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Kuaishou Technology 快手科技

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

ANNOUNCEMENT OF THE RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2022

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three months ended March 31, 2022. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “Auditor”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. These interim results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Unaudited Three Months Ended March 31,				Year-over- year change
	2022	2021	Amount	As a percentage of revenues	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
Revenues	21,066,677	100.0	17,019,450	100.0	23.8%
Gross profit	8,781,824	41.7	6,987,795	41.1	25.7%
Operating loss	(5,643,369)	(26.8)	(7,292,142)	(42.8)	(22.6%)
Loss before income tax	(5,690,757)	(27.0)	(58,585,154)	(344.2)	(90.3%)
Loss for the period	(6,253,896)	(29.7)	(57,751,051)	(339.3)	(89.2%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(3,722,265)	(17.7)	(5,650,687)	(33.2)	(34.1%)
Adjusted EBITDA ⁽²⁾	(1,551,708)	(7.4)	(4,929,270)	(29.0)	(68.5%)

Notes:

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

Operating Metrics

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

	Three Months Ended	
	March 31,	
	2022	2021
Average DAUs (<i>in millions</i>)	345.5	295.3
Average MAUs (<i>in millions</i>)	597.9	519.8
Average daily time spent per DAU (<i>in minutes</i>)	128.1	99.3
Average online marketing services revenue per DAU (<i>in RMB</i>)	32.9	29.0
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	175,075.6	118,559.4

Note:

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

BUSINESS REVIEW AND OUTLOOK

In the first quarter of 2022, our business demonstrated relatively stronger resilience amidst a challenging macro environment and the resurging pandemic. We set new records in terms of our key operating metrics in the first quarter of 2022. Our total user traffic continued to grow at a strong pace in the first quarter of 2022, increasing by over 50% year-over-year on Kuaishou App. We continued to improve monetization capability and optimize cost structure and operating efficiency, delivering a 23.8% year-over-year increase in total revenues of RMB21.1 billion, and achieving year-over-year improvements in across-the-board profitability in the first quarter of 2022. Our gross margin and operating margin improved by 0.6 percentage point and 16.0 percentage points in the first quarter of 2022 compared with the same period of 2021, and our adjusted net loss narrowed significantly to RMB3.7 billion from an adjusted net loss of RMB5.7 billion in the first quarter of 2021.

Ecosystem

In the first quarter of 2022, we further optimized user acquisition efficiency and user retention rate, and continued to implement a differentiated growth strategy to reinforce our unique social attributes, leading content operations and technological capabilities, and other various competitive edges of our business. This resulted in another set of record-setting user metrics in the first quarter of 2022. Our average DAUs and average MAUs on Kuaishou App increased by 17.0% and 15.0% year-over-year, to 345.5 million and 597.9 million, respectively, during the period. As our deeply connected ecosystem and rich content continued to resonate with users, user stickiness and engagement have been improving along with our expanding user base. This is demonstrated by an improved average DAUs to average MAUs ratio on Kuaishou App, which reached 57.8% in the first quarter of 2022, representing a 1.0 percentage point expansion year-over-year. At the same time, our average daily time spent per DAU on Kuaishou App reached 128.1 minutes in the first quarter of 2022, increasing by 29.0% year-over-year and 7.7% quarter-over-quarter.

We have been consistently strengthening the social attributes on our platform and maximizing the power of the multifaceted network effects in our vibrant and trust-based community. As a testament to the increasing bonds among users and their growing stickiness, pairs of mutual followers on Kuaishou App reached nearly 18.8 billion, cumulatively, by the end of March 2022, representing a 68.9% year-over-year increase.

We made outstanding progress in content enrichment and quality improvement in key verticals such as short plays, sports and pan-knowledge, which continuously drove organic growth in user base and user engagement. Our ***Kwai Playlet Astral (快手星芒短劇)***, which aims to provide all-around assistance for professional short play creators in content themes, traffic support and business cooperation to incentivize them to produce premium short plays, delivered excellent results in the first quarter of 2022. During the first quarter of 2022, ***Kwai Playlet Astral*** contributed to 18 blockbusters with cumulative viewers of over 100 million each, including “***Her Highness, Princess Royal (長公主在上)***” and “***Revenge from Phoenix (萬渣朝凰)***”, making us one of the leading platforms producing top-notch short plays. For the sports vertical, we increased our investment in premium content such as the Winter Olympics, and strengthened our operating capabilities in such content. By the end of March 2022, we covered more than 40 sports genres on our platform.

We also iterated and optimized our deep learning models, and fine-tuned our recommendation strategies. Our AI-empowered technology provides users with a better experience, which in turn serves to improve our long-term user retention, and fosters growth in user base and time spent.

Online marketing services

Although we endured a typical slack season for advertising industry, as well as the slowing macroeconomic growth and the resurging pandemic, our online marketing services gained more market share in the first quarter of 2022. This has demonstrated our differentiated value proposition to advertisers. Our online marketing services witnessed a modest year-over-year growth of 32.6% in the first quarter of 2022, with revenue reaching RMB11.4 billion.

Strong traffic growth, as well as the secular tailwind of video-based advertisements, fueled our online marketing business in the first quarter of 2022. We leveraged our closed-loop ecosystem, comprehensive product matrix, leading technology and premium services to provide an optimized experience for our advertisers continuously. As a result, we successfully attracted an increasing number of advertisers to our platform. In the first quarter of 2022, the number of advertisers on our platform increased by over 60% year-over-year.

Revenue from online marketing services provided to our e-commerce merchants maintained healthy growth momentum in the first quarter of 2022, which further enhanced the resilience of our online marketing business. This was attributable to our vigorously developed e-commerce business, improved service capabilities and continuous product iterations for advertisers from our e-commerce business as a natural extension to our platform.

Brand advertising is another area where advertisers can benefit from our high-value user community, closed-loop ecosystem and successful event operations such as the Winter Olympics and Chinese New Year campaigns. In the first quarter of 2022, we made inroads with dozens of world-renowned brand advertisers. Our distinct and differentiated positioning for brand advertisers makes Kuaishou a platform that cannot be overlooked for raising brand awareness across advertisers' targeted populations.

Live Streaming

In the first quarter of 2022, revenue from live streaming reached RMB7.8 billion, increasing by 8.2% year-over-year as we reinforced our live streaming ecosystem from both the supply and demand sides.

Rapid growth in our user base and traffic laid a solid foundation for the healthy development of our live streaming ecosystem. At the same time, our exploration of emerging user needs in an ever-changing environment, and the launch of new content categories attracted both new users and incremental traffic to the platform in the first quarter of 2022, including ***Kwai Recruitment*** (快招工).

On the supply side, we continually improved live streaming content quality by strengthening our cooperation with talent agencies. At the same time, we prioritized platform traffic allocation to motivate streamers to continuously create high-quality content. In the first quarter of 2022, the average daily streaming time per streamer increased by double-digit percentage points year-over-year.

On the demand side, our flourishing creators' community and our continuously enriched premium live streaming content attracted more users, creating a virtuous cycle that maximizes the value of our content creators and strengthening our robust and dynamic live streaming ecosystem. This was evidenced by the sequentially increasing number of both live streaming viewers and live streaming paying users. In the first quarter of 2022, average MPUs for live streaming increased by 7.8% year-over-year to 56.5 million on Kuaishou App. Monthly ARPPU for live streaming on Kuaishou App was RMB46.3 in the first quarter of 2022, compared with RMB46.1 for the first quarter of 2021.

Other services including e-commerce

Our other services delivered a robust performance with revenue of RMB1.9 billion in the first quarter of 2022, representing an increase of 54.6% year-over-year, primarily driven by e-commerce business. Our total e-commerce GMV increased by 47.7% year-over-year to RMB175.1 billion in the first quarter of 2022, among which, over 99% was contributed by ***Kwai Shop*** (快手小店), our closed-loop e-commerce marketplace.

Dedicated efforts to reinforce our trust-based e-commerce model, expand brand e-commerce and enhance our service partner systems, yielded consistent improvements to the overall consumer experience, increased merchandise supply, and fostered live-streaming content creation for e-commerce in the first quarter of 2022. These endeavors, along with our cutting-edge AI-driven recommendation technology, created increasing value for both our users and merchants, promoted consumption and deepened live streaming e-commerce penetration on our platform.

To further differentiate our unique trust-based e-commerce model from peers, we rolled out a comprehensive consumer rights protection system, ***Trusted Purchase*** (信任購), which adds a consumer trust index to our merchant recommendation mechanism to improve their operations and satisfy consumers' needs. This contributed to further year-over-year improvement of the repeat purchase rate on our platform in the first quarter of 2022.

With respect to brand e-commerce, we strive to serve and empower not only well-known brands, but also emerging brands, in particular, ***Kwai Brand*** (快品牌), which grew and flourished in Kuaishou's e-commerce ecosystem. Leveraging our massive traffic, user loyalty and various operating measures, emerging brands further strengthened their ability to gain access to and connect with a broader range of potential buyers, and improved their customer outreach and conversion capabilities. In the first quarter of 2022, the average monthly e-commerce GMV of ***Kwai Brand*** merchants exceeded RMB25.0 million.

Our network of *Kwai Partners* (快手服務商), which provides comprehensive and targeted services to merchants in our e-commerce ecosystem, has also begun to take shape. We grew both the quantity of service partners on our platform as well as improved the quality of their services to merchants, as measured by the number of merchants achieving a quantum leap in e-commerce GMV through empowerment by Kwai Partners. We also launched additional policies to help small-and medium-sized merchants enhance their sales efficiency and gain exposure to our user groups. The combination of these efforts drove a double-digit year-over-year increase in the number of monthly active merchants in the first quarter of 2022.

Overseas

In overseas markets, we grew at a healthy pace. During the first quarter of 2022 we maintained tight control of our expenses, strategically consolidating our resources and improving our efficiency in key markets. Further distinguishing our value proposition within today's market landscape, we continued to differentiate our product offerings, refine our targeted user outreach strategy, enrich our content supply, and advance our proprietary algorithms.

More importantly, we continued to improve the quality of our growth in overseas markets. Our average DAUs, user retention rate, as well as average time spent per DAU in overseas market each continued to increase in the first quarter of 2022. For example, average daily time spent per DAU in Brazil reached approximately 60 minutes in the first quarter of 2022.

We are also making solid progress with respect to monetization in overseas markets. During the first quarter of 2022, we continued to improve our capabilities in local operations, as well as strengthen our infrastructure in monetization. These combined efforts have empowered us, as well as the creators on our platform, to further explore monetization opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

First Quarter of 2022 Compared to First Quarter of 2021

The following table sets forth the comparative figures for the first quarter of 2022 and 2021, respectively:

	Unaudited			
	Three Months Ended March 31,			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	21,066,677	100.0	17,019,450	100.0
Cost of revenues	<u>(12,284,853)</u>	<u>(58.3)</u>	<u>(10,031,655)</u>	<u>(58.9)</u>
Gross profit	8,781,824	41.7	6,987,795	41.1
Selling and marketing expenses	<u>(9,488,359)</u>	<u>(45.0)</u>	<u>(11,659,592)</u>	<u>(68.5)</u>
Administrative expenses	<u>(871,446)</u>	<u>(4.1)</u>	<u>(703,351)</u>	<u>(4.1)</u>
Research and development expenses	<u>(3,522,781)</u>	<u>(16.7)</u>	<u>(2,811,146)</u>	<u>(16.5)</u>
Other income	<u>262,678</u>	<u>1.2</u>	<u>203,344</u>	<u>1.1</u>
Other (losses)/gains, net	<u>(805,285)</u>	<u>(3.9)</u>	<u>690,808</u>	<u>4.1</u>
Operating loss	(5,643,369)	(26.8)	(7,292,142)	(42.8)
Finance expense, net	<u>(11,465)</u>	<u>(0.1)</u>	<u>(17,215)</u>	<u>(0.1)</u>
Fair value changes of convertible redeemable preferred shares	<u>—</u>	<u>—</u>	<u>(51,275,797)</u>	<u>(301.3)</u>
Share of losses of investments accounted for using the equity method	<u>(35,923)</u>	<u>(0.1)</u>	<u>—</u>	<u>—</u>
Loss before income tax	(5,690,757)	(27.0)	(58,585,154)	(344.2)
Income tax (expenses)/benefits	<u>(563,139)</u>	<u>(2.7)</u>	<u>834,103</u>	<u>4.9</u>
Loss for the period	<u>(6,253,896)</u>	<u>(29.7)</u>	<u>(57,751,051)</u>	<u>(339.3)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(3,722,265)</u>	<u>(17.7)</u>	<u>(5,650,687)</u>	<u>(33.2)</u>
Adjusted EBITDA	<u>(1,551,708)</u>	<u>(7.4)</u>	<u>(4,929,270)</u>	<u>(29.0)</u>

Revenues

Our revenues increased by 23.8% to RMB21.1 billion for the first quarter of 2022 from RMB17.0 billion for the same period of 2021. The increase was primarily attributable to our online marketing services, e-commerce business and live streaming.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the first quarter of 2022 and 2021, respectively:

	Unaudited			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	11,351,470	53.9	8,557,676	50.3
Live streaming	7,841,970	37.2	7,250,399	42.6
Other services	1,873,237	8.9	1,211,375	7.1
Total	21,066,677	100.0	17,019,450	100.0

Online marketing services

Revenue from our online marketing services increased by 32.6% to RMB11.4 billion for the first quarter of 2022 from RMB8.6 billion for the same period of 2021, primarily attributable to user traffic growth and the growing number of advertisers driven by improvements in advertiser experience and ad performance.

Live streaming

Revenue from our live streaming business increased by 8.2% to RMB7.8 billion for the first quarter of 2022 from RMB7.3 billion for the same period of 2021, as a result of 7.8% year-over-year growth in MPU, which was further supported by improved content quality and operating efficiency.

Other services

Revenue from our other services increased by 54.6% to RMB1.9 billion for the first quarter of 2022 from RMB1.2 billion for the same period of 2021, primarily due to the growth of our e-commerce business.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the first quarter of 2022 and 2021, respectively:

	Unaudited			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	7,049,261	33.5	5,125,171	30.1
Bandwidth expenses and server custody costs ⁽¹⁾	1,605,247	7.6	1,933,174	11.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,318,163	6.3	1,415,140	8.3
Employee benefit expenses	782,087	3.7	733,294	4.3
Payment processing costs	407,720	1.9	304,582	1.8
Other cost of revenues	1,122,375	5.3	520,294	3.0
Total	12,284,853	58.3	10,031,655	58.9

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 22.5% to RMB12.3 billion for the first quarter of 2022, from RMB10.0 billion for the same period of 2021, primarily attributable to (i) the increase in revenue sharing costs and related taxes in line with our revenue growth; and (ii) the increase in content costs as part of other cost of revenues, as a result of our continuous efforts to diversify content verticals and enrich content ecosystem, partially offset by decreases in bandwidth expenses and server custody costs driven by optimized efficiency in bandwidth usage.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the first quarter of 2022 and 2021, respectively:

	Unaudited			
	Three Months Ended March 31,		2021	
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,781,824	41.7	6,987,795	41.1

As a result of the foregoing, our gross profit increased by 25.7% to RMB8.8 billion for the first quarter of 2022, from RMB7.0 billion for the same period of 2021. Our gross profit margin slightly increased to 41.7% for the first quarter of 2022, from 41.1% for the same period of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 18.6% to RMB9.5 billion for the first quarter of 2022, from RMB11.7 billion for the same period of 2021, and decreased to 45.0% for the first quarter of 2022 from 68.5% for the same period of 2021 as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and maintenance.

Administrative Expenses

Our administrative expenses increased by 23.9% to RMB871.4 million for the first quarter of 2022, from RMB703.4 million for the same period of 2021, primarily due to an increase in employee benefit expenses and the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses increased by 25.3% to RMB3.5 billion for the first quarter of 2022, from RMB2.8 billion for the same period of 2021, primarily attributable to an increase in employee benefit expenses due to the research and development personnel expansion along with the investments in big data and other advanced technologies, and the related share-based compensation expenses.

Other Income

Our other income increased by 29.2% to RMB262.7 million for the first quarter of 2022, from RMB203.3 million for the same period of 2021, primarily due to more government grants and value-added tax subsidies for the first quarter of 2022 as compared to the same period of 2021.

Other (Losses)/Gains, Net

We had other losses, net of RMB805.3 million for the first quarter of 2022, compared to other gains, net of RMB690.8 million for the same period of 2021. The change from gains to losses was primarily due to the impairment provision for investments recorded in the first quarter of 2022.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB5.6 billion and a negative operating margin of 26.8% for the first quarter of 2022, compared to an operating loss of RMB7.3 billion and a negative operating margin of 42.8% for the same period of 2021.

Finance Expense, Net

Our finance expense, net was RMB11.5 million and RMB17.2 million for the first quarter of 2022 and 2021, 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 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 nil for the first quarter of 2022, as a result of the completion of our initial public offering in February 2021, compared to negative RMB51.3 billion for the same period of 2021.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB35.9 million for the first quarter of 2022, compared to nil for the same period of 2021, primarily due to the conversion of our Group's investment in certain investee from financial assets at fair value through profit or loss to investments accounted for using the equity method at the end of March 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB5.7 billion and RMB58.6 billion for the first quarter of 2022 and 2021, respectively.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB563.1 million for the first quarter of 2022, compared to income tax benefits of RMB834.1 million for the first quarter of 2021, as we incurred deferred income tax expenses for the first quarter of 2022, compared to deferred income tax benefits for the first quarter of 2021.

Loss for the Period

As a result of the foregoing, our loss was RMB6.3 billion and RMB57.8 billion for the first quarter of 2022 and 2021, respectively.

First Quarter of 2022 Compared to Fourth Quarter of 2021

The following table sets forth the comparative figures for the first quarter of 2022 and fourth quarter of 2021, respectively:

	Unaudited			
	March 31, 2022		December 31, 2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	21,066,677	100.0	24,430,260	100.0
Cost of revenues	<u>(12,284,853)</u>	<u>(58.3)</u>	<u>(14,281,697)</u>	<u>(58.5)</u>
Gross profit	8,781,824	41.7	10,148,563	41.5
Selling and marketing expenses	<u>(9,488,359)</u>	<u>(45.0)</u>	<u>(10,229,580)</u>	<u>(41.9)</u>
Administrative expenses	<u>(871,446)</u>	<u>(4.1)</u>	<u>(919,756)</u>	<u>(3.8)</u>
Research and development expenses	<u>(3,522,781)</u>	<u>(16.7)</u>	<u>(4,016,063)</u>	<u>(16.4)</u>
Other income	<u>262,678</u>	<u>1.2</u>	<u>222,516</u>	<u>0.9</u>
Other losses, net	<u>(805,285)</u>	<u>(3.9)</u>	<u>(995,834)</u>	<u>(4.0)</u>
Operating loss	(5,643,369)	(26.8)	(5,790,154)	(23.7)
Finance expense, net	<u>(11,465)</u>	<u>(0.1)</u>	<u>(56,730)</u>	<u>(0.2)</u>
Share of losses of investments accounted for using the equity method	<u>(35,923)</u>	<u>(0.1)</u>	<u>(24,771)</u>	<u>(0.1)</u>
Loss before income tax	(5,690,757)	(27.0)	(5,871,655)	(24.0)
Income tax expenses	<u>(563,139)</u>	<u>(2.7)</u>	<u>(331,088)</u>	<u>(1.4)</u>
Loss for the period	<u>(6,253,896)</u>	<u>(29.7)</u>	<u>(6,202,743)</u>	<u>(25.4)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(3,722,265)</u>	<u>(17.7)</u>	<u>(3,568,768)</u>	<u>(14.6)</u>
Adjusted EBITDA	<u>(1,551,708)</u>	<u>(7.4)</u>	<u>(1,290,186)</u>	<u>(5.3)</u>

Revenues

Our revenues decreased by 13.8% to RMB21.1 billion for the first quarter of 2022, from RMB24.4 billion for the fourth quarter of 2021, primarily attributable to our online marketing services, live streaming and e-commerce business.

The following table sets forth our revenues by business lines in absolute amounts and as percentages of our total revenues for the first quarter of 2022 and the fourth quarter of 2021, respectively:

	Unaudited Three Months Ended			
	March 31, 2022		December 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	11,351,470	53.9	13,236,475	54.2
Live streaming	7,841,970	37.2	8,827,182	36.1
Other services	1,873,237	8.9	2,366,603	9.7
Total	21,066,677	100.0	24,430,260	100.0

Online marketing services

Revenue from our online marketing services decreased by 14.2% to RMB11.4 billion for the first quarter of 2022, from RMB13.2 billion for the fourth quarter of 2021, primarily attributable to seasonality of advertising industry.

Live streaming

Revenue from our live streaming business decreased by 11.2% to RMB7.8 billion for the first quarter of 2022, from RMB8.8 billion for the fourth quarter of 2021, primarily attributable to lower ARPPU in the first quarter of 2022 compared to the fourth quarter of 2021.

Other services

Revenue from our other services decreased by 20.8% to RMB1.9 billion for the first quarter of 2022, from RMB2.4 billion for the fourth quarter of 2021, primarily attributable to the decline in revenue from e-commerce business as a result of decreased sales due to capacity shortfall in the delivery industry during the Chinese New Year holiday.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the first quarter of 2022 and fourth quarter of 2021, respectively:

	Unaudited Three Months Ended			
	March 31, 2022		December 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
<i>(in thousands, except for percentages)</i>				
Revenue sharing costs and related taxes	7,049,261	33.5	8,191,079	33.5
Bandwidth expenses and server custody costs ⁽¹⁾	1,605,247	7.6	1,808,818	7.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,318,163	6.3	1,686,273	6.9
Employee benefit expenses	782,087	3.7	893,225	3.7
Payment processing costs	407,720	1.9	526,692	2.2
Other cost of revenues	1,122,375	5.3	1,175,610	4.8
Total	12,284,853	58.3	14,281,697	58.5

Note:

⁽¹⁾ Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under 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 decreased by 14.0% to RMB12.3 billion for the first quarter of 2022, from RMB14.3 billion for the fourth quarter of 2021, primarily attributable to (i) the decrease in revenue sharing costs and related taxes in line with our revenue fluctuation; and (ii) decreases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the first quarter of 2022 and the fourth quarter of 2021, respectively:

	Unaudited Three Months Ended			
	March 31, 2022		December 31, 2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	8,781,824	41.7	10,148,563	41.5

As a result of the foregoing, our gross profit decreased by 13.5% to RMB8.8 billion for the first quarter of 2022, from RMB10.1 billion for the fourth quarter of 2021. Our gross profit margin slightly increased to 41.7% for the first quarter of 2022, from 41.5% for the fourth quarter of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 7.2% to RMB9.5 billion for the first quarter of 2022, from RMB10.2 billion for the fourth quarter of 2021. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and maintenance.

Administrative Expenses

Our administrative expenses decreased by 5.3% to RMB871.4 million for the first quarter of 2022, from RMB919.8 million for the fourth quarter of 2021, primarily due to decrease in employee benefit expenses as a result of the headcount fluctuation in administrative personnel.

Research and Development Expenses

Our research and development expenses decreased by 12.3% to RMB3.5 billion for the first quarter of 2022, from RMB4.0 billion for the fourth quarter of 2021, primarily due to decrease in employee benefit expenses attributable to the headcount fluctuation in research and development personnel.

Other Income

Our other income increased by 18.0% to RMB262.7 million for the first quarter of 2022, from RMB222.5 million for the fourth quarter of 2021, primarily due to more government grants in the first quarter of 2022 as compared to the fourth quarter of 2021.

Other Losses, Net

Our other losses, net decreased by 19.1% to RMB805.3 million for the first quarter of 2022, from RMB995.8 million for the fourth quarter of 2021, primarily due to decrease in impairment provision for investments.

Operating Loss

As a result of the foregoing, we had operating loss of RMB5.6 billion for the first quarter of 2022, and operating loss of RMB5.8 billion for the fourth quarter of 2021, and our operating margin was negative 26.8% for the first quarter of 2022, compared to negative 23.7% for the fourth quarter of 2021.

Finance Expense, Net

Our finance expense, net was RMB11.5 million and RMB56.7 million for the first quarter of 2022 and fourth quarter of 2021, respectively, primarily attributable to the decrease in interest expense from lease liabilities.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB35.9 million for the first quarter of 2022, compared to RMB24.8 million for the fourth quarter of 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB5.7 billion for the first quarter of 2022, compared to a loss before income tax of RMB5.9 billion for the fourth quarter of 2021.

Income Tax Expenses

We incurred income tax expenses of RMB563.1 million for the first quarter of 2022, compared to RMB331.1 million for the fourth quarter of 2021, as we incurred deferred income tax expenses for the first quarter of 2022, compared to deferred income tax benefits for the fourth quarter of 2021.

Loss for the Period

As a result of the foregoing, our loss was RMB6.3 billion for the first quarter of 2022, compared to a loss of RMB6.2 billion for the fourth quarter of 2021.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the first quarter of 2022, the fourth quarter of 2021 and the first quarter of 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Unaudited		
	Three Months Ended		
	March 31,	December 31,	March 31,
	2022	2021	2021
	<i>(in RMB thousands)</i>		
Loss for the period	(6,253,896)	(6,202,743)	(57,751,051)
Add:			
Share-based compensation expenses	1,711,101	1,742,471	1,557,212
Fair value changes of convertible redeemable preferred shares	—	—	51,275,797
Net fair value changes on investments ⁽¹⁾	820,530	891,504	(732,645)
Adjusted net loss	<u>(3,722,265)</u>	<u>(3,568,768)</u>	<u>(5,650,687)</u>
Adjusted net loss	(3,722,265)	(3,568,768)	(5,650,687)
Add:			
Income tax expenses/(benefits)	563,139	331,088	(834,103)
Depreciation of property and equipment	732,912	1,077,220	916,074
Depreciation of right-of-use assets	828,088	776,990	580,536
Amortization of intangible assets	34,953	36,554	41,695
Finance expense, net	11,465	56,730	17,215
Adjusted EBITDA	<u>(1,551,708)</u>	<u>(1,290,186)</u>	<u>(4,929,270)</u>

Note:

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

Liquidity and Capital Resources

Other than the funds raised through our global offering in February 2021, we historically met our working capital and other capital requirements primarily through capital contributions from Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB15.3 billion as of March 31, 2022, compared to RMB32.6 billion as of December 31, 2021.

The following table sets forth a summary of our cash flows for the first quarter of 2022:

	Unaudited Three Months Ended March 31, 2022 <i>(in RMB thousands)</i>
Net cash used in operating activities	(3,186,873)
Net cash used in investing activities	(13,232,493)
Net cash used in financing activities	(770,543)
Net decrease in cash and cash equivalents	(17,189,909)
Cash and cash equivalents at the beginning of the period	32,612,419
Effects of exchange rate changes on cash and cash equivalents	(92,022)
Cash and cash equivalents at the end of the period	<u>15,330,488</u>

Net Cash Used in Operating Activities

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

For the first quarter of 2022, our net cash used in operating activities was RMB3.2 billion, which was primarily attributable to our loss before income tax of RMB5.7 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB1.7 billion, depreciation of property and equipment of RMB732.9 million, depreciation of right-of-use assets of RMB828.1 million and impairment provision for investments of RMB699.7 million. The amount was further adjusted by changes in working capital, which primarily comprised decreases in accounts payables of RMB1.5 billion and advances from customers of RMB307.0 million, partially offset by decrease in trade receivables of RMB504.3 million. We also paid income tax of RMB139.5 million.

Net Cash Used in Investing Activities

For the first quarter of 2022, our net cash used in investing activities was RMB13.2 billion, which was primarily attributable to the net change of investments in financial assets at fair value through profit or loss of RMB4.8 billion, the net change of time deposits with initial terms of over three months of RMB6.9 billion and purchase of property, equipment and intangible assets of RMB932.2 million.

Net Cash Used in Financing Activities

For the first quarter of 2022, our net cash used in financing activities was RMB770.5 million, which was primarily attributable to payments for principal elements of lease and the related interest of RMB795.1 million.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended March 31,	
	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenues	2	21,066,677	17,019,450
Cost of revenues	3	<u>(12,284,853)</u>	<u>(10,031,655)</u>
Gross profit		8,781,824	6,987,795
Selling and marketing expenses	3	(9,488,359)	(11,659,592)
Administrative expenses	3	(871,446)	(703,351)
Research and development expenses	3	(3,522,781)	(2,811,146)
Other income		262,678	203,344
Other (losses)/gains, net		<u>(805,285)</u>	<u>690,808</u>
Operating loss		(5,643,369)	(7,292,142)
Finance expense, net		(11,465)	(17,215)
Fair value changes of convertible redeemable preferred shares		—	(51,275,797)
Share of losses of investments accounted for using the equity method		<u>(35,923)</u>	<u>—</u>
Loss before income tax		(5,690,757)	(58,585,154)
Income tax (expenses)/benefits	4	<u>(563,139)</u>	<u>834,103</u>
Loss for the period		<u>(6,253,896)</u>	<u>(57,751,051)</u>
Attributable to:			
— Equity holders of the Company		<u>(6,254,379)</u>	(57,750,343)
— Non-controlling interests		<u>483</u>	<u>(708)</u>
		<u>(6,253,896)</u>	<u>(57,751,051)</u>
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	5	<u>(1.48)</u>	<u>(20.31)</u>
Diluted loss per share		<u>(1.48)</u>	<u>(20.31)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Unaudited	
	Three months ended	
	March 31,	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	<u>(6,253,896)</u>	<u>(57,751,051)</u>
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Share of other comprehensive loss of associates	(10,083)	—
Currency translation differences	(301,987)	2,420,461
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>191,750</u>	<u>(239,821)</u>
Other comprehensive (loss)/income for the period, net of taxes	<u>(120,320)</u>	<u>2,180,640</u>
Total comprehensive loss for the period	<u><u>(6,374,216)</u></u>	<u><u>(55,570,411)</u></u>
Attributable to:		
— Equity holders of the Company	(6,374,694)	(55,569,703)
— Non-controlling interests	<u>478</u>	<u>(708)</u>
	<u><u>(6,374,216)</u></u>	<u><u>(55,570,411)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As of March 31, 2022	As of December 31, 2021
	<i>Note</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		11,291,168	11,050,654
Right-of-use assets		11,199,531	12,561,745
Intangible assets		1,155,508	1,171,754
Investments accounted for using the equity method		613,761	1,411,141
Financial assets at fair value through profit or loss	6	4,061,177	3,300,623
Other financial assets at amortized cost	6	614,755	—
Deferred tax assets		5,195,540	5,405,224
Long-term time deposits		6,500,000	4,000,000
Other non-current assets		644,485	603,367
		<u>41,275,925</u>	<u>39,504,508</u>
Current assets			
Trade receivables		3,952,447	4,450,092
Prepayments, other receivables and other current assets		3,427,545	3,278,318
Financial assets at fair value through profit or loss	6	12,870,465	8,842,203
Other financial assets at amortized cost	6	4,990	—
Short-term time deposits		8,205,937	3,825,420
Restricted cash		2,404	2,415
Cash and cash equivalents		15,330,488	32,612,419
		<u>43,794,276</u>	<u>53,010,867</u>
Total assets		<u>85,070,201</u>	<u>92,515,375</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	As of March 31, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	143	142
Share premium	274,422,103	274,407,796
Other reserves	22,473,941	20,853,674
Accumulated losses	(256,426,615)	(250,172,236)
	40,469,572	45,089,376
Non-controlling interests	7,073	6,595
	40,476,645	45,095,971
LIABILITIES		
Non-current liabilities		
Lease liabilities	8,895,560	10,079,847
Deferred tax liabilities	27,195	28,477
Other non-current liabilities	50,261	55,560
	8,973,016	10,163,884
Current liabilities		
Accounts payables	18,699,319	20,021,082
Other payables and accruals	8,936,103	9,123,367
Advances from customers	3,201,386	3,502,642
Income tax liabilities	1,280,291	1,079,591
Lease liabilities	3,503,441	3,528,838
	35,620,540	37,255,520
Total liabilities	44,593,556	47,419,404
Total equity and liabilities	85,070,201	92,515,375

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Three months ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(3,186,873)	(1,432,137)
Net cash used in investing activities	(13,232,493)	(1,019,911)
Net cash (used in)/generated from financing activities	(770,543)	38,654,768
Net (decrease)/increase in cash and cash equivalents	(17,189,909)	36,202,720
Cash and cash equivalents at the beginning of the period	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents	(92,022)	538,920
Cash and cash equivalents at the end of the period	<u>15,330,488</u>	<u>57,133,185</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the three months ended March 31, 2022 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“**IASB**”). The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2021 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) by the Group as set out in the 2021 annual report of the Company dated March 29, 2022 (the “**2021 Financial Statements**”).

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021, as described in the 2021 Financial Statements, except for the adoption of certain new and amended standards which has had no significant impact on the results and the financial position of the Group.

In preparing the Interim Financial Information, the critical accounting estimates and judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2021 Financial Statements, except for the amended accounting estimate of useful lives of property and equipment. Management reviewed and extended the useful lives of servers and equipment with effect from January 1, 2022.

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

2 Revenues

The breakdown of revenues during the three months ended March 31, 2022 and 2021 is as follows:

	Three months ended	
	March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Online marketing services	11,351,470	8,557,676
Live streaming	7,841,970	7,250,399
Other services	1,873,237	1,211,375
	<u>21,066,677</u>	<u>17,019,450</u>

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

	Three months ended	
	March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue recognized at a point in time	20,624,619	14,856,353
Revenue recognized over time	442,058	2,163,097
	<u>21,066,677</u>	<u>17,019,450</u>

3 Expenses by nature

	Three months ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	7,049,261	5,125,171
Employee benefit expenses	5,135,677	4,213,956
Promotion and advertising expenses	8,790,057	11,157,698
Bandwidth expenses and server custody costs	1,605,247	1,933,174
Depreciation of property and equipment	732,912	916,074
Depreciation of right-of-use assets	828,088	580,536
Amortization of intangible assets	34,953	41,695
Outsourcing and other labor costs	364,612	274,595
Payment processing costs	407,720	304,582
Professional fees	57,913	53,174
Tax surcharges	238,751	80,635
Credit loss allowances on financial assets	(7,941)	3,026
Others (<i>Note a</i>)	930,189	521,428
	<u>26,167,439</u>	<u>25,205,744</u>

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

4 Income tax

The income tax (expenses)/benefits of the Group during the three months ended March 31, 2022 and 2021 are analysed as follows:

	Three months ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	(354,737)	(352,668)
Deferred income tax	(208,402)	1,186,771
	<u>(563,139)</u>	<u>834,103</u>

5 Loss per share

(a) *Basic loss per share*

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

	Three months ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net loss attributable to equity holders of the Company	(6,254,379)	(57,750,343)
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	4,224,767	2,842,982
Basic loss per share (<i>expressed in RMB per share</i>)	<u>(1.48)</u>	<u>(20.31)</u>

(b) *Diluted loss per share*

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

During the three months ended March 31, 2022, the Company had two categories of potential ordinary shares: share options and restricted share units ("RSUs") (during the three months ended March 31, 2021, the Company had three categories of potential ordinary shares: convertible redeemable preferred shares, share options and RSUs). As the Company incurred losses for the three months ended March 31, 2022 and 2021, 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 three months ended March 31, 2022 and 2021 were the same as basic loss per share for the respective periods.

6 Investments

	As of March 31, 2022 <i>RMB'000</i> (Unaudited)	As of December 31, 2021 <i>RMB'000</i> (Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,950,237	2,844,187
— Investments in a listed entity	86,733	146,165
— Wealth management products and others	1,024,207	310,271
	4,061,177	3,300,623
Other financial assets at amortized cost	614,755	—
	4,675,932	3,300,623
Current assets		
Financial assets at fair value through profit or loss		
— Investments in a listed entity	30,793	30,738
— Wealth management products and others	12,839,672	8,811,465
	12,870,465	8,842,203
Other financial assets at amortized cost	4,990	—
	12,875,455	8,842,203
Total	17,551,387	12,142,826

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

	Three months ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	12,142,826	7,533,763
Additions	21,391,411	3,075,866
Disposals	(16,599,189)	(3,625,014)
Transfer to investments accounted for using the equity method	—	(2,470,647)
Change in fair value through profit or loss	31,689	747,591
Deemed disposal due to business combination	—	(6,959)
Currency translation differences	(35,095)	4,006
	<hr/>	<hr/>
At the end of the period	<u>16,931,642</u>	<u>5,258,606</u>

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities during the three months ended March 31, 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standard of corporate governance which is crucial to the Group's development and safeguard the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices. The Company complied with all applicable code provisions as set out in the Corporate Governance Code during the three months ended March 31, 2022.

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited interim financial statements for the three months ended March 31, 2022. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited interim financial statements for the three months ended March 31, 2022 have been prepared in accordance with IFRS.

Significant Events after March 31, 2022

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after March 31, 2022 and up to the date of this announcement.

APPRECIATION

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

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

Hong Kong, May 24, 2022

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

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

DEFINITIONS

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

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

“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company
“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, GIF Kuaishou (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 since 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, Macau Special Administrative Region of the PRC and Taiwan
“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 “US Dollars”	the lawful currency of the United States of America
“%”	per cent