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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, 2022

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, 2022. The consolidated financial statements for the year ended December 31, 2022 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,		2021	As a percentage of revenues	Year-over- year change
	2022	Amount			
				As a percentage of revenues	
	Amount	percentage of revenues	Amount	percentage of revenues	
	<i>(RMB thousands, except for percentages)</i>				
Revenues	94,182,522	100.0	81,081,513	100.0	16.2%
Gross profit	42,131,163	44.7	34,029,705	42.0	23.8%
Operating loss	(12,557,952)	(13.3)	(27,701,265)	(34.2)	(54.7%)
Loss for the year	(13,689,360)	(14.5)	(78,077,101)	(96.3)	(82.5%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾ (unaudited)	(5,751,434)	(6.1)	(18,851,769)	(23.3)	(69.5%)
Adjusted EBITDA ⁽²⁾ (unaudited)	1,814,718	1.9	(12,953,371)	(16.0)	N/A

Unaudited
Three Months Ended December 31,
2022 **2021**

	Amount	As a percentage of revenues	Amount	As a percentage of revenues	Year-over- year change
		<i>(RMB thousands, except for percentages)</i>			
Revenues	28,292,284	100.0	24,430,260	100.0	15.8%
Gross profit	12,876,568	45.5	10,148,563	41.5	26.9%
Operating loss	(1,243,293)	(4.4)	(5,790,154)	(23.7)	(78.5%)
Loss for the period	(1,547,014)	(5.5)	(6,202,743)	(25.4)	(75.1%)
Non-IFRS Measures:					
Adjusted net loss ⁽¹⁾	(45,322)	(0.2)	(3,568,768)	(14.6)	(98.7%)
Adjusted EBITDA ⁽²⁾	1,935,917	6.8	(1,290,186)	(5.3)	N/A

Notes:

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

Financial Information by Segment

	Year Ended December 31, 2022			
	Domestic	Overseas	Unallocated items⁽¹⁾	Total
Revenues	93,557,462	625,060	—	94,182,522
Operating profit/(loss)	192,110	(6,637,993)	(6,112,069)	(12,557,952)
	Year Ended December 31, 2021			
	Domestic	Overseas	Unallocated items⁽¹⁾	Total
Revenues	81,006,397	75,116	—	81,081,513
Operating loss	(8,677,389)	(11,995,118)	(7,028,758)	(27,701,265)
	Year-over-year change			
	Domestic	Overseas	Unallocated items⁽¹⁾	Total
Revenues	15.5%	732.1%	—	16.2%
Operating profit/(loss)	N/A	(44.7%)	(13.0%)	(54.7%)

	Unaudited Three Months Ended December 31, 2022			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(RMB thousands)</i>			
Revenues	28,007,591	284,693	—	28,292,284
Operating profit/(loss)	1,267,205	(1,499,133)	(1,011,365)	(1,243,293)

	Unaudited Three Months Ended December 31, 2021			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	<i>(RMB thousands)</i>			
Revenues	24,384,103	46,157	—	24,430,260
Operating loss	(847,358)	(2,427,007)	(2,515,789)	(5,790,154)

	Year-over-year change			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
Revenues	14.9%	516.8%	—	15.8%
Operating profit/(loss)	N/A	(38.2%)	(59.8%)	(78.5%)

Note:

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

Operating Metrics

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

	Year Ended December 31,		Three Months Ended December 31,	
	2022	2021	2022	2021
Average DAUs <i>(in millions)</i>	355.7	308.2	366.2	323.3
Average MAUs <i>(in millions)</i>	612.7	544.2	640.0	578.0
Average daily time spent per DAU <i>(in minutes)</i>	129.2	111.5	133.9	118.9
Average online marketing services revenue per DAU <i>(in RMB)</i>	137.9	138.4	41.2	40.9
Total e-commerce GMV ⁽¹⁾ <i>(RMB in millions)</i>	901,156.6	680,036.1	312,386.7	240,291.5

Note:

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

BUSINESS REVIEW AND OUTLOOK

Business Review

Our fourth quarter results represent the culmination of a year marked by strong execution amid changing macro dynamics. Our user and content ecosystem was more vibrant than ever as we continued to grow the depth and breadth of our content, enhance services on our platform, and deploy more efficient user acquisition strategies. In the fourth quarter of 2022, we set new records in the average DAUs and MAUs on Kuaishou App, as well as average daily time spent per DAU. To unlock the massive value in our traffic, which continues to grow despite the enormous base, we implemented long-term initiatives in areas such as brand promotion, infrastructure, and ecosystem governance while deepening our operations in online marketing services and e-commerce, leading to continued gains in both mindshare and market share among advertisers and merchants.

In particular, our e-commerce GMV increased by 30% year-over-year in the fourth quarter of 2022, despite the supply and fulfillment disruptions in the industry caused by COVID-19. This successfully took our full-year e-commerce GMV beyond RMB900.0 billion. More importantly, we achieved our growth objectives in parallel with operating efficiency gains and more rationalized spending. In the fourth quarter of 2022, our domestic business more than tripled its operating profit quarter-over-quarter, bringing its full-year operating profit into positive territory. Our Group's adjusted EBITDA also turned positive for full-year 2022.

User and Content Ecosystem

In the fourth quarter of 2022, we continued to improve user acquisition efficiency by upgrading our user growth strategy, further enriched our creative ecosystem, and strengthened the supply of high-quality content. Through our algorithm-based learning system targeting different user groups, we also holistically optimized our operating metrics, such as user time spent and interactions, to improve user retention. In the fourth quarter of 2022, average DAUs and MAUs on Kuaishou App both hit record highs, reaching 366.2 million and 640.0 million, respectively, representing a year-over-year increase of 13.3% and 10.7%, respectively. In addition, average daily time spent per DAU on Kuaishou App increased by 12.6% year-over-year to 133.9 minutes in the fourth quarter of 2022. This steady growth in our user traffic demonstrates the strong appeal of our short video and live streaming community. It is also a testament to the fact that Kuaishou has become a one-stop platform for more users to find useful and interesting short video and live streaming content and to obtain services.

With respect to our user growth strategy, we continued to refine our personalized strategy and operations through algorithms, and consistently optimized user retention costs. In addition, we have been actively exploring user acquisition opportunities by leveraging more high-quality native short videos and live streaming content. In addition to our growing number of high-quality users, the vitality of Kuaishou's community has also been continuously increasing. By the end of 2022, pairs of mutual followers on Kuaishou App reached a cumulative 26.7 billion, increasing by 63.4% year-over-year. In addition, in the fourth quarter of 2022, average daily short video interactions (including likes, comments, and forwarding, etc.) increased by more than 50% year-over-year.

With a robust creative ecosystem as our foundation, we continued to enrich our content supply across various verticals. Specifically, we further strengthened our leadership in the short play segment. In 2022, our **Project Astral** (星芒計劃) has produced over 200 short plays in total, of which over 100 short plays have each received more than 100 million views accumulatively by the end of 2022. We are also actively striving to commercialize our short plays via advertising, e-commerce and paid content to build a sustainable, win-win ecosystem for creators and our platform. With respect to knowledge-based content,

we created ***Kuaishou New Knowledge*** (快手新知), a pan-knowledge IP currently covering more than 10 fields such as education, humanities, art, and science. The number of news-related videos uploaded by the media institutions in the fourth quarter of 2022 more than doubled year-over-year. Meanwhile, users who were prompted by major events to consume news on our platform have gradually become our loyal users. Separately, popular variety shows have also had a positive impact on new user acquisition and fortified our brand image in users' mindsets. For example, the Jay Chou's Online Friends Club held in November 2022 recorded a peak concurrent views of over 11.3 million and received over 1.1 billion likes, making it a hot topic on the entire internet.

In addition to the efforts above, we consistently optimized our search function. In the fourth quarter of 2022, nearly 400.0 million users on Kuaishou App used Kuaishou search every month on average, and the average number of daily searches nearly doubled year-over-year. Our efforts to map users' search patterns and understand their search mindset not only provided more accurate content solutions for users, but also more room for the growth of our online marketing and e-commerce services.

Online marketing services

In 2022, we faced challenges from a slowdown of the online advertising market due to the macro economy headwinds. As consumption recovered after the domestic pandemic control policies were eased in December 2022, Kuaishou outperformed the industry in growth by virtue of our continuously growing traffic, rich product portfolio, and enhanced organizational efficiency. In the fourth quarter of 2022, revenue from online marketing services increased by 14.0% year-over-year, accounting for 53.4% of total revenue.

We provided advertisers with comprehensive industry solutions and elevated the performance and conversion efficiencies of advertising solutions through refined operations, algorithms, and products with in-depth integration of industry attributes. We launched more efficient advertisement performance assurance to our advertisers, coupled with the enhancement of underlying algorithm strategy, which led to more steady spending. With a focus on the holistic health of our advertising ecosystem, we promoted advertiser growth via various channels and through proactive, industry-specific support policies and other measures. The number of our advertisers maintained a rapid growth momentum year-over-year in the fourth quarter of 2022.

The main growth driver of our online advertising services in the fourth quarter of 2022 was the healthy development of advertising services for our native e-commerce merchants. As the macro economy and consumption gradually recovered, fueled by various e-commerce promotion events in the fourth quarter of 2022, revenue from our e-commerce merchants continued to grow at a healthy pace, particularly in sectors such as Fast Moving Consumer Goods (FMCG) and food and beverage. We also improved advertising conversion through a dual strategy, employing both short video and live streaming, which further improved short videos' proportion to our online marketing revenue. In addition, the advancements we made in our original content programs allowed us to tap further into our organic traffic pool. This helped native e-commerce advertisers enhance traffic efficiency across public and private domains and realize their long-term business targets.

With regard to brand advertising, we increased our brand advertising inventory and optimized our sell-through rates by leveraging key promotions and our own marketing programs in the fourth quarter of 2022. We also boosted these results by continuously iterating our brand advertising products. During our Double 11 Sales Promotion, we teamed up with Henan TV to organize the China Chic Ceremony evening gala, which we customized to our advertisers' needs. Through individualized content planning and co-creations with KOLs, we achieved high-quality content dissemination while realizing commercial value. Advertisers have further recognized the value of promoting brands on the Kuaishou platform, driving an over 20% year-over-year increase in our brand advertising revenue.

E-commerce

In the interest of fostering long-term trust among consumers and merchants on our platform, we have taken various initiatives, including building merchandise infrastructure and enhancing our ecosystem governance. These efforts are intended to develop a worry-free “trust-based community” for merchants and consumers. In the fourth quarter of 2022, the disruptions in merchandise supply and fulfillment caused by the pandemic challenged the traditional e-commerce peak season. We responded swiftly to ensure logistics capacity and the availability of e-commerce streamers. These actions, coupled with our algorithm-based and targeted promotions, minimized the pandemic’s impact on user experience. As a result, our e-commerce GMV maintained fast growth in the fourth quarter of 2022, up 30% year-over-year, successfully taking our full-year e-commerce GMV beyond RMB900.0 billion.

On the supply side, we focused on long-term initiatives, including merchant operations, brands, and merchandise infrastructure. We continued to onboard new merchants with an emphasis on growing the number of high-quality active merchants. We upgraded our “service provider team” to our “merchant development department” by integrating the capabilities of our service providers and our products and traffic capabilities to provide a one-stop service for merchants, especially high-potential small and medium-sized merchants that need support, helping them make a smooth transition from cold starts to sales ramp-up. We updated our store scores system based on merchandise quality, logistics timeliness, and service competencies, to better identify high-quality merchants for traffic support and more refined tiered operations. Furthermore, we continued to strengthen the relationship modeling between long-term high-value users and merchants through algorithms, which significantly contributed to the increase of the overall GMV. At the same time, we further improved the accuracy of merchandise recommendation and matching, and the live streaming GPM of public domain traffic in the fourth quarter of 2022 continued to maintain a rapid year-on-year growth. As a result, the number of monthly active merchants grew by over 50% year-over-year in the fourth quarter of 2022, while the average monthly unit store sales of leading merchants increased by double digits year-over-year.

We achieved strong progress in brand e-commerce in the fourth quarter of 2022 on the back of grand sales promotions in the quarter. Leveraging high-quality public domain traffic and the trust-based private domain in our dual-engine model, we established an end-to-end path from “recommendation” to “transaction”, driving consistent growth in brand GMV, including **Kwai Brands** (快品牌). Overall brand GMV grew at an accelerated pace quarter-over-quarter and its share of our total e-commerce GMV expanded further to almost 30% in the fourth quarter of 2022. For **Kwai Brands**, we focused on the development and support of high-quality **Kwai Brands** and launched our **Super Kwai Brands** (超級快品牌) event to increase brand exposure, and reinforced brand awareness through integrated online and offline activities. As a result, **Kwai Brands** delivered GMV growth of over 80% year-over-year during the November 6 Grand Promotions. We also set up a disqualification system for lower performers to make sure Kwai brands are able to continue to provide high quality products and services. As a result, **Kwai Brands** achieved better results in its return and repeat purchase rates compared with the overall platform in 2022. For more established brand merchants, in the fourth quarter of 2022, we fully harnessed our high-quality KOL resources and helped refine their product and content operations to better cater to our ecosystem and users. This fostered more blockbuster products and facilitated deeper connections with brand followers, altogether resulting in a dual surge in the brands’ share of voice and share of sales. In the fourth quarter of 2022, the number of brands with sales above RMB100.0 million increased by over 50% year-over-year, demonstrating growing recognition of Kuaishou’s user value and unique e-commerce ecosystem. In 2022, the number of brand merchants maintained rapid growth, and more than 90% of these merchants were active brand merchants.

To further strengthen our merchandising capabilities, we continued to increase the accuracy, diversity, and coverage of product labels, gaining deeper insights into merchandise pricings, brand attributes, and transaction trends. At the same time, we profiled “good merchandise” for Kuaishou users based on

users' needs before, during, and after sales. We continually optimized the system from the moment the merchandise landed on our platform, providing relevant, reliable, and high-quality information to elevate users' shopping experience. We also incorporated merchandise characteristics into our algorithm-based recommendation system to enhance user-merchandise matching efficiency and users' product awareness, further fortifying their shopping mindsets.

On the consumption side, we improved user conversion efficiency by refining our user operation strategies and consistently optimizing our subsidy promotion based on algorithm. In these efforts, we benefitted from our efficient identification of potential consumers. In the fourth quarter of 2022, monthly active paying users increased further year-over-year and quarter-over-quarter, representing a penetration rate of high double digits. Monthly purchase frequency also improved quarter-over-quarter, while average order value expanded year-over-year and quarter-over-quarter. Moreover, our user review system gradually matured. With an increased weight of user satisfaction metrics in our algorithms, we achieved a consistent decline in negative merchandise feedback and customer complaint rates (CCR), demonstrating notable improvements in the e-commerce shopping experience with us. In addition, upholding the standard of "reliable quality and worry-free after-sales services", we have rolled out over 20 consumer rights and interests protection services on our platform. Meanwhile, our coverage of e-commerce orders with trusted-purchase and other protections grew by 460% compared with 2021.

Live streaming

In the fourth quarter of 2022, live streaming revenue increased by 13.7% year-over-year to RMB10.0 billion, reaching a historical high. Average MPUs for live streaming grew by 20.4% year-over-year to 58.4 million. Our efforts to consistently diversify our content offerings, optimize our live streaming ecosystem, and iterate our algorithms propelled these achievements. We continued to strengthen our cooperation with top talent agencies and streamers while attracting more high-quality streamers to join our platform. We also launched a recruitment policy to sign up top-notch streamers and promote the development of live streaming as a profession. To enrich high-quality live streaming content supply in various verticals on our platform, we introduced vertical programs in folk music, opera, and dance in our annual live streaming ceremony.

Importantly, we have attached increasing importance to the healthy and sustainable development of our live streaming ecosystem. For example, through the Top 100 Streamer Selection, we encouraged leading streamers from all walks of life to continue providing users with high-quality live streaming content. We also skewed our traffic support to accelerate growth and improve the retention for new streamers, while guiding the traditional KOLs to further enhance content quality. Through refined recommendations and algorithms, we improved the conversion of users' rewarding behavior in the public domain based on the generalized modeling of users' gifting interests, growing our public domain live streaming revenue by over 150% year-over-year in the fourth quarter of 2022.

In addition, we made continuous efforts to expand live streaming usage scenarios and build associated infrastructure to better satisfy users' and business partners' needs. In the fourth quarter of 2022, average daily resume submissions on ***Kwai Hire*** (快聘) more than doubled compared with the first quarter of 2022. Meanwhile, cumulative transactions volume on ***Ideal Housing*** (理想家) exceeded RMB10.0 billion just half a year after its launch.

Overseas

In terms of our overseas business, we continued to focus on developing our markets in key countries, optimizing resource allocation and elevating operational efficiency. These efforts helped us further improve the bottom line of our overseas business. In addition to optimizing our customer acquisition costs

across all channels, our overseas user base achieved healthy, steady growth. Through rich, constructive content offerings, we built user mindsets for consuming news on our platform, as well as short plays and other content verticals in which we excel. Moreover, we kept upgrading our products and algorithms to further strengthen user engagement, with average daily time spent per DAU growing to over 65 minutes in our overseas markets.

We also steadily improved our commercial ecosystem and enhanced our monetization capabilities, leading to rapid revenue expansions in the overseas markets. On the advertising front, we constantly created success cases and expanded our advertiser base. Through refined customer operations, we empowered advertisers to broaden their brand influence and achieve more growth upside. In terms of live streaming, we onboarded more streamers and talent agencies, which enriched our content offerings and deepened our live streaming penetration. Meanwhile, we continued to grow our live streaming revenue via refined operations and diverse operational activities. Additionally, we have been actively exploring e-commerce opportunities in the overseas markets.

Corporate Social Responsibilities

Leveraging our advanced short video and live streaming capacity, as well as our equitable traffic allocation mechanism, Kuaishou has built an inclusive, trust-based digital community for hundreds of millions of users, empowering participants from all walks of life to explore new usage scenarios, new opportunities, and new business models, advancing the integration of digital technology and the real economy, and facilitating the development of the digital economy and Digital China.

Since we commenced its operation in 2021, *Kwai Hire* has reinvented a trust-based recruitment process and a live streaming recruitment model, connecting job seekers and enterprise recruiters on our digital-native platform. Benefiting from matching efficiency and premier user experience unique to an online recruitment model, live streaming recruitment has become a major recruitment channel for enterprise recruiters and blue-collar job seekers in Kunshan, Jiangsu Province. *Kwai Hire* has formulated a new *Kunshan Model* (昆山模式) of live streaming recruitment, combining core features of “digitalized human resources service”, “digitalized enterprise recruitment process”, and “digital empowerment by platform”.

Business Outlook

Looking ahead, we will continue making strides in upgrading our infrastructure, algorithms, usage scenarios and the multiple growth engines of our business, in tandem with our endeavor to further optimize cost structure and improve our operating efficiency. We are confident that our efforts to create value for all our ecosystem participants, with our inclusive and balanced traffic distribution strategy, will draw more users and creative talents to our platform, as such taking our unique, trust-based user and content community to new heights.

With continual enhancements to our user experience and commercial ecosystems, we look forward to further unlocking major monetization opportunities fostered by the massive scale of our traffic in both our private and public domains, our strong user engagement, high e-commerce repeated purchase rates at our platform, and our superior advertising conversion performance. In 2023, through relentless efforts to meet the needs and even exceed the expectation of our users and achieve better returns for our business partners, we will strive to strengthen our market position in online marketing and e-commerce, while creating additional shareholder value through improved monetization and efficiency enhancement measures that drive sustainable profitability over the long-term.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2022 Compared to Year ended December 31, 2021

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the years ended December 31, 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenues	94,182,522	100.0	81,081,513	100.0
Cost of revenues	(52,051,359)	(55.3)	(47,051,808)	(58.0)
Gross profit	42,131,163	44.7	34,029,705	42.0
Selling and marketing expenses	(37,120,984)	(39.4)	(44,175,898)	(54.5)
Administrative expenses	(3,921,001)	(4.2)	(3,400,316)	(4.2)
Research and development expenses	(13,784,176)	(14.6)	(14,956,247)	(18.4)
Other income	1,547,498	1.6	1,026,742	1.3
Other losses, net	(1,410,452)	(1.4)	(225,251)	(0.4)
Operating loss	(12,557,952)	(13.3)	(27,701,265)	(34.2)
Finance income/(expense), net	165,574	0.1	(38,536)	(0.0)
Fair value changes of convertible redeemable preferred shares	—	—	(51,275,797)	(63.3)
Share of losses of investments accounted for using the equity method	(138,683)	(0.1)	(86,658)	(0.1)
Loss before income tax	(12,531,061)	(13.3)	(79,102,256)	(97.6)
Income tax (expenses)/benefits	(1,158,299)	(1.2)	1,025,155	1.3
Loss for the year	(13,689,360)	(14.5)	(78,077,101)	(96.3)
Non-IFRS Measures:				
Adjusted net loss (unaudited)	(5,751,434)	(6.1)	(18,851,769)	(23.3)
Adjusted EBITDA (unaudited)	1,814,718	1.9	(12,953,371)	(16.0)

Revenues

Our revenues increased by 16.2% to RMB94.2 billion in 2022, from RMB81.1 billion in 2021. The increase was primarily attributable to the growth of our online marketing services, live streaming business and e-commerce business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues in 2022 and 2021, respectively:

	Year Ended December 31,			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Online marketing services	49,041,552	52.1	42,665,483	52.6
Live streaming	35,387,952	37.6	30,995,152	38.2
Other services	9,753,018	10.3	7,420,878	9.2
Total	94,182,522	100.0	81,081,513	100.0

Online marketing services

Revenue from our online marketing services increased by 14.9% to RMB49.0 billion in 2022 from RMB42.7 billion in 2021, primarily attributable to the growth in the number of advertisers and the increased spending from advertisers, especially from our e-commerce merchants, driven by the increased traffic on our platform, diversified product portfolio and refined operation based on industry attributes.

Live streaming

Revenue from our live streaming business increased by 14.2% to RMB35.4 billion in 2022 from RMB31.0 billion in 2021, as a result of 19.4% growth in average MPUs, which was supported by the consistent enrichment of content supply, evolving collaboration strategy with talent agencies and continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 31.4% to RMB9.8 billion in 2022 from RMB7.4 billion in 2021, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and the improved repeat purchase rate.

Cost of Revenues

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

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	30,924,481	32.8	24,792,937	30.6
Bandwidth expenses and server custody costs ⁽¹⁾	6,623,693	7.0	7,638,475	9.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	5,603,292	5.9	6,246,286	7.7
Employee benefit expenses	2,798,516	3.0	3,451,634	4.3
Payment processing costs	1,946,439	2.1	1,602,030	2.0
Other cost of revenues	4,154,938	4.5	3,320,446	4.0
Total	52,051,359	55.3	47,051,808	58.0

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 10.6% to RMB52.1 billion in 2022 from RMB47.1 billion in 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth, partially offset by decreased bandwidth expenses and server custody costs.

Gross Profit and Gross Profit Margin

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

	Year Ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	42,131,163	44.7	34,029,705	42.0

As a result of the foregoing, our gross profit increased by 23.8% to RMB42.1 billion in 2022 from RMB34.0 billion in 2021. Our gross profit margin increased to 44.7% in 2022 from 42.0% in 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 16.0% to RMB37.1 billion in 2022 from RMB44.2 billion in 2021, and decreased to 39.4% in 2022 from 54.5% in 2021 as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 15.3% to RMB3.9 billion in 2022 from RMB3.4 billion in 2021, primarily due to an increase in employee benefit expenses, which were mainly related to share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 7.8% to RMB13.8 billion in 2022 from RMB15.0 billion in 2021, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income increased from RMB1.0 billion in 2021 to RMB1.5 billion in 2022, primarily due to an increase in the value-added tax preferences in 2022 as compared to 2021.

Other Losses, Net

We had other losses, net of RMB1.4 billion in 2022, compared to other losses, net of RMB225.3 million in 2021. The increase was primarily due to net fair value losses on financial assets at fair value through profit or loss of investments in listed and unlisted entities was recognized in 2022 as compared to net fair value gains in 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB12.6 billion and a negative operating margin of 13.3% in 2022, compared to an operating loss of RMB27.7 billion and a negative operating margin of 34.2% in 2021.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for 2022 and 2021, respectively:

	Year Ended December 31,		Year-over-year change
	2022	2021	
	<i>(RMB thousands, except for percentages)</i>		
Domestic	192,110	(8,677,389)	N/A
Overseas	(6,637,993)	(11,995,118)	(44.7%)
Unallocated items	(6,112,069)	(7,028,758)	(13.0%)
Total	<u>(12,557,952)</u>	<u>(27,701,265)</u>	(54.7%)

We had an operating profit of RMB192.1 million and an operating loss of RMB8.7 billion from the domestic segment in 2022 and 2021, respectively. The change was primarily attributable to 15.5% year-over-year growth in domestic revenues.

We had an operating loss of RMB6.6 billion and RMB12.0 billion from the overseas segment in 2022 and 2021, respectively. The narrowing operating loss was primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Finance Income/(Expense), Net

We had finance income, net of RMB165.6 million in 2022, compared to finance expense, net of RMB38.5 million in 2021, primarily attributable to an increase in interest income from bank deposits.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares were nil in 2022, as a result of the completion of our initial public offering in February 2021, compared to negative RMB51.3 billion in 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 RMB138.7 million in 2022, compared to RMB86.7 million in 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB12.5 billion and RMB79.1 billion in 2022 and 2021, respectively.

Income Tax (Expenses)/Benefits

We had income tax expenses of RMB1.2 billion in 2022 and income tax benefits of RMB1.0 billion in 2021, as we incurred deferred income tax expenses in 2022, compared to deferred income tax benefits in 2021.

Loss for the Year

As a result of the foregoing, our loss for the year was RMB13.7 billion and RMB78.1 billion in 2022 and 2021, respectively.

Fourth Quarter of 2022 Compared to Fourth Quarter of 2021

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

	Unaudited			
	Three Months Ended December 31,			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	28,292,284	100.0	24,430,260	100.0
Cost of revenues	<u>(15,415,716)</u>	<u>(54.5)</u>	<u>(14,281,697)</u>	<u>(58.5)</u>
Gross profit	12,876,568	45.5	10,148,563	41.5
Selling and marketing expenses	<u>(9,739,839)</u>	<u>(34.4)</u>	<u>(10,229,580)</u>	<u>(41.9)</u>
Administrative expenses	<u>(1,034,485)</u>	<u>(3.7)</u>	<u>(919,756)</u>	<u>(3.8)</u>
Research and development expenses	<u>(3,445,952)</u>	<u>(12.2)</u>	<u>(4,016,063)</u>	<u>(16.4)</u>
Other income	<u>450,616</u>	<u>1.6</u>	<u>222,516</u>	<u>0.9</u>
Other losses, net	<u>(350,201)</u>	<u>(1.2)</u>	<u>(995,834)</u>	<u>(4.0)</u>
Operating loss	(1,243,293)	(4.4)	(5,790,154)	(23.7)
Finance income/(expense), net	<u>106,772</u>	<u>0.4</u>	<u>(56,730)</u>	<u>(0.2)</u>
Share of losses of investments accounted for using the equity method	<u>(26,585)</u>	<u>(0.1)</u>	<u>(24,771)</u>	<u>(0.1)</u>
Loss before income tax	(1,163,106)	(4.1)	(5,871,655)	(24.0)
Income tax expenses	<u>(383,908)</u>	<u>(1.4)</u>	<u>(331,088)</u>	<u>(1.4)</u>
Loss for the period	<u>(1,547,014)</u>	<u>(5.5)</u>	<u>(6,202,743)</u>	<u>(25.4)</u>
Non-IFRS Measures:				
Adjusted net loss	<u>(45,322)</u>	<u>(0.2)</u>	<u>(3,568,768)</u>	<u>(14.6)</u>
Adjusted EBITDA	<u>1,935,917</u>	<u>6.8</u>	<u>(1,290,186)</u>	<u>(5.3)</u>

Revenues

Our revenues increased by 15.8% to RMB28.3 billion for the fourth quarter of 2022, from RMB24.4 billion for the same period of 2021. The increase was primarily attributable to the growth of our online marketing services, live streaming business and e-commerce business.

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

	Unaudited			
	Three Months Ended December 31, 2022		2021	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	15,094,052	53.4	13,236,475	54.2
Live streaming	10,034,193	35.5	8,827,182	36.1
Other services	3,164,039	11.1	2,366,603	9.7
Total	28,292,284	100.0	24,430,260	100.0

Online marketing services

Revenue from our online marketing services increased by 14.0% to RMB15.1 billion for the fourth quarter of 2022, from RMB13.2 billion for the same period of 2021, primarily attributable to the growth in the number of advertisers and the increased advertising spending from advertisers, especially from our e-commerce merchants, driven by the increased traffic on our platform, diversified product portfolio and refined operation based on industry attributes.

Live streaming

Revenue from our live streaming business increased by 13.7% to RMB10.0 billion for the fourth quarter of 2022, from RMB8.8 billion for the same period of 2021, as a result of the 20.4% year-over-year growth in average MPUs, which was supported by consistent enrichment of content supply, continuous optimization of our live streaming ecosystem and algorithms.

Other services

Revenue from our other services increased by 33.7% to RMB3.2 billion for the fourth quarter of 2022, from RMB2.4 billion for the same period of 2021, primarily attributable to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and average order value.

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 2022 and 2021, respectively:

	Unaudited			
	Three Months Ended December 31, 2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	9,987,186	35.3	8,191,079	33.5
Bandwidth expenses and server custody costs ⁽¹⁾	1,843,826	6.5	1,808,818	7.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,486,309	5.3	1,686,273	6.9
Employee benefit expenses	539,284	1.9	893,225	3.7
Payment processing costs	580,648	2.1	526,692	2.2
Other cost of revenues	978,463	3.4	1,175,610	4.8
Total	15,415,716	54.5	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 increased by 7.9% to RMB15.4 billion for the fourth quarter of 2022, from RMB14.3 billion for the same period of 2021, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth, partially offset by the decrease in employee benefit expenses and 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 fourth quarter of 2022 and 2021, respectively:

	Unaudited			
	Three Months Ended December 31, 2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Gross profit	12,876,568	45.5	10,148,563	41.5

As a result of the foregoing, our gross profit increased by 26.9% to RMB12.9 billion for the fourth quarter of 2022, from RMB10.1 billion for the same period of 2021. Our gross profit margin increased to 45.5% for the fourth quarter of 2022, from 41.5% for the same period of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 4.8% to RMB9.7 billion for the fourth quarter of 2022, from RMB10.2 billion for the same period of 2021, and decreased to 34.4% from 41.9% as a percentage of our total revenues. The decrease was primarily attributable to disciplined and more efficient spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses increased by 12.5% to RMB1.0 billion for the fourth quarter of 2022, from RMB919.8 million for the same period of 2021, primarily due to an increase in employee benefit expenses, which was mainly related to share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 14.2% to RMB3.4 billion for the fourth quarter of 2022, from RMB4.0 billion for the same period of 2021, primarily attributable to a decrease in employee benefit expenses, including related share-based compensation expenses.

Other Income

Our other income increased by 102.5% to RMB450.6 million for the fourth quarter of 2022, from RMB222.5 million for the same period of 2021, primarily due to increase in value-added tax preferences and other tax refunds for the fourth quarter of 2022 as compared to the same period of 2021.

Other Losses, Net

We recorded other losses, net of RMB350.2 million and RMB995.8 million for the fourth quarter of 2022 and 2021, respectively. The change was primarily due to the impairment provision for investments recorded in the fourth quarter of 2021.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB1.2 billion and a negative operating margin of 4.4% for the fourth quarter of 2022, compared to an operating loss of RMB5.8 billion and a negative operating margin of 23.7% for the same period of 2021.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the fourth quarter of 2022 and 2021, respectively:

	Unaudited		
	Three Months Ended December 31,		
	2022	2021	Year-over-year change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	1,267,205	(847,358)	N/A
Overseas	(1,499,133)	(2,427,007)	(38.2%)
Unallocated items	(1,011,365)	(2,515,789)	(59.8%)
Total	<u>(1,243,293)</u>	<u>(5,790,154)</u>	(78.5%)

We had an operating profit from the domestic segment of RMB1.3 billion for the fourth quarter of 2022, compared to an operating loss of RMB847.4 million for the same period of 2021, mainly due to 14.9% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB1.5 billion for the fourth quarter of 2022, from RMB2.4 billion for the same period of 2021, primarily attributable to rapid growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Finance Income/(Expense), Net

Our finance income, net was RMB106.8 million for the fourth quarter of 2022, compared to finance expense, net of RMB56.7 million for the fourth quarter of 2021. The change primarily attributable to the increase in interest income from bank deposits and 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 RMB26.6 million for the fourth quarter of 2022, compared to RMB24.8 million for the same period of 2021.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB1.2 billion and RMB5.9 billion for the fourth quarter of 2022 and 2021, respectively.

Income Tax Expenses

We incurred income tax expenses of RMB383.9 million and RMB331.1 million for the fourth quarter of 2022 and 2021, respectively.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB1.5 billion for the fourth quarter of 2022, compared to RMB6.2 billion for the same period of 2021.

Fourth Quarter of 2022 Compared to Third Quarter of 2022

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

	Unaudited			
	December 31, 2022		September 30, 2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>			
Revenues	28,292,284	100.0	23,128,413	100.0
Cost of revenues	<u>(15,415,716)</u>	<u>(54.5)</u>	<u>(12,425,410)</u>	<u>(53.7)</u>
Gross profit	12,876,568	45.5	10,703,003	46.3
Selling and marketing expenses	(9,739,839)	(34.4)	(9,130,341)	(39.5)
Administrative expenses	(1,034,485)	(3.7)	(1,059,353)	(4.6)
Research and development expenses	(3,445,952)	(12.2)	(3,533,090)	(15.3)
Other income	450,616	1.6	687,184	3.0
Other losses, net	<u>(350,201)</u>	<u>(1.2)</u>	<u>(279,595)</u>	<u>(1.2)</u>
Operating loss	(1,243,293)	(4.4)	(2,612,192)	(11.3)
Finance income, net	106,772	0.4	68,258	0.3
Share of losses of investments accounted for using the equity method	<u>(26,585)</u>	<u>(0.1)</u>	<u>(31,386)</u>	<u>(0.1)</u>
Loss before income tax	(1,163,106)	(4.1)	(2,575,320)	(11.1)
Income tax expenses	<u>(383,908)</u>	<u>(1.4)</u>	<u>(137,081)</u>	<u>(0.6)</u>
Loss for the period	<u>(1,547,014)</u>	<u>(5.5)</u>	<u>(2,712,401)</u>	<u>(11.7)</u>
Non-IFRS Measures:				
Adjusted net loss	(45,322)	(0.2)	(671,946)	(2.9)
Adjusted EBITDA	1,935,917	6.8	1,023,285	4.4

Revenues

Our revenues increased by 22.3% to RMB28.3 billion for the fourth quarter of 2022, from RMB23.1 billion for the third quarter of 2022, primarily attributable to the growth of our online marketing services, live streaming business and e-commerce business.

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

	Unaudited			
	Three Months Ended			
	December 31, 2022		September 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Online marketing services	15,094,052	53.4	11,589,632	50.1
Live streaming	10,034,193	35.5	8,946,690	38.7
Other services	3,164,039	11.1	2,592,091	11.2
Total	<u>28,292,284</u>	<u>100.0</u>	<u>23,128,413</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services increased by 30.2% to RMB15.1 billion for the fourth quarter of 2022, from RMB11.6 billion for the third quarter of 2022, primarily attributable to the growth in the number of advertisers and the increased advertising spending from advertisers, especially from our e-commerce merchants, along with the e-commerce promotional seasons and events in the fourth quarter.

Live streaming

Revenue from our live streaming business increased by 12.2% to RMB10.0 billion for the fourth quarter of 2022, from RMB8.9 billion for the third quarter of 2022, primarily due to our consistent enrichment of content supply, optimized algorithms and continuously-evolving collaboration strategy with talent agencies.

Other services

Revenue from our other services increased by 22.1% to RMB3.2 billion for the fourth quarter of 2022, from RMB2.6 billion for the third quarter of 2022, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV. The growth in our e-commerce GMV was driven by an increase in the number of active merchants, number of active e-commerce paying users and average order value, amid the e-commerce promotional campaigns in the fourth quarter.

Cost of Revenues

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

	Unaudited			
	Three Months Ended			
	December 31, 2022		September 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Revenue sharing costs and related taxes	9,987,186	35.3	7,163,900	31.0
Bandwidth expenses and server custody costs ⁽¹⁾	1,843,826	6.5	1,653,413	7.1
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,486,309	5.3	1,402,298	6.1
Employee benefit expenses	539,284	1.9	766,033	3.3
Payment processing costs	580,648	2.1	526,415	2.3
Other cost of revenues	978,463	3.4	913,351	3.9
Total	15,415,716	54.5	12,425,410	53.7

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 24.1% to RMB15.4 billion for the fourth quarter of 2022, from RMB12.4 billion for the third quarter of 2022, primarily attributable to the increase in revenue sharing costs and related taxes in line with our revenue growth and the increase in bandwidth expenses and server custody costs.

Gross Profit and Gross Profit Margin

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

	Unaudited			
	Three Months Ended			
	December 31, 2022		September 30, 2022	
	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>			
Gross profit	12,876,568	45.5	10,703,003	46.3

As a result of the foregoing, our gross profit increased by 20.3% to RMB12.9 billion for the fourth quarter of 2022, from RMB10.7 billion for the third quarter of 2022. Our gross profit margin decreased to 45.5% for the fourth quarter of 2022, from 46.3% for the third quarter of 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 6.7% to RMB9.7 billion for the fourth quarter of 2022, from RMB9.1 billion for the third quarter of 2022, primarily due to the increased spending along with the e-commerce promotions and earlier Chinese New Year marketing activities. Our selling and marketing expenses as a percentage of our total revenues decreased to 34.4% for the fourth quarter of 2022, from 39.5% for the third quarter of 2022, primarily attributable to the improved efficiency and more rationalized spending on user acquisition and retention.

Administrative Expenses

Our administrative expenses were RMB1.0 billion for the fourth quarter of 2022, compared to RMB1.1 billion for the third quarter of 2022.

Research and Development Expenses

Our research and development expenses were RMB3.4 billion for the fourth quarter of 2022, compared to RMB3.5 billion for the third quarter of 2022.

Other Income

Our other income was RMB450.6 million for the fourth quarter of 2022, compared to RMB687.2 million for the third quarter of 2022, mainly due to the decrease in tax refunds.

Other Losses, Net

We recorded other losses, net of RMB350.2 million and RMB279.6 million for the fourth and third quarter of 2022, respectively.

Operating Loss

As a result of the foregoing, we had an operating loss of RMB1.2 billion for the fourth quarter of 2022, and an operating loss of RMB2.6 billion for the third quarter of 2022, and our operating margin was negative 4.4% for the fourth quarter of 2022, compared to negative 11.3% for the third quarter of 2022.

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

	Unaudited		
	Three Months Ended		
	December 31, 2022	September 30, 2022	Quarter-over- quarter change
	<i>(RMB thousands, except for percentages)</i>		
Domestic	1,267,205	375,070	237.9%
Overseas	(1,499,133)	(1,686,912)	(11.1%)
Unallocated items	(1,011,365)	(1,300,350)	(22.2%)
Total	<u>(1,243,293)</u>	<u>(2,612,192)</u>	(52.4%)

Our operating profit from the domestic segment increased to RMB1.3 billion for the fourth quarter of 2022, from RMB375.1 million for the third quarter of 2022, mainly due to quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment decreased to RMB1.5 billion for the fourth quarter of 2022, from RMB1.7 billion for the third quarter of 2022. The decrease was primarily attributable to growth in overseas revenues and continually improved efficiency of marketing spending under ROI-based global strategy.

Finance Income, Net

We had finance income, net of RMB106.8 million in the fourth quarter of 2022 and RMB68.3 million in the third quarter of 2022, respectively. The increase was primarily attributable to the increase in interest income from bank deposits.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB26.6 million for the fourth quarter of 2022, compared to RMB31.4 million for the third quarter of 2022.

Loss before Income Tax

As a result of the foregoing, we had a loss before income tax of RMB1.2 billion for the fourth quarter of 2022, compared to RMB2.6 billion for the third quarter of 2022.

Income Tax Expenses

We incurred income tax expenses of RMB383.9 million and RMB137.1 million for the fourth and third quarter of 2022, respectively.

Loss for the Period

As a result of the foregoing, our loss for the period was RMB1.5 billion for the fourth quarter of 2022, compared to RMB2.7 billion for the third quarter of 2022.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following table sets forth the reconciliations of our non-IFRS financial measures for the years ended December 31, 2022 and 2021, respectively, to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,	
	2022	2021
	<i>(RMB thousands)</i>	
Loss for the year	(13,689,360)	(78,077,101)
Add:		
Share-based compensation expenses	6,249,115	7,830,249
Fair value changes of convertible redeemable preferred shares	—	51,275,797
Net fair value changes on investments ⁽¹⁾	1,688,811	119,286
	<u>(5,751,434)</u>	<u>(18,851,769)</u>
Adjusted net loss (unaudited)	(5,751,434)	(18,851,769)
Add:		
Income tax expenses/(benefits)	1,158,299	(1,025,155)
Depreciation of property and equipment	3,212,104	3,985,910
Depreciation of right-of-use assets	3,221,589	2,735,442
Amortization of intangible assets	139,734	163,665
Finance (income)/expense, net	(165,574)	38,536
	<u>1,814,718</u>	<u>(12,953,371)</u>
Adjusted EBITDA (unaudited)	1,814,718	(12,953,371)

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

	Unaudited		
	Three Months Ended		
	December 31,	September 30,	December 31,
	2022	2022	2021
	<i>(RMB thousands)</i>		
Loss for the period	(1,547,014)	(2,712,401)	(6,202,743)
Add:			
Share-based compensation expenses	1,111,780	1,707,939	1,742,471
Net fair value changes on investments ⁽¹⁾	389,912	332,516	891,504
	<u>(45,322)</u>	<u>(671,946)</u>	<u>(3,568,768)</u>
Adjusted net loss	(45,322)	(671,946)	(3,568,768)
Add:			
Income tax expenses	383,908	137,081	331,088
Depreciation of property and equipment	890,959	810,387	1,077,220
Depreciation of right-of-use assets	776,176	779,714	776,990
Amortization of intangible assets	36,968	36,307	36,554
Finance (income)/expense, net	(106,772)	(68,258)	56,730
	<u>1,935,917</u>	<u>1,023,285</u>	<u>(1,290,186)</u>
Adjusted EBITDA	1,935,917	1,023,285	(1,290,186)

Note:

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

Liquidity and Capital Resources

Other than the funds raised through our global offering in February 2021, we historically funded our working capital and other capital needs primarily through capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB13.3 billion as of December 31, 2022, compared to RMB32.6 billion as of December 31, 2021.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposit, financial assets and restricted cash. Financial assets mainly included wealth management products and others. The aggregate amount of our available funds was RMB44.7 billion as of December 31, 2022, compared to RMB49.6 billion as of December 31, 2021.

The following table sets forth a summary of our cash flows for the years ended December 31, 2022 and 2021, respectively:

	Year Ended December 31,	
	2022	2021
	<i>(RMB thousands)</i>	
Net cash generated from/(used in) operating activities	2,198,028	(5,519,291)
Net cash used in investing activities	(17,547,929)	(18,361,335)
Net cash (used in)/generated from financing activities	(4,482,383)	36,500,187
Net (decrease)/increase in cash and cash equivalents	(19,832,284)	12,619,561
Cash and cash equivalents at the beginning of the year	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents	494,134	(398,687)
Cash and cash equivalents at the end of the year	<u>13,274,269</u>	<u>32,612,419</u>

Net Cash Generated from/(Used in) Operating Activities

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

For the year ended December 31, 2022, our net cash generated from operating activities was RMB2.2 billion, which was primarily attributable to our loss before income tax of RMB12.5 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB6.2 billion, depreciation of property and equipment of RMB3.2 billion, depreciation of right-of-use assets of RMB3.2 billion and impairment provision for investments of RMB1.0 billion. The amount was further adjusted by changes in working capital, which primarily comprised increases in accounts payables of RMB2.2 billion and other payables and accruals of RMB1.7 billion, partially offset by an increase in trade receivables of RMB1.9 billion. We also paid income tax of RMB1.0 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2022, our net cash used in investing activities was RMB17.5 billion, which was primarily attributable to the net change of time deposits with initial terms of over three months of RMB7.5 billion, purchase of property, equipment and intangible assets of RMB4.6 billion, net change of investments in financial assets at fair value through profit or loss of RMB4.1 billion and net change of investments in other financial assets measured at amortized cost of RMB1.3 billion.

Net Cash (Used in)/Generated from Financing Activities

For the year ended December 31, 2022, our net cash used in financing activities was RMB4.5 billion, which was primarily attributable to payments for principal elements of lease and the related interests of RMB3.4 billion and the settlement of notes payable of RMB1.2 billion, which are used to settle trade payables.

Impact of the Coronavirus Outbreak

In 2022, global economic, geopolitics and pandemic uncertainties continued to disrupt activities in mainland China and across the world. Until recently, the COVID-19 pandemic and other external events had impacted our operations and financial performance as they shifted consumers' demand for internet and mobile services, affected advertisers' advertising spending pattern, impacted the incomes and consumption power of our users, and caused supply chain disruptions and logistics challenges. In December 2022, China had eased most COVID-19 restrictions, and the return to pre-pandemic level of social-economic activities continues to vary across regions. We will continue to monitor, and seek to manage the potential implications of all the above developments on our customers and our business.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Revenues	4	94,182,522	81,081,513
Cost of revenues	6	<u>(52,051,359)</u>	<u>(47,051,808)</u>
Gross profit		42,131,163	34,029,705
Selling and marketing expenses	6	(37,120,984)	(44,175,898)
Administrative expenses	6	(3,921,001)	(3,400,316)
Research and development expenses	6	(13,784,176)	(14,956,247)
Other income		1,547,498	1,026,742
Other losses, net	5	<u>(1,410,452)</u>	<u>(225,251)</u>
Operating loss		(12,557,952)	(27,701,265)
Finance income/(expense), net		165,574	(38,536)
Fair value changes of convertible redeemable preferred shares		—	(51,275,797)
Share of losses of investments accounted for using the equity method		<u>(138,683)</u>	<u>(86,658)</u>
Loss before income tax		(12,531,061)	(79,102,256)
Income tax (expenses)/benefits	7	<u>(1,158,299)</u>	<u>1,025,155</u>
Loss for the year		<u>(13,689,360)</u>	<u>(78,077,101)</u>
Attributable to :			
— Equity holders of the Company		(13,690,732)	(78,073,643)
— Non-controlling interests		<u>1,372</u>	<u>(3,458)</u>
		<u>(13,689,360)</u>	<u>(78,077,101)</u>
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)	8		
Basic loss per share		<u>(3.22)</u>	<u>(20.37)</u>
Diluted loss per share		<u>(3.22)</u>	<u>(20.37)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	<i>Note</i>	Year ended December 31,	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year		(13,689,360)	(78,077,101)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method		366	—
Currency translation differences		6,359,044	282,560
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(4,290,784)	740,239
Other comprehensive income for the year, net of taxes		2,068,626	1,022,799
Total comprehensive loss for the year		(11,620,734)	(77,054,302)
Attributable to:			
— Equity holders of the Company		(11,622,202)	(77,050,839)
— Non-controlling interests		1,468	(3,463)
		(11,620,734)	(77,054,302)

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	9	13,214,811	11,050,654
Right-of-use assets	10	10,805,724	12,561,745
Intangible assets		1,122,667	1,171,754
Investments accounted for using the equity method		268,355	1,411,141
Financial assets at fair value through profit or loss	11	3,625,743	3,300,623
Other financial assets at amortized cost	11	669,655	—
Deferred tax assets		5,095,406	5,405,224
Long-term time deposits	13	7,870,000	4,000,000
Other non-current assets		776,263	603,367
		<u>43,448,624</u>	<u>39,504,508</u>
Current assets			
Trade receivables	12	6,287,770	4,450,092
Prepayments, other receivables and other current assets		4,106,202	3,278,318
Financial assets at fair value through profit or loss	11	13,087,444	8,842,203
Other financial assets at amortized cost	11	726,130	—
Short-term time deposits	13	8,318,078	3,825,420
Restricted cash	13	58,771	2,415
Cash and cash equivalents	13	13,274,269	32,612,419
		<u>45,858,664</u>	<u>53,010,867</u>
Total assets		<u>89,307,288</u>	<u>92,515,375</u>

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2022	2021
	Note	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		145	142
Share premium		274,473,174	274,407,796
Other reserves		29,238,970	20,853,674
Accumulated losses		(263,882,584)	(250,172,236)
		39,829,705	45,089,376
Non-controlling interests		8,063	6,595
Total equity		39,837,768	45,095,971
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	8,720,685	10,079,847
Deferred tax liabilities		23,346	28,477
Other non-current liabilities		15,819	55,560
		8,759,850	10,163,884
Current liabilities			
Accounts payables	15	22,868,452	20,021,082
Other payables and accruals		10,189,552	9,123,367
Advances from customers	16	3,240,402	3,502,642
Income tax liabilities		936,459	1,079,591
Lease liabilities	10	3,474,805	3,528,838
		40,709,670	37,255,520
Total liabilities		49,469,520	47,419,404
Total equity and liabilities		89,307,288	92,515,375

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	2,198,028	(5,519,291)
Net cash used in investing activities	(17,547,929)	(18,361,335)
Net cash (used in)/generated from financing activities	(4,482,383)	36,500,187
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(19,832,284)	12,619,561
Cash and cash equivalents at the beginning of the year	32,612,419	20,391,545
Effects of exchange rate changes on cash and cash equivalents	494,134	(398,687)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	<u>13,274,269</u>	<u>32,612,419</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, Umland 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.

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

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

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

2 Summary of significant accounting policies

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

2.1 *Basis of preparation*

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and interpretations issued by International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. These policies have been consistently applied, 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.

2.2 *Amendments and annual improvements adopted by the Group*

The following amendments and annual improvements are mandatory for the first time for the Group’s financial year beginning on January 1, 2022 and are applicable for the Group:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework — Amendments to IFRS 3
- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37

The adoption of the above amendments and annual improvements did not have any significant financial impact on these consolidated financial statements.

2.3 *New standards and amendments not yet adopted*

Certain new standards and amendments as set out below have been issued but are not yet effective for the year beginning on January 1, 2022 and have not been early adopted by the Group. These standards and amendments are not expected to have a material impact on the Group's consolidated financial position and performance.

Standards and amendments	Effective for annual years beginning on or after
Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2	January 1, 2023
Definition of Accounting Estimates — Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12	January 1, 2023
IFRS 17 Insurance Contracts	January 1, 2023
Classification of Liabilities as Current or Non-current — Amendments to IAS 1	January 1, 2024
Leases Liability in a Sale and Leaseback — Amendment to IFRS 16	January 1, 2024
Non-current Liabilities with Covenants — Amendments to IAS 1	January 1, 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28	To be determined

3 **Segment information**

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

Different businesses require different operation and marketing strategies. The Company, therefore, separately manages the operation of each segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance. Since 2022, the Group started to operate and manage its businesses in two operating segments. The comparative figures have been restated to conform with the current year's presentation.

- Domestic
- Overseas

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the years ended December 31, 2022 and 2021.

The revenues from customers reported to CODM are measured as revenues in each segment. The operating profit or loss in each segment reported to CODM are measured as cost of revenues and operating expenses deducted from its revenues. Certain items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM. Share-based compensation expenses, other income and other losses, net are not allocated to individual operating segments.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or to evaluate the performance of the operating segments.

The segment results for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31, 2022			
	Domestic <i>RMB'000</i>	Overseas <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	93,557,462	625,060	—	94,182,522
Cost of revenues and operating expenses	(93,365,352)	(7,263,053)	—	(100,628,405)
Unallocated items	—	—	(6,112,069)	(6,112,069)
Operating profit/(loss)	<u>192,110</u>	<u>(6,637,993)</u>	<u>(6,112,069)</u>	<u>(12,557,952)</u>
	Year ended December 31, 2021			
	Domestic <i>RMB'000</i>	Overseas <i>RMB'000</i>	Unallocated items <i>RMB'000</i>	Total <i>RMB'000</i>
Revenues	81,006,397	75,116	—	81,081,513
Cost of revenues and operating expenses	(89,683,786)	(12,070,234)	—	(101,754,020)
Unallocated items	—	—	(7,028,758)	(7,028,758)
Operating loss	<u>(8,677,389)</u>	<u>(11,995,118)</u>	<u>(7,028,758)</u>	<u>(27,701,265)</u>

4 Revenues

The breakdown of revenues for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Online marketing services	49,041,552	42,665,483
Live streaming	35,387,952	30,995,152
Other services	9,753,018	7,420,878
	<u>94,182,522</u>	<u>81,081,513</u>

5 Other losses, net

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment provision for investments	(1,005,891)	(922,033)
Net fair value (losses)/gains on financial assets at fair value through profit or loss		
— Investments in listed and unlisted entities	(586,019)	802,747
— Wealth management products and others	285,392	242,978
Net losses on disposal of property and equipment, intangible assets and right-of-use assets	(8,301)	(43,373)
Dilution loss	(96,901)	—
Net foreign exchange gains/(losses)	32,794	(90,773)
Others	(31,526)	(214,797)
	<u>(1,410,452)</u>	<u>(225,251)</u>

6 Expenses by nature

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue sharing costs and related taxes	30,924,481	24,792,937
Employee benefit expenses	20,259,920	21,870,107
Promotion and advertising expenses	34,346,787	41,216,431
Bandwidth expenses and server custody costs	6,623,693	7,638,475
Depreciation of property and equipment	3,212,104	3,985,910
Depreciation of right-of-use assets (<i>Note a</i>)	3,221,589	2,735,442
Amortization of intangible assets	139,734	163,665
Outsourcing and other labor costs	1,376,869	1,498,304
Payment processing costs	1,946,439	1,602,030
Auditor's remuneration		
— Audit services	30,000	30,000
— Non-audit services	13,201	23,126
Other professional fees	255,373	284,508
Tax surcharges	982,617	378,263
Credit loss allowances on financial assets	34,917	27,550
Others (<i>Note b</i>)	3,509,796	3,337,521
	<u>106,877,520</u>	<u>109,584,269</u>

Note a: The depreciation of right-of-use assets included the expenses related to lease of internet data centers, office buildings and land with a term of over one year.

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

7 Income tax

The income tax (expenses)/benefits of the Group for the years ended December 31, 2022 and 2021 are analyzed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	(853,612)	(2,072,167)
Deferred income tax	(304,687)	3,097,322
	<u>(1,158,299)</u>	<u>1,025,155</u>

8 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 year.

	Year ended December 31,	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	<u>(13,690,732)</u>	<u>(78,073,643)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,253,878</u>	<u>3,833,009</u>
Basic loss per share (expressed in RMB per share)	<u><u>(3.22)</u></u>	<u><u>(20.37)</u></u>

(b) *Diluted loss per share*

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

During the year ended December 31, 2022, the Company had two categories of potential ordinary shares: share options and restricted share units ("RSUs") (during the year ended December 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 years ended December 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-dilutive. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2022 and 2021 were the same as basic loss per share for the respective years.

9 Property and equipment

The detailed information of property and equipment during the years ended December 31, 2022 and 2021 is as below:

	Buildings <i>RMB'000</i>	Servers, computers and equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2022						
Cost	2,541,793	16,851,672	65,172	488,604	467,041	20,414,282
Accumulated depreciation	—	(9,108,242)	(20,810)	(234,576)	—	(9,363,628)
Net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
Year ended December 31, 2022						
Opening net book amount	2,541,793	7,743,430	44,362	254,028	467,041	11,050,654
Currency translation differences	—	47,450	81	4,957	—	52,488
Additions	75,847	4,635,613	11,673	42,357	616,524	5,382,014
Transfers	123,408	—	—	125,529	(248,937)	—
Disposals	—	(4,271)	(854)	(42,570)	(10,546)	(58,241)
Depreciation charge	(138,195)	(2,890,946)	(18,759)	(164,204)	—	(3,212,104)
Closing net book amount	2,602,853	9,531,276	36,503	220,097	824,082	13,214,811
At December 31, 2022						
Cost	2,741,048	21,487,170	75,080	574,331	824,082	25,701,711
Accumulated depreciation	(138,195)	(11,955,894)	(38,577)	(354,234)	—	(12,486,900)
Net book amount	2,602,853	9,531,276	36,503	220,097	824,082	13,214,811

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

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

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenues	2,869,112	3,790,217
Selling and marketing expenses	41,446	21,347
Administrative expenses	100,199	61,178
Research and development expenses	201,347	113,168
	<u>3,212,104</u>	<u>3,985,910</u>

11 Investments

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,876,372	2,844,187
— Investment in a listed entity	77,683	146,165
— Wealth management products and others	671,688	310,271
	<u>3,625,743</u>	<u>3,300,623</u>
Other financial assets at amortized cost	669,655	—
	<u>4,295,398</u>	<u>3,300,623</u>
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	15,997	30,738
— Wealth management products and others	13,071,447	8,811,465
	<u>13,087,444</u>	<u>8,842,203</u>
Other financial assets at amortized cost	726,130	—
	<u>13,813,574</u>	<u>8,842,203</u>
Total	<u>18,108,972</u>	<u>12,142,826</u>

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	12,142,826	7,533,763
Additions	44,111,326	73,569,288
Disposals	(39,956,116)	(67,426,383)
Transfer to investments accounted for using the equity method	—	(2,470,647)
Change in fair value through profit or loss	(300,627)	1,045,725
Deemed disposal due to business combination	—	(6,959)
Currency translation differences	715,778	(101,961)
	<u>16,713,187</u>	<u>12,142,826</u>
At the end of the year	<u>16,713,187</u>	<u>12,142,826</u>

12 Trade receivables

The detailed information of trade receivables as of December 31, 2022 and 2021 is as below:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from contracts with customers	6,333,247	4,476,135
Less: credit loss allowances	(45,477)	(26,043)
	<u>6,287,770</u>	<u>4,450,092</u>

The Group generally grants a credit period of 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	5,790,707	4,358,887
3 to 6 months	542,540	117,248
	<u>6,333,247</u>	<u>4,476,135</u>

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

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	(26,043)	(16,082)
Additional provision	(19,434)	(9,961)
At the end of the year	<u>(45,477)</u>	<u>(26,043)</u>

13 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and held in other financial institutions	10,830,533	27,511,859
Time deposits with initial terms within three months	2,443,736	5,100,560
	<u>13,274,269</u>	<u>32,612,419</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	8,889,432	15,441,937
USD	3,745,692	15,377,699
HKD	559,775	1,761,064
Others	79,370	31,719
	<u>13,274,269</u>	<u>32,612,419</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2022 was 4.89% (2021: 0.57%) per annum.

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	56,199	—
USD	2,572	2,415
	<u>58,771</u>	<u>2,415</u>

(c) Time deposits

Time deposits are denominated in the following currencies:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	7,870,000	4,000,000
USD	7,754,137	3,825,420
HKD	563,941	—
	<u>16,188,078</u>	<u>7,825,420</u>

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2022 were in the range of 1.30% to 5.58% (2021: 0.78% to 3.85%) per annum.

14 Dividends

No dividends have been paid or declared by the Company during the year ended December 31, 2022 (2021: Nil).

15 Accounts payables

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

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	17,311,817	16,173,978
3 to 6 months	1,457,563	2,347,408
6 months to 1 year	3,358,136	1,145,454
Over 1 year	740,936	354,242
	<u>22,868,452</u>	<u>20,021,082</u>

16 Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from online marketing services customers	1,623,294	1,795,887
Advances from live streaming customers	1,589,729	1,683,750
Others	27,379	23,005
	<u>3,240,402</u>	<u>3,502,642</u>

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022.

Use of Proceeds from the Global Offering

The net proceeds received by the Company from the Global Offering, after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, were approximately HK\$46,964.4 million.

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

As of December 31, 2022, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds from the Global Offering (HK\$ million)	Amount of net proceeds utilized as of December 31, 2022 (HK\$ million)	Balance of net proceeds as of December 31, 2022 (HK\$ million)	Expected timeline of full utilization of net proceeds
Approximately 35% to enhance and grow the ecosystem	16,437.5	15,315.3	1,122.2	Before December 31, 2023
Approximately 30% to strengthen research and development and technological capabilities	14,089.3	12,554.9	1,534.4	Before December 31, 2023
Approximately 25% to selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	Before December 31, 2023
Approximately 10% for working capital and general corporate purposes	4,696.5	4,441.5	255.0	Before December 31, 2023
Total	46,964.4	32,816.7	14,147.7	

Since the Company is an offshore holding company, it will need to make capital contributions and loans to its PRC subsidiaries or through loans to the Consolidated Affiliated Entities such that the net proceeds can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under the PRC laws and regulations. There are no costs associated with registering loans or capital contributions with the relevant PRC authorities, other than nominal processing charges. The Company cannot assure that it can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use the net proceeds as described above, in each case on a timely basis, or at all. This is because the PRC regulation of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent the Company from using the net proceeds to make loans or additional capital contributions to its PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

Compliance with the Corporate Governance Code

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

Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended December 31, 2022.

Purchase, Sale or Redemption of 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 year ended December 31, 2022.

Audit Committee

The Audit Committee (comprising three independent non-executive Directors, namely Mr. Huang Sidney Xuande, Mr. Wang Huiwen and Mr. Ma Yin), after the discussion with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 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 audited consolidated financial statements for the year ended December 31, 2022 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, 2022 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, 2022

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

Annual General Meeting

The 2023 AGM of the Company will be held on Friday, June 16, 2023. A notice convening the 2023 AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, June 13, 2023 to Friday, June 16, 2023 (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 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, June 12, 2023.

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 dispatched to the Shareholders in accordance with the Listing Rules in due course.

APPRECIATION

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

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

Hong Kong, March 29, 2023

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 the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, many of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Except as required by law, we are not obligated, and we undertake no obligation, to release publicly any revisions to these forward-looking statements that might reflect events or circumstance occurring after the date of this announcement or those that might reflect the occurrence of unanticipated events.

DEFINITIONS

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

“AGM”	annual general meeting of the Company
“ARPPU”	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 18, 2021, which has become effective on the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “the Company”, “Kuaishou”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company

“Global Offering”	the global offering of the Class B Shares
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“GPM”	GMV per mille, the gross merchandise value transaction per thousand page views, calculated as GMV divided by the total number of page views and multiplied by 1,000
“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 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