the 2022 AGM will be published and despatched 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 2022 AGM, the register of members of the Company will be closed from Tuesday, June 14, 2022 to Friday, June 17, 2022 (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 2022 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 Monday, June 13, 2022.

Publication of the Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com), and the annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com) and will be despatched to the Shareholders in accordance with the Listing Rules in due course.

APPRECIATION

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

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

Hong Kong, March 29, 2022

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

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

DEFINITIONS

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

“AGM”	annual general meeting of the Company
“ARPPU”	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 18, 2021, which has become effective on the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014

“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company
“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”	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences

“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
“Listing Date”	February 5, 2021, on which the Class B Shares were listed and dealings in the Class B Shares were first permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAUs”	refers to monthly active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the calendar month
“Memorandum”	the memorandum of association of the Company (as amended from time to time), adopted on January 18, 2021, which has become effective on the Listing Date
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MPUs”	monthly paying users, which refers to the number of user accounts that purchase a particular service at least once in a given month
“paying user”	a user account that purchases a particular service at least once during a given period
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated January 26, 2021

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