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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, 2020

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, 2020. The consolidated financial statements for the year ended December 31, 2020 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
	2020	2019	As a percentage of revenues	As a percentage of revenues	
	Amount	Amount	(RMB thousands, except for percentages)		
Revenues	58,776,097	39,120,348	100.0	100.0	50.2%
Gross profit	23,814,637	14,103,574	40.5	36.1	68.9%
Operating (loss)/profit	(10,319,953)	688,684	(17.6)	1.8	N/A
Loss before income tax	(117,200,790)	(19,265,467)	(199.4)	(49.2)	508.3%
Loss for the year attributable to the equity holders of the Company	(116,635,242)	(19,651,534)	(198.4)	(50.2)	493.5%
Non-IFRS Measures:					
Adjusted net (loss)/profit (unaudited)	(7,948,807)	1,033,883	(13.5)	2.6	N/A
Adjusted EBITDA (unaudited)	(3,616,075)	3,591,370	(6.2)	9.2	N/A

Unaudited Three Months Ended December 31,

	2020	As a percentage of revenues	2019	As a percentage of revenues	Year-over- year change
	Amount		Amount		
		<i>(RMB thousands, except for percentages)</i>			
Revenues	18,098,656	100.0	11,852,380	100.0	52.7%
Gross profit	8,503,832	47.0	4,633,742	39.1	83.5%
Operating loss	(1,377,525)	(7.6)	(974,620)	(8.2)	41.3%
Loss before income tax	(19,081,735)	(105.4)	(18,044,965)	(152.2)	5.7%
Loss for the period attributable to the equity holders of the Company	(19,263,780)	(106.4)	(18,034,089)	(152.2)	6.8%
Non-IFRS Measures:					
Adjusted net loss	(704,488)	(3.9)	(802,801)	(6.8)	(12.2%)
Adjusted EBITDA	927,287	5.1	(3,420)	(0.0)	N/A

Operating Metrics

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

	Year Ended December 31,		Three Months Ended December 31,	
	2020	2019	2020	2019
Average DAUs <i>(in millions)</i>	264.6	175.6	271.3	206.4
Average MAUs <i>(in millions)</i>	481.1	330.4	475.7	386.7
Average daily time spent per DAU <i>(in minutes)</i>	87.3	74.6	89.9	76.0
Average online marketing services revenue per DAU <i>(in RMB)</i>	82.6	42.3	31.4	15.3
Total e-commerce GMV ⁽¹⁾ <i>(in RMB millions)</i>	381,168.5	59,641.1	177,108.2	42,807.8

Note:

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

BUSINESS REVIEW AND OUTLOOK

Business Overview

Year 2020 was indeed a memorable year. COVID-19 surprised the world with challenges and uncertainties. It also changed how we live and brought new opportunities as people spent more time online to socialize, be entertained, shop, acquire knowledge and information and more. Kuaishou, as a leading content community and social platform, helped people discover a vast world of content that expands their interests and horizons. We also played a role in driving digitization and contributing to overall economic recovery. We will continue forging ahead to create value for our users and customers through our deep and diverse content offerings, effective service solutions and AI-powered technologies to help people discover their needs and use their talents to improve their lives and their unique brand of happiness.

In 2020, we continued enriching our content, product and service offerings to discover and serve our users' needs to keep them actively engaged within our ecosystem. As a result, we have seen a substantial increase of our user base in 2020 as well as robust gains in user engagement. Our average DAUs and MAUs on all our apps and mini programs in China in 2020 were 308.1 million and 777.0 million, respectively. The average DAUs and MAUs on Kuaishou App in 2020 were 264.6 million and 481.1 million, respectively, representing a year-over-year increase of 50.7% and 45.6%, respectively. The average daily time spent per DAU on Kuaishou App increased by 17.0% to 87.3 minutes in 2020 from 74.6 minutes in 2019.

We are committed to improving the quality, relevance and diversity of our content offerings to address evolving user interests and needs on our platform, which in turn encourages content creation. Our growing user base forms the bedrock of our content community and our users are the key sources of boundless creativity. Over 25% of our average MAUs on Kuaishou App were content creators in 2020. We also started exploring new content formats that can contribute to the vibrancy of our ecosystem and attract new users.

Kuaishou has inspired many to create and has become the platform of choice for content creation and business activities. As more users use Kuaishou App, the more diverse and vibrant our ecosystem becomes, thereby increasing user engagement and the value we provide to our ecosystem participants. Users' interactions and trust greatly enhance our monetization capabilities, which in turn, attracts more advertisers, merchants and other business partners to our platform. In addition, our strong user engagement and advanced technologies enable us to understand our users better and provide more efficient and appealing services to our users and customers.

For the full year ended December 31, 2020, our total revenue grew significantly to RMB58.8 billion from RMB39.1 billion in 2019, posting a year-over-year increase of 50.2%, which was primarily attributable to the robust growth in our online marketing services and other services including e-commerce. Our online marketing services revenue continued its rapid growth in 2020, increasing by 194.6% to RMB21.9 billion from RMB7.4 billion in 2019. Revenue contribution from online marketing services to total revenue increased from 19.0% in 2019 to 37.2% in 2020. Live streaming represented 56.5% of our total revenue and the remaining 6.3% was attributable to other services. Due to the change in our revenue mix, our gross margin improved to 40.5% from 36.1% in 2019.

Online marketing services

Online video-based advertising is a promising market and online marketing service is one of the key strategic businesses for our long-term growth. Our massive and highly engaged user community makes our platform increasingly attractive to advertisers.

In 2020, we launched an integrated advertising platform, further solidifying the foundation of our online marketing services. Our strong user engagement and advanced technologies empowered us to achieve precise understanding of our users, and sophisticated advertising content development and distribution, which led to improved advertising efficiency and effectiveness. We introduced an increasing number of powerful and intuitive tools and services to empower advertisers, allowing them to more precisely reach and engage with their target customers. Furthermore, we expanded our sales team and channel coverage, as well as giving greater emphasis to a more diverse set of advertising formats, such as branding advertisement and advertising union, in addition to short video feeds advertisement. In order to optimize our user experience, we also reinforced our cooperation with advertisers and content creators to deliver unique and customized ad content. At the same time, through refined algorithms and enriched ad materials, the ad content became less disruptive to our users.

As a result, we enjoyed robust growth in online marketing services. Revenue from online marketing services in 2020 increased by 194.6% to RMB21.9 billion, from RMB7.4 billion in 2019. Our average online marketing services revenue per DAU in 2020 increased by 95.3% to RMB82.6 from RMB42.3 in 2019. In the fourth quarter of 2020, online marketing services became the largest contributor to our total revenue, as a percentage of revenue, it surpassed the contribution of live streaming business for the first time.

Live streaming

We believe that people's needs will be increasingly met online and that live streaming provides an ideal format and an infrastructure through which those needs can be met, due to its highly social, interactive, and immersive nature. As our scale continues to grow, together with the stronger network effect, our live streaming business nurtures our ecosystem and serves more than just a revenue contributor, but a vibrant and solid foundation from which more social interactions and new valuable businesses are derived, such as e-commerce live streaming.

In 2020, we further expanded our abundant and diverse live streaming content with more premium content, such as game events and sports events live streaming, as well as through cooperation with more high-quality content creators. We also devoted ourselves to developing more interactive features and events to enhance our live streaming experience. These efforts have been effective in increasing live streaming user engagement. In 2020, over 1.7 billion live streaming sessions were hosted on Kuaishou App. For the year ended December 31, 2020, revenue from live streaming increased by 5.6% to RMB33.2 billion from RMB31.4 billion in 2019. More importantly, as a result of our diverse content offering, highly interactive features as well as unique and strong social trust, the user community was even more engaged on our platform, which was demonstrated by the increase in average MPUs for live streaming. For the full year 2020, our average MPUs for live streaming increased by 17.8% to 57.6 million from 48.9 million in 2019, while our monthly ARPPU for live streaming was RMB48.0, which was RMB53.6 in 2019. For the fourth quarter of 2020, our average MPUs for live streaming was 50.8 million, increased from 50.2 million in the same period of 2019. Our monthly ARPPU for live streaming in the fourth quarter was RMB51.8, which was RMB56.6 in the same period of 2019.

Other services including e-commerce

Other services, which primarily comprise e-commerce services, also achieved rapid growth in 2020. The highly engaged user base and strong social trust on our platform gave rise to natural opportunities for transactions between users and our business partners.

In 2020, we continued to support the improvement of our ecosystem, as well as to provide more products and services to address our users' needs, thereby further enhancing the trust and encouraging interactions among users, merchants and our platform. First, we invested in e-commerce infrastructure to facilitate transactions on our platform by providing various tools to help merchants manage their stores on our platform. Second, we incentivized high-quality merchants, as well as supported middle and long-tail merchants by providing training to help them improve their service capabilities and quality. Third, we were dedicated to strengthening platform governance, especially quality control and merchants supervision. We are pleased to see that the overall customer purchasing experience and satisfaction were further optimized.

By doing these, we attracted a greater number of superior merchants and expanded the product categories and offerings on our platform. As a result, the total GMV of e-commerce transactions facilitated on our platform increased significantly from RMB59.6 billion in 2019 to RMB381.2 billion in 2020. The average repeat purchase rate increased further to 65% in 2020 from 45% in 2019.

Business Outlook

In 2021, we will continue to serve our users and customers, create value for them, and solidify our leading position in the global short video and live streaming industry.

In this promising industry, we will continue to reinforce and invest in our ecosystem by continuing enriching and improving the quality and diversity of our content offerings to attract and retain a broad user base; improving the experience of our users and business partners through enhanced functionalities, products and services to fulfill evolving user needs; expanding user reach through precise marketing and promotional activities; as well as strengthening our user-centric commercialization capabilities by further enhancing technological capabilities and developing more monetization opportunities. We believe platforms with stronger social attributes and interactions will enjoy stronger network effects and lay a solid foundation for long-term development.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2020 Compared to Year ended December 31, 2019

The following table sets forth the comparative figures for the years ended December 31, 2020 and 2019, respectively:

	Year Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	58,776,097	100.0	39,120,348	100.0
Cost of revenues	<u>(34,961,460)</u>	<u>(59.5)</u>	<u>(25,016,774)</u>	<u>(63.9)</u>
Gross profit	23,814,637	40.5	14,103,574	36.1
Selling and marketing expenses	(26,614,746)	(45.3)	(9,865,026)	(25.2)
Administrative expenses	(1,676,745)	(2.9)	(865,375)	(2.2)
Research and development expenses	(6,547,578)	(11.1)	(2,944,277)	(7.5)
Other income	527,996	0.9	292,631	0.7
Other gains/(losses), net	<u>176,483</u>	<u>0.3</u>	<u>(32,843)</u>	<u>(0.1)</u>
Operating (loss)/profit	(10,319,953)	(17.6)	688,684	1.8
Finance expense, net	(35,288)	(0.1)	(11,037)	(0.0)
Fair value changes of convertible redeemable preferred shares	<u>(106,845,549)</u>	<u>(181.8)</u>	<u>(19,943,114)</u>	<u>(51.0)</u>
Loss before income tax	(117,200,790)	(199.4)	(19,265,467)	(49.2)
Income tax benefits/(expenses)	<u>565,548</u>	<u>1.0</u>	<u>(386,067)</u>	<u>(1.0)</u>
Loss for the year attributable to the equity holders of the Company	<u>(116,635,242)</u>	<u>(198.4)</u>	<u>(19,651,534)</u>	<u>(50.2)</u>
Non-IFRS Measures:				
Adjusted net (loss) /profit (unaudited)	(7,948,807)	(13.5)	1,033,883	2.6
Adjusted EBITDA (unaudited)	(3,616,075)	(6.2)	3,591,370	9.2

Revenues

Our revenues increased by 50.2% to RMB58.8 billion in 2020, from RMB39.1 billion in 2019. The increase was primarily attributable to our online marketing services and other services.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues in 2020 and 2019, respectively:

	Year Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Live streaming	33,209,115	56.5	31,442,341	80.4
Online marketing services	21,854,539	37.2	7,418,502	19.0
Other services	3,712,443	6.3	259,505	0.6
Total	58,776,097	100.0	39,120,348	100.0

Live streaming

Revenue from our live streaming business increased by 5.6% to RMB33.2 billion in 2020 from RMB31.4 billion in 2019, primarily due to the increase in the number of our paying users attributable to the growth in our user base, with average MPUs for live streaming growing to 57.6 million in 2020 from 48.9 million in 2019.

Online marketing services

Revenue from our online marketing services increased by 194.6% to RMB21.9 billion in 2020 from RMB7.4 billion in 2019, primarily attributable to the growth in our user base which attracted more online marketing customers and improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Other services

Revenue from our other services increased by more than 13.3 fold to RMB3.7 billion in 2020 from RMB259.5 million in 2019, 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 in 2020 and 2019, respectively:

	Year Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenue sharing to streamers and related taxes	18,840,373	32.1	18,149,248	46.4
Bandwidth expenses and server custody costs ⁽¹⁾	5,735,392	9.8	2,650,623	6.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	4,573,549	7.8	1,991,084	5.1
Payment processing costs	1,004,480	1.7	642,155	1.6
Other cost of revenues	4,807,666	8.1	1,583,664	4.0
Total	34,961,460	59.5	25,016,774	63.9

Note:

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

Our cost of revenues increased by 39.8% to RMB35.0 billion in 2020 from RMB25.0 billion in 2019, primarily attributable to (i) 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 an increase in user traffic attributable to the enlarged user base and the growth of our business, and (ii) an increase in other cost of revenues primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth and an increase in other services cost in line with the expansion of our online marketing services.

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 2020 and 2019, respectively:

	Year Ended December 31,			
	2020		2019	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	23,814,637	40.5	14,103,574	36.1

As a result of the foregoing, our gross profit increased by 68.9% to RMB23.8 billion in 2020 from RMB14.1 billion in 2019. Our gross profit margin increased to 40.5% in 2020 from 36.1% in 2019, mainly because our cost of revenues decreased as a percentage of our total revenues primarily due to a decrease in our revenue sharing to streamers and related taxes as a percentage of our total revenues, as our live streaming revenue decreased as a percentage of our total revenues due to the expansion and growth of our other business lines such as online marketing services and e-commerce business.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 169.8% to RMB26.6 billion in 2020 from RMB9.9 billion in 2019, and increased to 45.3% from 25.2% as a percentage of our total revenues. The increase was primarily attributable to an increase in marketing, brand promotion and advertising activities. Our marketing, brand promotion and advertising expenses in 2020 mainly included user acquisition and maintenance costs and expenses associated with our brand marketing campaigns. The increase in brand promotion and advertising expenses in 2020 was primarily attributable to our marketing expenses for promoting Kuaishou Express and our other apps and an increase in our brand marketing campaign expenses.

Administrative Expenses

Our administrative expenses increased by 93.8% to RMB1.7 billion in 2020 from RMB865.4 million in 2019, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel and increased share-based compensation expenses to support our business growth.

Research and Development Expenses

Our research and development expenses increased by 122.4% from RMB2.9 billion in 2019 to RMB6.5 billion in 2020, primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel as we continue to invest in AI, big data and other advanced technologies.

Other Income

Our other income increased by 80.4% from RMB292.6 million in 2019 to RMB528.0 million in 2020, primarily due to more VAT subsidies and government grants in 2020 as compared to 2019.

Other Gains/(Losses), Net

We had other gains, net of RMB176.5 million in 2020, compared to other losses, net of RMB32.8 million in 2019. The change from losses to gains was primarily due to increases in the net fair value gains on financial assets at fair value through profit or loss of wealth management products and investments in listed and unlisted entities, partially offset by charitable donations. In January 2020, we made RMB100.0 million of charitable donations in response to the COVID-19 outbreak.

Operating (Loss)/Profit

As a result of the foregoing, we had an operating loss of RMB10.3 billion and a negative operating margin of 17.6% in 2020, and we had an operating profit of RMB688.7 million and an operating margin of 1.8% in 2019. Our operating loss in 2020 was primarily attributable to the increased selling and marketing expenses to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem.

Finance Expense, Net

We had a finance expense, net of RMB35.3 million and RMB11.0 million in 2020 and 2019, 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

Our fair value changes of convertible redeemable preferred shares were negative RMB106.8 billion in 2020, and negative RMB19.9 billion in 2019, primarily due to the increase in the valuation of the Company. See Note 17 to the Financial Information set forth in this announcement for details regarding the change in fair value of convertible redeemable preferred shares.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB117.2 billion and RMB19.3 billion in 2020 and 2019, respectively.

Income tax benefits/(expenses)

We had income tax benefits of RMB565.5 million in 2020, and income tax expenses of RMB386.1 million in 2019. The income tax benefits in 2020 were primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries and allowable promotion and advertising expenses in excess of deductible limit. Furthermore, a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty in the qualification of key national software enterprise was eliminated then.

Loss for the year attributable to the equity holders of the Company

As a result of the foregoing, our loss attributable to the equity holders of the Company was RMB116.6 billion and RMB19.7 billion in 2020 and 2019, respectively.

Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

The following table sets forth the comparative figures for the fourth quarter of 2020 and 2019, respectively:

	Unaudited Three Months Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	18,098,656	100.0	11,852,380	100.0
Cost of revenues	<u>(9,594,824)</u>	<u>(53.0)</u>	<u>(7,218,638)</u>	<u>(60.9)</u>
Gross profit	8,503,832	47.0	4,633,742	39.1
Selling and marketing expenses	<u>(6,781,475)</u>	<u>(37.5)</u>	<u>(4,286,417)</u>	<u>(36.2)</u>
Administrative expenses	<u>(595,398)</u>	<u>(3.3)</u>	<u>(292,701)</u>	<u>(2.5)</u>
Research and development expenses	<u>(2,429,671)</u>	<u>(13.4)</u>	<u>(894,713)</u>	<u>(7.5)</u>
Other income	<u>131,845</u>	<u>0.7</u>	<u>109,492</u>	<u>1.0</u>
Other losses, net	<u>(206,658)</u>	<u>(1.1)</u>	<u>(244,023)</u>	<u>(2.1)</u>
Operating loss	(1,377,525)	(7.6)	(974,620)	(8.2)
Finance expense, net	<u>(8,717)</u>	<u>(0.0)</u>	<u>(17,321)</u>	<u>(0.1)</u>
Fair value changes of convertible redeemable preferred shares	<u>(17,695,493)</u>	<u>(97.8)</u>	<u>(17,053,024)</u>	<u>(143.9)</u>
Loss before income tax	(19,081,735)	(105.4)	(18,044,965)	(152.2)
Income tax (expenses)/benefits	<u>(182,045)</u>	<u>(1.0)</u>	<u>10,876</u>	<u>0.0</u>
Loss for the period attributable to the equity holders of the Company	<u>(19,263,780)</u>	<u>(106.4)</u>	<u>(18,034,089)</u>	<u>(152.2)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(704,488)</u>	<u>(3.9)</u>	<u>(802,801)</u>	<u>(6.8)</u>
Adjusted EBITDA	<u>927,287</u>	<u>5.1</u>	<u>(3,420)</u>	<u>(0.0)</u>

Revenues

Our revenues increased by 52.7% to RMB18.1 billion for the fourth quarter of 2020, from RMB11.9 billion for the same period of 2019. The increase was primarily attributable to 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 for the fourth quarter of 2020 and 2019, respectively:

	Unaudited Three Months Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Live streaming	7,899,803	43.6	8,520,225	71.9
Online marketing services	8,511,345	47.0	3,150,990	26.6
Other services	1,687,508	9.4	181,165	1.5
Total	18,098,656	100.0	11,852,380	100.0

Live streaming

Revenue from our live streaming business was RMB7.9 billion for the fourth quarter of 2020, as compared to RMB8.5 billion for the same period of 2019, primarily due to the change in monthly ARPPU for live streaming to RMB51.8 for the fourth quarter of 2020, from RMB56.6 for the same period of 2019 with the expanded user base.

Online marketing services

Revenue from our online marketing services increased by 170.1% to RMB8.5 billion for the fourth quarter of 2020, from RMB3.2 billion for the same period of 2019, primarily attributable to the growth in our user base which attracted more online marketing customers and improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Other services

Revenue from our other services increased by 831.5% to RMB1.7 billion for the fourth quarter of 2020, from RMB181.2 million for the same period of 2019, 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 2020 and 2019, respectively:

	Unaudited Three Months Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
<i>(in thousands, except for percentages)</i>				
Revenue sharing to streamers and related taxes	4,537,752	25.1	4,858,428	41.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,814,894	10.0	826,254	7.0
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,338,734	7.4	741,830	6.3
Payment processing costs	317,145	1.8	161,628	1.4
Other cost of revenues	1,586,299	8.7	630,498	5.2
Total	9,594,824	53.0	7,218,638	60.9

Note:

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

Our cost of revenues increased by 32.9% to RMB9.6 billion for the fourth quarter of 2020, from RMB7.2 billion for the same period of 2019, primarily attributable to (i) 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 an increase in user traffic attributable to the enlarged user base and the growth of our business, and (ii) an increase in other cost of revenues primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth and an increase in other services cost in line with the expansion of our online marketing services.

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 2020 and 2019, respectively:

	Unaudited Three Months Ended December 31,			
	2020		2019	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,503,832	47.0	4,633,742	39.1

As a result of the foregoing, our gross profit increased by 83.5% to RMB8.5 billion for the fourth quarter of 2020, from RMB4.6 billion for the same period of 2019. Our gross profit margin increased to 47.0% for the fourth quarter of 2020, from 39.1% in the same period of 2019, mainly because our cost of revenues decreased as a percentage of our total revenues primarily due to a decrease in our revenue sharing to streamers and related taxes as a percentage of our total revenues, as our live streaming revenue decreased as a percentage of our total revenues due to the expansion and growth of our other business lines such as online marketing services and e-commerce business.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 58.2% to RMB6.8 billion for the fourth quarter of 2020, from RMB4.3 billion for the same period of 2019, and increased to 37.5% from 36.2% as a percentage of our total revenues. The increase was primarily attributable to an increase in promotion and advertising expenses. The increase in promotion and advertising expenses in the fourth quarter of 2020 was primarily attributable to our marketing expenses for promoting Kuaishou Express and our other apps and an increase in our brand marketing campaign expenses.

Administrative Expenses

Our administrative expenses increased by 103.4% to RMB595.4 million for the fourth quarter of 2020, from RMB292.7 million for the same period of 2019, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel and increased share-based compensation expenses to support our business growth.

Research and Development Expenses

Our research and development expenses increased by 171.6% to RMB2.4 billion for the fourth quarter of 2020, from RMB894.7 million for the same period of 2019, primarily attributable to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel as we continue to invest in AI, big data and other advanced technologies.

Other Income

Our other income increased by 20.4% to RMB131.8 million for the fourth quarter of 2020, from RMB109.5 million for the same period of 2019, primarily due to more VAT subsidies for the fourth quarter of 2020 as compared to the same period of 2019.

Other Losses, Net

We recorded other losses, net of RMB206.7 million for the fourth quarter of 2020, and other losses, net of RMB244.0 million for the fourth quarter of 2019, primarily due to changes in the net fair value losses on financial assets at fair value through profit or loss of investments in unlisted entities, partially offset by fair value gains on financial assets at fair value through profit or loss of wealth management products.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB1.4 billion and a negative operating margin of 7.6% for the fourth quarter of 2020, compared to an operating loss of RMB974.6 million and a negative operating margin of 8.2% for the same period of 2019.

Finance Expense, Net

Our finance expense, net was RMB8.7 million and RMB17.3 million for the fourth quarter of 2020 and 2019, 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

Our fair value changes of convertible redeemable preferred shares were negative RMB17.7 billion for the fourth quarter of 2020, and negative RMB17.1 billion for the same period of 2019, primarily due to the increase in the valuation of the Company.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB19.1 billion and RMB18.0 billion for the fourth quarter of 2020 and 2019, respectively.

Income tax (expenses)/benefits

We incurred income tax expenses of RMB182.0 million for the fourth quarter of 2020. We had income tax benefits of RMB10.9 million for the fourth quarter of 2019. The income tax benefits for the fourth quarter of 2019 were primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries and allowable promotion and advertising expenses in excess of deductible limit.

Loss for the period attributable to the equity holders of the Company

As a result of the foregoing, our loss attributable to the equity holders of the Company was RMB19.3 billion for the fourth quarter of 2020, compared to RMB18.0 billion for the same period of 2019.

Fourth Quarter of 2020 Compared to Third Quarter of 2020

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

	Unaudited Three Months Ended			
	December 31, 2020		September 30, 2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	18,098,656	100.0	15,356,535	100.0
Cost of revenues	<u>(9,594,824)</u>	<u>(53.0)</u>	<u>(8,740,189)</u>	<u>(56.9)</u>
Gross profit	8,503,832	47.0	6,616,346	43.1
Selling and marketing expenses	<u>(6,781,475)</u>	<u>(37.5)</u>	<u>(6,124,203)</u>	<u>(39.9)</u>
Administrative expenses	<u>(595,398)</u>	<u>(3.3)</u>	<u>(426,711)</u>	<u>(2.8)</u>
Research and development expenses	<u>(2,429,671)</u>	<u>(13.4)</u>	<u>(1,866,182)</u>	<u>(12.2)</u>
Other income	<u>131,845</u>	<u>0.7</u>	<u>204,383</u>	<u>1.4</u>
Other (losses)/gains, net	<u>(206,658)</u>	<u>(1.1)</u>	<u>219,832</u>	<u>1.4</u>
Operating loss	(1,377,525)	(7.6)	(1,376,535)	(9.0)
Finance expense, net	<u>(8,717)</u>	<u>(0.0)</u>	<u>(25,803)</u>	<u>(0.2)</u>
Fair value changes of convertible redeemable preferred shares	<u>(17,695,493)</u>	<u>(97.8)</u>	<u>(27,906,543)</u>	<u>(181.7)</u>
Loss before income tax	(19,081,735)	(105.4)	(29,308,881)	(190.9)
Income tax (expenses)/benefits	<u>(182,045)</u>	<u>(1.0)</u>	<u>28,626</u>	<u>0.2</u>
Loss for the period attributable to the equity holders of the Company	<u>(19,263,780)</u>	<u>(106.4)</u>	<u>(29,280,255)</u>	<u>(190.7)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(704,488)</u>	<u>(3.9)</u>	<u>(961,792)</u>	<u>(6.3)</u>
Adjusted EBITDA	<u>927,287</u>	<u>5.1</u>	<u>325,842</u>	<u>2.1</u>

Revenues

Our revenues increased by 17.9% to RMB18.1 billion for the fourth quarter of 2020, from RMB15.4 billion for the third quarter of 2020, primarily attributable to our online marketing services and other services.

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 2020, respectively:

	Unaudited Three Months Ended			
	December 31, 2020		September 30, 2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Live streaming	7,899,803	43.6	7,960,205	51.8
Online marketing services	8,511,345	47.0	6,180,976	40.2
Other services	1,687,508	9.4	1,215,354	8.0
Total	<u>18,098,656</u>	<u>100.0</u>	<u>15,356,535</u>	<u>100.0</u>

Live streaming

Revenue from our live streaming business was RMB7.9 billion for the fourth quarter of 2020, compared to RMB8.0 billion for the third quarter of 2020.

Online marketing services

Revenue from our online marketing services increased by 37.7% to RMB8.5 billion for the fourth quarter of 2020, from RMB6.2 billion for the third quarter of 2020, primarily attributable to more online marketing customers and improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Other services

Revenue from our other services increased by 38.8% to RMB1.7 billion for the fourth quarter of 2020, from RMB1.2 billion for the third quarter 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 and third quarter of 2020, respectively:

	Unaudited Three Months Ended			
	December 31, 2020		September 30, 2020	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing to streamers and related taxes	4,537,752	25.1	4,514,524	29.4
Bandwidth expenses and server custody costs ⁽¹⁾	1,814,894	10.0	1,401,410	9.1
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,338,734	7.4	1,212,180	7.9
Payment processing costs	317,145	1.8	252,528	1.6
Other cost of revenues	1,586,299	8.7	1,359,547	8.9
Total	9,594,824	53.0	8,740,189	56.9

Note:

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

Our cost of revenues increased by 9.8% to RMB9.6 billion for the fourth quarter of 2020, from RMB8.7 billion for the third quarter of 2020, primarily attributable to (i) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, in line with an increase in user traffic attributable to the enlarged user base and the growth of our business, and (ii) an increase in other cost of revenues primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth and an increase in other services cost in line with the expansion of our online marketing services.

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 2020, respectively:

	Unaudited Three Months Ended			
	December 31, 2020		September 30, 2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,503,832	47.0	6,616,346	43.1

As a result of the foregoing, our gross profit increased by 28.5% to RMB8.5 billion for the fourth quarter of 2020, from RMB6.6 billion for the third quarter of 2020. Our gross profit margin increased to 47.0% for the fourth quarter of 2020, from 43.1% for the third quarter of 2020, mainly because our cost of revenues decreased as a percentage of our total revenues primarily due to a decrease in our revenue sharing to streamers and related taxes as a percentage of our total revenues, as our live streaming revenue decreased as a percentage of our total revenues due to the expansion and growth of our other business lines such as online marketing services and e-commerce business.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 10.7% to RMB6.8 billion for the fourth quarter of 2020, from RMB6.1 billion for the third quarter of 2020, and decreased to 37.5% from 39.9% as a percentage of our total revenues. The increase in absolute amount was primarily attributable to an increase in promotion and advertising expenses. The increase in promotion and advertising expenses in the fourth quarter of 2020 was primarily attributable to increase in our brand marketing campaign expenses and our marketing expenses for promoting Kuaishou Express and our other apps. The decrease in percentage of total revenues was attributable to our increased and diversified revenues, improved operating efficiency and economies of scale.

Administrative Expenses

Our administrative expenses increased by 39.5% to RMB595.4 million for the fourth quarter of 2020, from RMB426.7 million for the third quarter of 2020, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel and increased share-based compensation expenses to support our business growth.

Research and Development Expenses

Our research and development expenses increased by 30.2% to RMB2.4 billion for the fourth quarter of 2020, from RMB1.9 billion for the third quarter of 2020, primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel as we continue to invest in AI, big data and other advanced technologies.

Other Income

Our other income decreased by 35.5% to RMB131.8 million for the fourth quarter of 2020, from RMB204.4 million for the third quarter of 2020, primarily due to different timing in receipt of government grants.

Other (Losses)/Gains, Net

We recorded other losses, net of RMB206.7 million for the fourth quarter of 2020, compared to other gains, net of RMB219.8 million for the third quarter of 2020, primarily due to changes in the net fair value gains on financial assets at fair value through profit or loss of wealth management products and investments in listed and unlisted entities.

Operating Loss

As a result of the foregoing, we had operating loss of RMB1.4 billion for the fourth quarter of 2020, and operating loss of RMB1.4 billion for the third quarter of 2020, and our operating margin was negative 7.6% for the fourth quarter of 2020, compared to negative 9.0% for the third quarter of 2020.

Finance Expense, Net

Our finance expense, net was RMB8.7 million and RMB25.8 million, respectively for the fourth quarter of 2020 and third quarter of 2020, 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

Our fair value changes of convertible redeemable preferred shares were negative RMB17.7 billion for the fourth quarter of 2020 and RMB27.9 billion for the third quarter of 2020, primarily due to the increase in the valuation of the Company.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB19.1 billion for the fourth quarter of 2020, compared to RMB29.3 billion for the third quarter of 2020.

Income tax (expenses)/benefits

We had income tax expenses of RMB182.0 million for the fourth quarter of 2020, compared to income tax benefits of RMB28.6 million for the third quarter of 2020. The income tax benefits for the third quarter of 2020 were primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries and allowable promotion and advertising expenses in excess of deductible limit.

Loss for the period attributable to the equity holders of the Company

As a result of the foregoing, our loss attributable to the equity holders of the Company was RMB19.3 billion for the fourth quarter of 2020, compared to RMB29.3 billion for the third quarter of 2020.

Non-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, 2020 and 2019, respectively, to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,	
	2020	2019
	<i>(in RMB thousands)</i>	
Loss for the year attributable to the equity holders of the Company	(116,635,242)	(19,651,534)
Add:		
Share-based compensation expenses	1,840,886	742,303
Fair value changes of convertible redeemable preferred shares	106,845,549	19,943,114
	<u>(7,948,807)</u>	<u>1,033,883</u>
Adjusted net (loss)/profit (unaudited)	(7,948,807)	1,033,883
	Year Ended December 31,	
	2020	2019
	<i>(in RMB thousands)</i>	
Adjusted net (loss)/profit (unaudited)	(7,948,807)	1,033,883
Add:		
Income tax (benefits)/expenses	(565,548)	386,067
Depreciation of property and equipment	3,077,674	1,405,313
Depreciation of right-of-use assets	1,656,457	692,228
Amortization of intangible assets	128,861	62,842
Finance expense, net	35,288	11,037
	<u>(3,616,075)</u>	<u>3,591,370</u>
Adjusted EBITDA (unaudited)	(3,616,075)	3,591,370

The following table sets forth the reconciliations of our non-IFRS financial measures for the fourth quarter of 2020, the third quarter of 2020 and the fourth quarter of 2019, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited Three Months Ended		
	December 31, 2020	September 30, 2020	December 31, 2019
	<i>(in RMB thousands)</i>		
Loss for the period attributable to the equity holders of the Company	(19,263,780)	(29,280,255)	(18,034,089)
Add:			
Share-based compensation expenses	863,799	411,920	178,264
Fair value changes of convertible redeemable preferred shares	17,695,493	27,906,543	17,053,024
	<u>(704,488)</u>	<u>(961,792)</u>	<u>(802,801)</u>

	Unaudited Three Months Ended		
	December 31, 2020	September 30, 2020	December 31, 2019
	<i>(in RMB thousands)</i>		
Adjusted net loss	(704,488)	(961,792)	(802,801)
Add:			
Income tax expenses/(benefits)	182,045	(28,626)	(10,876)
Depreciation of property and equipment	903,482	798,610	498,542
Depreciation of right-of-use assets	499,239	452,318	273,549
Amortization of intangible assets	38,292	39,529	20,845
Finance expense, net	8,717	25,803	17,321
	<u>927,287</u>	<u>325,842</u>	<u>(3,420)</u>

Liquidity and Capital Resources

We had 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 RMB20.4 billion as of December 31, 2020, compared to RMB4.0 billion as of December 31, 2019.

The following table sets forth a summary of our cash flows for the years ended December 31, 2020 and 2019, respectively:

	Year Ended December 31,	
	2020	2019
	<i>(in RMB thousands)</i>	
Net cash generated from operating activities	2,288,640	8,020,090
Net cash used in investing activities	(4,867,465)	(10,148,560)
Net cash generated from financing activities	19,290,120	698,051
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	16,711,295	(1,430,419)
Cash and cash equivalents at the beginning of the year	3,996,236	5,370,332
Effects of exchange rate changes on cash and cash equivalents	(315,986)	56,323
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>20,391,545</u>	<u>3,996,236</u>

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily consists of our loss before income tax and non-cash items, such as fair value changes of convertible redeemable preferred shares, depreciation of property and equipment and depreciation of right-of-use assets, share-based compensation expenses, adjusted by changes in working capital.

For the year ended December 31, 2020, our net cash generated from operating activities was RMB2.3 billion, which was primarily attributable to our loss before income tax of RMB117.2 billion, adjusted by adding back non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB106.8 billion, depreciation of property and equipment of RMB3.1 billion, depreciation of right-of-use assets of RMB1.7 billion and share-based compensation expenses of RMB1.8 billion. The amount was further adjusted by changes in working capital, which primarily comprised an increase in accounts payables of RMB4.0 billion, an increase in advances from customers of RMB1.8 billion and an increase in other payables and accruals of RMB2.7 billion, partially offset by an increase in trade receivables of RMB1.3 billion. We also paid income tax of RMB830.0 million. Our loss before income tax of RMB117.2 billion in 2020 was primarily attributable to the fair value changes of convertible redeemable preferred shares and our strategic decision to invest more in selling and marketing efforts to continue to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem.

Net Cash Used in Investing Activities

For the year ended December 31, 2020, our net cash used in investing activities was RMB4.9 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit or loss of RMB46.7 billion, net purchase of time deposits with initial terms of over three months of RMB2.4 billion, purchase of property, equipment and intangible assets of RMB5.9 billion and purchase of investments in non-current financial assets at fair value through profit or loss of RMB2.0 billion, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB52.1 billion.

Net Cash Generated from Financing Activities

For the year ended December 31, 2020, our net cash generated from financing activities was RMB19.3 billion, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB21.0 billion, partially offset by payments for principal elements of lease and related interest of RMB1.6 billion.

Impact of the Coronavirus Outbreak

During the outbreak of COVID-19, as China adopted various social distancing initiatives in response to the pandemic, 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 negative factors, such as reduced business activity and incomes as a result of lock-down and mandatory or voluntary social distancing, and reduced consumption as a result of general concerns and uncertainty about the pandemic and the economy.

Our results of operations in 2020 were affected by the following specific factors: (i) changes in user behaviors online which impacted our live streaming business; (ii) an increase in demand for online services led to stronger growth in our user base and engagement, which in turn attracted more online marketing customers; (iii) an increase in online purchases in lieu of offline transactions due to social distancing measures contributed to the growth of our e-commerce business, as evidenced by the amount of sales transacted on our platform; (iv) a surge in demand for online social and entertainment services in lieu of physical gatherings due to social distancing measures resulted in higher user traffic on our platform, which increased our bandwidth expenses, server custody costs and other similar costs; and (v) in response to the outbreak, we took a series of measures to protect our employees, including providing our employees with protective equipment immediately after the outbreak, which increased our operating costs.

In addition, due to governments' measures to contain the spread of the virus such as restrictions on mobility and travel and cancellation of public activities, our operations have, to a certain extent, been impacted by delays in business activities and commercial transactions as well as general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in size or even cancellation of our offline events, which temporarily adversely affected some of our marketing activities. Moreover, we took a series of measures in response to the outbreak to protect our employees in compliance with governments' measures, including, among others, temporary closure of our offices, 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,	
		2020	2019
	Note	RMB'000	RMB'000
Revenues	3	58,776,097	39,120,348
Cost of revenues	5	<u>(34,961,460)</u>	<u>(25,016,774)</u>
Gross profit		23,814,637	14,103,574
Selling and marketing expenses	5	(26,614,746)	(9,865,026)
Administrative expenses	5	(1,676,745)	(865,375)
Research and development expenses	5	(6,547,578)	(2,944,277)
Other income		527,996	292,631
Other gains/(losses), net	4	<u>176,483</u>	<u>(32,843)</u>
Operating (loss)/profit		(10,319,953)	688,684
Finance expense, net		(35,288)	(11,037)
Fair value changes of convertible redeemable preferred shares	17	<u>(106,845,549)</u>	<u>(19,943,114)</u>
Loss before income tax		(117,200,790)	(19,265,467)
Income tax benefits/(expenses)	6	<u>565,548</u>	<u>(386,067)</u>
Loss for the year attributable to equity holders of the Company		<u>(116,635,242)</u>	<u>(19,651,534)</u>
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	7		
Basic loss per share		<u>(125.25)</u>	<u>(21.04)</u>
Diluted loss per share		<u>(125.25)</u>	<u>(21.04)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year ended December 31,	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Loss for the year		<u>(116,635,242)</u>	<u>(19,651,534)</u>
Other comprehensive income/(loss)			
<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	17	2,404	(17,338)
Currency translation differences		9,816,967	(828,082)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>819,897</u>	<u>(82,915)</u>
Other comprehensive income/(loss) for the year, net of taxes		<u>10,639,268</u>	<u>(928,335)</u>
Total comprehensive loss for the year attributable to equity holders of the Company		<u><u>(105,995,974)</u></u>	<u><u>(20,579,869)</u></u>

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment	8	7,206,100	6,232,305
Right-of-use assets	9	5,199,712	4,352,638
Intangible assets		1,247,788	1,120,308
Financial assets at fair value through profit or loss	10	3,843,315	2,258,272
Deferred tax assets		2,313,301	860,185
Long-term time deposits		500,000	110,000
Other non-current assets		308,982	169,594
		<u>20,619,198</u>	<u>15,103,302</u>
Current assets			
Trade receivables	11	2,428,039	1,107,440
Prepayments, other receivables and other current assets		2,285,420	2,032,754
Financial assets at fair value through profit or loss	10	3,690,448	8,902,270
Short-term time deposits	12	2,729,095	1,270,994
Restricted cash	12	3,698	1,386
Cash and cash equivalents	12	20,391,545	3,996,236
		<u>31,528,245</u>	<u>17,311,080</u>
Total assets		<u>52,147,443</u>	<u>32,414,382</u>

		As of December 31,	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		30	30
Other reserves		12,011,644	(321,281)
Accumulated losses		(172,061,513)	(55,407,785)
Total equity		<u>(160,049,839)</u>	<u>(55,729,036)</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	9	3,608,041	3,287,984
Deferred tax liabilities		31,601	37,500
Convertible redeemable preferred shares	17	185,372,816	69,444,163
		<u>189,012,458</u>	<u>72,769,647</u>
Current liabilities			
Accounts payables	15	11,544,297	9,055,133
Other payables and accruals		5,763,226	3,027,568
Advances from customers	16	3,290,098	1,529,608
Income tax liabilities		487,843	424,414
Lease liabilities	9	2,099,360	1,337,048
		<u>23,184,824</u>	<u>15,373,771</u>
Total liabilities		<u>212,197,282</u>	<u>88,143,418</u>
Total equity and liabilities		<u>52,147,443</u>	<u>32,414,382</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	2,288,640	8,020,090
Net cash used in investing activities	(4,867,465)	(10,148,560)
Net cash generated from financing activities	19,290,120	698,051
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	16,711,295	(1,430,419)
Cash and cash equivalents at the beginning of the year	3,996,236	5,370,332
Effects of exchange rate changes on cash and cash equivalents	(315,986)	56,323
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>20,391,545</u>	<u>3,996,236</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**”, refer to Note 18).

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

The consolidated financial statements are presented in 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 the International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) applicable to companies reporting under IFRSs.

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 standard, amendments and interpretations of IFRSs adopted by the Group*

The Group has applied all new standards, and amendments to existing standards and interpretations, which are effective for the first time for the financial year beginning on or before January 1, 2020. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

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, 2020 and have not been early adopted by the Group during the year ended December 31, 2020. 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
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	January 1, 2023
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	January 1, 2022
Amendments to IFRS 10 and IAS 28 — Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3. Revenues

The breakdown of revenues during the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Live streaming	33,209,115	31,442,341
Online marketing services	21,854,539	7,418,502
Other services	3,712,443	259,505
	<u>58,776,097</u>	<u>39,120,348</u>

4. Other gains/(losses), net

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net gains/(losses) on disposal of property, equipment and intangible assets	90	(60)
Net fair value gains/(losses) on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	(84,989)	(289,930)
— Wealth management products	357,733	275,889
Net foreign exchange gains	35,884	10
Donations*	(136,869)	(5,435)
Others	4,634	(13,317)
	<u>176,483</u>	<u>(32,843)</u>

Note

* Out of the donations for the year ended December 31, 2020, RMB100 million was the charitable donations in response to the COVID-19 outbreak.

5. Expenses by nature

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue sharing to streamers and related taxes	18,840,373	18,149,248
Employee benefit expenses	9,616,960	4,364,197
Promotion and advertising expenses	25,491,328	9,422,745
Depreciation of property and equipment	3,077,674	1,405,313
Depreciation of right-of-use assets	1,656,457	692,228
Amortization of intangible assets	128,861	62,842
Bandwidth expenses and server custody costs	5,735,392	2,650,623
Payment processing cost	1,004,480	642,155
Outsourcing and other labor costs	583,084	274,733
Auditor's remuneration		
— Audit services	32,524	4,371
— Non-audit services	3,641	289
Other professional fees	164,047	58,700
Tax surcharges	377,097	326,337
Credit loss allowances on financial assets	12,424	22,298
Others	3,076,187	615,373
	<u>69,800,529</u>	<u>38,691,452</u>

6. Income tax benefits/(expenses)

(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 BVI are exempted from BVI income tax.

(c) *Hong Kong Income Tax*

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under 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, 2020 (2019: Nil).

(d) *PRC Enterprise Income Tax (“EIT”)*

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the year ended December 31, 2020 based on the existing legislation, interpretation and practices in respect thereof (2019: 25%).

Beijing Dajia Internet Information Technology Co., Ltd. (“**Beijing Dajia**”) became accredited as High and New Technology Enterprises (“**HNTES**”) enabling it to enjoy a preferential tax rate of 15% commencing from 2017. 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. The tax exemption under “Software Enterprise” for Beijing Dajia was obtained in May, 2018 with retroactive application since 2017. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” (“**KNSE**”) which entitled it to a further reduced preferential income tax rate of 10%, starting from 2019 contingent upon annual assessment by relevant authorities. Due to the uncertainty of obtaining the qualification, Beijing Dajia accrued the income tax expenses by applying the preferential tax rate of 12.5% in 2019 and a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty was eliminated then. Beijing Dajia applied the preferential income tax rate of 12.5% in the year of 2020.

According to the relevant laws and regulations promulgated by the State Administration of Taxation 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 People’s Republic of China 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 (“**New EIT 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 the reporting period.

The income tax benefits/(expenses) of the Group during the years ended December 31, 2020 and 2019 are analysed as follows:

	Year ended December 31,	
	2020	2019
	RMB’000	RMB’000
Current income tax	(893,467)	(1,088,560)
Deferred income tax	1,459,015	702,493
	<hr/>	<hr/>
Income tax benefits/(expenses)	<u>565,548</u>	<u>(386,067)</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,	
	2020	2019
	RMB'000	RMB'000
Net loss attributable to equity holders of the Company	(116,635,242)	(19,651,534)
Weighted average number of ordinary shares in issue (thousand shares)	931,245	934,111
Basic loss per share (expressed in RMB per share)	<u>(125.25)</u>	<u>(21.04)</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, 2020 and 2019, the Company had two categories of potential ordinary shares: preferred shares and share options granted under the Share Incentive Plan (the "**Pre-IPO ESOP Plan**"). As the Company incurred losses for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 were the same as basic loss per share of the respective years.

8. Property and equipment

The detail information of property and equipment during the years ended December 31, 2020 and 2019 is as below:

	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	<u>6,089,401</u>	<u>10,973</u>	<u>97,902</u>	<u>34,029</u>	<u>6,232,305</u>
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	<u>7,004,419</u>	<u>19,367</u>	<u>157,141</u>	<u>25,173</u>	<u>7,206,100</u>
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	<u>7,004,419</u>	<u>19,367</u>	<u>157,141</u>	<u>25,173</u>	<u>7,206,100</u>

	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, 2019					
Cost	3,298,439	7,817	39,119	14,308	3,359,683
Accumulated depreciation	(931,185)	(1,417)	(6,311)	—	(938,913)
Net book amount	<u>2,367,254</u>	<u>6,400</u>	<u>32,808</u>	<u>14,308</u>	<u>2,420,770</u>
Year ended December 31, 2019					
Opening net book amount	2,367,254	6,400	32,808	14,308	2,420,770
Currency translation differences	8	—	—	—	8
Additions	5,105,300	8,543	64,554	38,782	5,217,179
Transfer from construction in progress to leasehold improvements	—	—	19,061	(19,061)	—
Disposal	(239)	(100)	—	—	(339)
Depreciation charge	(1,382,922)	(3,870)	(18,521)	—	(1,405,313)
Closing net book amount	<u>6,089,401</u>	<u>10,973</u>	<u>97,902</u>	<u>34,029</u>	<u>6,232,305</u>
At December 31, 2019					
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	<u>6,089,401</u>	<u>10,973</u>	<u>97,902</u>	<u>34,029</u>	<u>6,232,305</u>

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenues	2,980,192	1,359,471
Selling and marketing expenses	7,413	2,539
Administrative expenses	40,839	21,755
Research and development expenses	49,230	21,548
	<u>3,077,674</u>	<u>1,405,313</u>

9. Lease

The Group has applied IFRS 16 retrospectively without using the simplified transitional approach permitted under IFRS 16.

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

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets		
Internet data centers	4,435,397	3,823,058
Office buildings	764,315	529,580
	<u>5,199,712</u>	<u>4,352,638</u>
	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities		
Current	2,099,360	1,337,048
Non-current	3,608,041	3,287,984
	<u>5,707,401</u>	<u>4,625,032</u>

Additions to the right-of-use assets for the year ended December 31, 2020 was RMB2.5 billion (2019: RMB3.8 billion).

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
— Internet data centers	1,434,374	561,515
— Office buildings	222,083	130,713
Interest expense (included in finance expense, net)	225,084	103,302
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)	<u>67,755</u>	<u>32,417</u>
	<u>1,949,296</u>	<u>827,947</u>

The total cash outflows in financing activities for leases during the years ended December 31, 2020 and 2019 are as below:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Principal elements of lease payments	1,421,162	538,414
Related interest paid	<u>225,084</u>	<u>103,302</u>
	<u>1,646,246</u>	<u>641,716</u>

The weighted average incremental borrowing rate applied to the lease liabilities was 4.75% per annum during the year ended December 31, 2020 (2019: 4.75%).

10. Financial assets at fair value through profit or loss

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Investments in unlisted entities	3,843,315	2,258,272
Current assets		
Investments in listed entities		
— Hong Kong listed	82,646	77,202
Wealth management products	3,607,802	8,825,068
	<u>3,690,448</u>	<u>8,902,270</u>
Total	<u>7,533,763</u>	<u>11,160,542</u>

The Group has invested in several unlisted companies during the years ended December 31, 2020 and 2019, the major investments are as following: the Group invested in Zhihu Technology Limited in August 2019 in the form of convertible redeemable preferred shares, invested in Leading Smart Holdings Limited and SHAREit Technology Holdings Inc. in March 2020 and April 2020, respectively, in the form of convertible redeemable preferred shares.

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	11,160,542	4,951,436
Additions	48,657,244	57,292,418
Disposal	(52,084,645)	(51,112,055)
Change in fair value through profit or loss	272,744	(14,041)
Currency translation differences	(472,122)	42,784
	<u>7,533,763</u>	<u>11,160,542</u>
At the end of the year	<u>7,533,763</u>	<u>11,160,542</u>

11. Trade receivables

The detail information of trade receivables during the years ended December 31, 2020 and 2019 is as below:

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	2,444,121	1,112,214
Less: credit loss allowances	(16,082)	(4,774)
	<u>2,428,039</u>	<u>1,107,440</u>

The Group generally allows 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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	2,339,276	1,104,662
3 to 6 months	104,845	7,552
	<u>2,444,121</u>	<u>1,112,214</u>

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

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(4,774)	(75)
Additional provision	(11,308)	(4,699)
At the end of the year	<u>(16,082)</u>	<u>(4,774)</u>

12. Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Cash at bank and in hand	20,391,545	2,402,816
Time deposits with initial terms within three months	—	1,593,420
	<u>20,391,545</u>	<u>3,996,236</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
RMB	8,710,497	1,240,372
USD	11,657,970	2,745,018
HKD	7	620
SGD	8,991	7,919
Others	14,080	2,307
	<u>20,391,545</u>	<u>3,996,236</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2020 was nil per annum (2019: 2.28%).

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,214	479
USD	2,484	907
	<u>3,698</u>	<u>1,386</u>

As of December 31, 2020, RMB3.7 million was held at bank as a restricted deposit (2019: RMB1.4 million).

(c) Time deposits

	As of December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits denominated in RMB	610,000	110,000
Time deposits denominated in USD	2,619,095	1,270,994
	<u>3,229,095</u>	<u>1,380,994</u>

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2020 were in the range of 0.57% to 4.18% per annum (2019: 2.30% to 4.18%).

13. Dividends

No dividends have been paid or declared by the Company during the year ended December 31, 2020 (2019: Nil).

14. Share-based compensation

On December 22, 2014, the board of directors of the Company approved the establishment of Pre-IPO ESOP Plan with the purpose of attracting, motivating, retaining and rewarding certain employees, directors and other eligible persons. Pre-IPO ESOP Plan is valid and effective for 10 years from the approval of the board of directors. The maximum number of shares that may be issued under Pre-IPO ESOP Plan shall be 312,661,648 of ordinary shares. In February 2015, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 509,616,655 ordinary shares. In February 2018, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 711,946,697 ordinary shares. Pre-IPO ESOP Plan permits the awards of options.

Share options granted to employees

The majority of share options have graded vesting terms, and will be vested from the grant date over 4 years on the condition that employees remain in service without any performance requirements. For granted share options with vesting schedule as 4 years, 25% of the aggregate number of granted share options are vested on the first anniversary of the grant date, and remaining granted share options are vested in equal tranches every month over the next thirty-six months.

The options may be exercised at any time after the IPO of the Company provided the options have vested and subject to the terms of the award agreement. The options are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2020	202,362,776	0.16
Granted during the year	106,041,023	0.11
Forfeited during the year	(14,443,772)	0.48
Net exercise of share options	(89,190,946)	0.04
	<hr/>	<hr/>
Outstanding as of December 31, 2020	204,769,081	0.16
	<hr/>	<hr/>
Exercisable as of December 31, 2020	—	—

	Number of share options	Weighted average exercise price per share option USD
Outstanding as of January 1, 2019	452,018,504	0.03
Granted during the year	38,633,407	0.71
Forfeited during the year	(9,206,519)	0.04
Net exercise of share options	<u>(279,082,616)</u>	<u>0.03</u>
Outstanding as of December 31, 2019	<u>202,362,776</u>	<u>0.16</u>
Exercisable as of December 31, 2019	—	—

The weighted-average remaining contract life for outstanding share options was 7.99 years as of December 31, 2020 (2019: 7.82 years).

Fair value of share options

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

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,	
	2020	2019
Fair value per share (USD)	4.52–11.09	2.88–4.52
Exercise price (USD)	0.04–4.97	0.04–4.97
Risk-free interest rates	0.65%–1.92%	1.68%-2.69%
Dividend yield	0.00%	0.00%
Expected volatility	57.05%–58.77%	55.20%–57.83%
Expected terms	10 years	10 years

The weighted-average fair value of granted share options was US\$9.11 per share for the year ended December 31, 2020 (2019: US\$3.02).

15. Accounts payables

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

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Up to 3 months	8,745,012	7,014,917
3 to 6 months	1,816,541	803,711
6 months to 1 year	898,262	717,250
Over 1 year	84,482	519,255
	<u>11,544,297</u>	<u>9,055,133</u>

16. Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,	
	2020	2019
	RMB'000	RMB'000
Advances from live streaming customers	1,699,624	1,009,519
Advances from online marketing services customers	1,571,975	499,093
Others	18,499	20,996
	<u>3,290,098</u>	<u>1,529,608</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, 2020 in the year of 2020 was RMB1.4 billion (2019: RMB410.8 million was recognized from the advances from customers balance as of January 1, 2019).

17. Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing convertible redeemable preferred shares (“**Preferred Shares**”) to investors, namely, series A Preferred Shares, series B Preferred Shares, series B-1 Preferred Shares, series C Preferred Shares, series C-1 Preferred Shares, series D Preferred Shares, series D-1 Preferred Shares, series E Preferred Shares, series E-1 Preferred Shares, series F-1 Preferred Shares and series F-2 Preferred Shares.

The details of the issuance are set out in the table below:

	Date of Issuance	Purchase	Number	Total consideration	
		Price (US\$/Share)	of Shares	USD'000	RMB'000
Series A Preferred Shares	June 20, 2014	0.00370	356,224,601	1,318	8,209
Series B Preferred Shares	July 22, 2014	0.04210	474,997,455	19,750	122,633
Series B-1 Preferred Shares	April 1, 2015	0.31170	6,416,275	2,000	12,395
Series C Preferred Shares	February 13, 2015	0.38963	282,319,024	110,000	688,238
Series C-1 Preferred Shares	July 9, 2015	0.46808	42,728,141	20,000	124,184
Series D Preferred Shares	January 21, 2016	0.69061	186,068,877	128,500	846,085
Series D-1 Preferred Shares	March 15, 2017	0.85945	407,236,905	350,000	2,419,863
Series E Preferred Shares	March 29, 2018	4.99699	200,120,473	1,000,000	6,300,116
Series E-1 Preferred Shares	September 30, 2019	5.24684	34,306,363	180,000	1,273,032
Series F-1 Preferred Shares	February 11, 2020	5.73742	104,576,622	600,000	4,191,055
Series F-2 Preferred Shares	February 11, 2020	6.84299	354,162,343	2,400,000	16,765,487
			<u>2,449,157,079</u>	<u>4,811,568</u>	<u>32,751,297</u>

All Preferred Shares were automatically converted into ordinary shares upon the IPO on February 5, 2021.

The key terms of the Preferred Shares are summarized as follows:

(a) *Dividends rights*

Prior to Series D Preferred Shares, each holder of Preferred Shares shall be entitled to receive from the Company, out of funds legally available, non-cumulative dividends per Preferred Share held by such holder accrued at the rate of six percent (6%), further modified as eight percent (8%) of the applicable original issue price per annum for Series D and other senior series Preferred Shares (as adjusted for any stock dividends, combinations or splits with respect to such shares), when and if declared by the board, prior and in preference to holders of all other current or future class or series of Shares of the Company, including the ordinary shares. The dividends should be paid in the following order: Series F-2 preferred shareholders and Series F-1 preferred shareholders, Series E-1 preferred shareholders, Series E preferred shareholders, Series D-1 preferred shareholders, Series D preferred shareholders, Series C-1 preferred shareholders, Series C preferred shareholders, Series B-1 preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

(b) *Conversion feature*

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time after the considerations of each series of Preferred Shares were fully-paid, or automatically converted into ordinary shares at the then effective applicable conversion price upon the closing of the Qualified Initial Public Offering (the “**QIPO**”). In the event of the automatic conversion of the Preferred Shares, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such transaction.

QIPO means a firm underwritten public offering of the shares or other securities of the Company pursuant to a registration statement that is filed with and declared effective by the competent Governmental Authority in accordance with relevant securities Laws of the United States or Hong Kong or any other jurisdiction on an internationally recognized stock exchange in (i) the United States or Hong Kong or (ii) any other jurisdiction as approved by the board of directors, with the total pre-money market capitalization of the Company not less than certain amount and gross proceeds to the Company in excess of certain amount (prior to underwriting discounts, commissions and expenses).

(c) ***Redemption feature***

For Series F-1 and F-2 preferred shareholders, at any time and from time to time after the earliest of (i) forty-eight months from the Series F-1 and Series F-2 Preferred Shares (collectively as “**Series F Preferred Shares**”) issuance date, (ii) any restructuring of the Company, (iii) the Company or founders of the Group breach the agreements made with preferred shareholders, (iv) main business of the Group conducted in the PRC being indefinitely shut down by any PRC Governmental Authority, or material license, permit or government approvals of the Group have been revoked, and (v) any holder of any other class of shares elects to exercise its redemption right, each holder of the Series F Preferred Shares issued and then outstanding may require the Company to redeem all, or any, of the issued and then outstanding Series F Preferred Shares held by such requesting holder(s). The redemption commencement date for Series F-1 and F-2 Preferred Shares is February 11, 2024.

For other series of Preferred Shares, the redemption terms are similar, except for the respective redemption commencement dates as set out below:

Redemption Commencement date

Series C-1, C, B-1, B, A Preference Shares	Seventy-two months from the Series C Preferred Shares issuance date	February 13, 2021
Series D Preference Shares	Sixty months from the Series D Preferred Shares issuance date	January 21, 2021
Series D-1 Preference Shares	Forty-eight months from the Series D-1 Preferred Shares issuance date	March 15, 2021
Series E Preference Shares	Forty-eight months from the Series E Preferred Shares issuance date	March 29, 2022
Series E-1 Preference Shares	Forty-eight months from the Series E-1 Preferred Shares issuance date	September 30, 2023

The redemption price shall be paid by the Company to the preferred shareholders in amount equal to the greater of (i) and (ii) below: (i) one hundred percent (100%) of the original issue price on each Preferred Share, plus a simple eight percent (8%) per annum interest of the original issue price on each Preferred Share accrued during the period from the issuance date of each Preferred Share until the date on which the redemption price is paid in full, and any accrued but unpaid dividends thereon; (ii) the fair market value of such Preferred Share, the valuation of which shall be determined through an independent appraisal performed by an appraiser approved by the board of directors. In October 2020, all preferred shareholders agreed to modify the redemption commencement date to April 30, 2022.

(d) Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of previous Preferred Shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the applicable preferred issue price, plus all accrued or declared but unpaid dividends on such Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series F-1 and Series F-2 Preferred Shares, second to holders of Series E-1 Preferred Shares, third to holders of Series E Preferred Shares, fourth to Series D-1 Preferred Shares, fifth to Series D Preferred Shares, sixth to Series C-1 Preferred Shares, seventh to Series C Preferred Shares, eighth to Series B-1 Preferred Shares, ninth to Series B Preferred Shares and lastly to holders of Series A Preferred Shares.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statements.

The movements of the convertible redeemable preferred shares are set out as below:

	<i>RMB'000</i>
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F 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	(12,034,843)
	<hr/>
At December 31, 2020	185,372,816
	<hr/>
Total unrealized gains and change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	106,845,549
	<hr/>
At January 1, 2019	47,211,431
Issuance of Series E-1 Preferred Shares	1,273,032
Change in fair value	19,960,452
Includes: change in fair value due to own credit risk	17,338
Currency translation differences	999,248
	<hr/>
At December 31, 2019	69,444,163
	<hr/>
Total unrealized gains and change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	19,943,114
	<hr/>

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As of December 31,	
	2020	2019
Discount rate	16.50%	19.00%
Risk-free interest rate	0.11%	1.59%
DLOM	2.50%	5.00%
Volatility	57.00%	48.69%

18. Subsequent events

The Group entered into a framework agreement with Beijing Shounong Information Industrial Investment Co., Ltd. (“**Beijing Shounong**”) on January 15, 2021, pursuant to which the Group, through Beijing Kuaishou Technology Co., Ltd., agreed to purchase certain properties with a total gross floor area of approximately 114.2 thousand square meters at a total consideration (tax inclusive) of approximately RMB2.8 billion and to lease certain properties with a total gross floor area of approximately 119.5 thousand square meters and relevant parking spaces for a total rental fee of approximately RMB22.8 million per month for the first three years, subject to certain conditions and the final terms in the property purchase contract and lease agreement to be entered into. These properties will mainly be used as offices. The Group intends to pay the consideration for the purchase of these properties from internal funds.

In February 2021, the Company successfully completed its IPO of 365,218,600 shares at HK\$115 per share on the Main Board of The Stock Exchange of Hong Kong Limited and the underwriters of the Global Offering fully exercised the over-allotment option of an aggregate of 54,782,700 shares, among which 50,737,300 shares were newly allotted and issued by the Company. The net proceeds received by the Company from the IPO and exercise of over-allotment option, after deduction of the underwriting commission and other related expenses payable, have increased the net assets of the Company. Upon listing, all the 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, 2020.

Use of Proceeds

The Class B Shares were listed on the Main Board of the Stock Exchange on February 5, 2021. 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, are 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.

Since the Listing Date, the Group has not utilized any portion of the net proceeds, and will utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to “Future Plans and Use of Proceeds” in the Prospectus for details.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group’s development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance practices since the Listing Date.

As the Class B Shares were not listed on the Stock Exchange during the year ended December 31, 2020, the Corporate Governance Code was not applicable to the Company during that period, but has become applicable to the Company since the Listing Date. Save for code provision A.2.1 as discussed below, the Company has complied with all applicable code provisions set out in the Corporate Governance Code since the Listing Date.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Su Hua currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

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. As the Company's shares were not listed on the Stock Exchange for the year ended December 31, 2020, the relevant rules under the Model Code that the Directors shall observe did not apply to the Directors for the year ended December 31, 2020. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code since the Listing Date.

Purchase, Sale or Redemption of Listed Securities

As the Class B Shares were not listed on the Stock Exchange as at December 31, 2020, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

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, 2020. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The annual results for the year ended December 31, 2020 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, 2020 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, 2020

Save for the subsequent events as described in Note 18 to the Financial Information set forth in this announcement, there were no other significant events affecting the Group which occurred after December 31, 2020 and up to the date of this announcement.

Annual General Meeting

The 2021 AGM of the Company will be held on Friday, May 28, 2021. A notice convening the 2021 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 2021 AGM, the register of members of the Company will be closed from Tuesday, May 25, 2021 to Friday, May 28, 2021 (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 2021 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, May 24, 2021.

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 23, 2021

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 realised 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”, “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