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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)

(HKD Counter Stock Code: 01024 / RMB Counter Stock Code: 81024)

RESULTS ANNOUNCEMENT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

The Board of Directors of Kuaishou Technology (快手科技) is pleased to announce the unaudited consolidated results of the Company for the three and six months ended June 30, 2024. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by PricewaterhouseCoopers, the independent auditor of the Company (the “Auditor”), in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board. These interim results have also been reviewed by the Audit Committee.

KEY HIGHLIGHTS

Financial Summary

	Unaudited				Year-over-year change
	Three Months Ended June 30,				
	2024		2023		
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
<i>(RMB millions, except for percentages)</i>					
Revenues	30,975	100.0	27,744	100.0	11.6%
Gross profit	17,135	55.3	13,934	50.2	23.0%
Operating profit	3,906	12.6	1,296	4.7	201.4%
Profit for the period	3,980	12.8	1,481	5.3	168.7%
Non-IFRS Accounting Standards Measures:					
Adjusted net profit ⁽¹⁾	4,679	15.1	2,694	9.7	73.7%
Adjusted EBITDA ⁽²⁾	6,344	20.5	4,316	15.6	47.0%

**Unaudited
Six Months Ended June 30,**

	2024		2023		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB millions, except for percentages)</i>				
Revenues	60,383	100.0	52,961	100.0	14.0%
Gross profit	33,255	55.1	25,646	48.4	29.7%
Operating profit	7,900	13.1	598	1.1	1,221.1%
Profit for the period	8,100	13.4	605	1.1	1,238.8%
Non-IFRS Accounting Standards Measures:					
Adjusted net profit ⁽¹⁾	9,067	15.0	2,736	5.2	231.4%
Adjusted EBITDA ⁽²⁾	12,323	20.4	6,312	11.9	95.2%

Notes:

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

Financial Information by Segment

**Unaudited
Three Months Ended June 30, 2024**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	29,896	1,079	—	30,975
Operating profit/(loss)	4,498	(277)	(315)	3,906

**Unaudited
Three Months Ended June 30, 2023**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	27,297	447	—	27,744
Operating profit/(loss)	3,034	(780)	(958)	1,296

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	9.5%	141.4%	—	11.6%
Operating profit/(loss)	48.3%	(64.5%)	(67.1%)	201.4%

**Unaudited
Six Months Ended June 30, 2024**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	58,313	2,070	—	60,383
Operating profit/(loss)	8,489	(545)	(44)	7,900

Unaudited
Six Months Ended June 30, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	52,176	785	—	52,961
Operating profit/(loss)	3,997	(1,603)	(1,796)	598

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
Revenues	11.8%	163.7%	—	14.0%
Operating profit/(loss)	112.4%	(66.0%)	(97.6%)	1,221.1%

Note:

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

	Three Months Ended June 30,	
	2024	2023
Average DAUs (<i>in millions</i>)	395.3	376.0
Average MAUs (<i>in millions</i>)	691.8	673.3
Average online marketing services revenue per DAU (<i>in RMB</i>)	44.3	38.2
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	305,253.4	265,456.4

	Six Months Ended June 30,	
	2024	2023
Average DAUs (<i>in millions</i>)	394.6	375.1
Average MAUs (<i>in millions</i>)	694.6	663.9
Average online marketing services revenue per DAU (<i>in RMB</i>)	86.6	73.1
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	593,325.9	490,222.9

Note:

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

BUSINESS REVIEW AND OUTLOOK

Business Review

In the second quarter of 2024, we continued to grow our revenues and profits amid a highly competitive landscape, making advancements across industry-leading AI technology, robust content and commercial ecosystems as well as efficient organization collaboration that set the stage for our platform to thrive in a dynamic market. Our total revenue increased by 11.6% year-over-year to RMB31.0 billion in the second quarter of 2024. In terms of profitability, our gross margin climbed to over 55% in the second quarter of 2024, and our adjusted net profit reached RMB4.7 billion, making our adjusted net profit margin 15.1%.

As an AI-driven technology company, we have constructed advanced infrastructure to support the trainings and inference of large models with trillions of parameters. Based on this, we developed industry-leading AI matrix including **KwaiYii Large Language Models** (快意大語言模型), large visual generation models and recommendation models. In the second quarter of 2024, we made considerable strides in large visual generation models. We launched full beta testing for our large video generation model **Kling AI** (可靈AI) and rolled out a membership program to global users, bringing further upgraded features. Our advanced text-to-image AI generation model **Kolors** (可圖) has been officially open-sourced to encourage a collaborative, robust ecosystem. Our AI matrix is now seamlessly embedded across various business scenarios, supporting content creation, content understanding and recommendations, and user interactions. This powerful combination significantly enhances our commercial competitiveness by providing merchants and marketing clients with more effective and efficient tools. In the first half of 2024, nearly 20,000 merchants utilized our AI matrix to optimize their operations on the Kuaishou platform, and marketing clients' daily spending with AIGC marketing materials peaked at RMB20 million in the second quarter of 2024.

User and content ecosystem

In the second quarter of 2024, the average DAUs and MAUs on the Kuaishou App reached 395 million and 692 million, representing year-over-year increases of 5.1% and 2.7%, respectively. The average daily time spent per DAU on the Kuaishou App was 122 minutes. We achieved accelerated growth in user traffic, with total user time spent on Kuaishou App increasing by 9.5% year-over-year.

We deepened our strategy of high-quality growth. By improving our traffic allocation mechanism and building scenarios for user demand insight, we successfully enhanced user experience in synergy with our revenue-generating businesses. By optimizing measures such as hot comments ranking, we fostered a vibrant community atmosphere and improved user long-term retention rate, achieving high-quality growth in DAUs. Additionally, we improved the ROI of user retention costs through refined operational strategies.

We are dedicated to cultivating a healthy and vibrant content creation ecosystem and supporting high quality content creators with algorithm optimization. We continued to bring users premium content that showcases the unique characteristics of our platform across differentiated operating strategies in vertical industries. For example, we focus on creating native sports content that the public enjoys in our sports vertical. Riding on the booming interest for sports content before the start of the Olympic Games Paris 2024, we launched *Kuaishou Village Olympics* (快手村奧會), which attracted a live crowd of over 135,000 spectators and captivated more than 520 million viewers online, amassing more than 6.4 billion impressions. As a pioneer and leader in the short play industry, we leveraged our cutting-edge *Kling AI* to launch *Legendary Mirrors of Mountains and Seas* (山海奇鏡), the first-ever original AIGC fantasy short play in China. Within two weeks after its release, it had attracted over 50 million views, demonstrating the significant appeal of our advanced large models' capabilities to craft content with depth.

For our search business, in the second quarter of 2024, we continued to optimize our “search after watching” feature and introduced single column format in displaying search results. This enhanced user experience and unlocked the commercialization potentials. Our search user penetration rate was further improved with MAUs for Kuaishou search reached nearly 500 million in the second quarter of 2024 while daily searches increased by over 20% year-over-year.

Online marketing services

In the second quarter of 2024, revenue from online marketing services increased by 22.1% year-over-year to RMB17.5 billion, despite the overall softer consumer sentiment. Our revenue growth was fueled by enhanced smart marketing solutions and deeper sales funnel conversion paths for our marketing clients, which led to higher bids. Additionally, our advanced algorithms greatly supported the exploration of demographic interests and improvements in matching efficiency, significantly boosting the number of effective users with online marketing potentials.

Revenue from our external marketing services grew notably in the second quarter of 2024, with the year-over-year growth rate surpassing that of the first quarter of 2024, particularly in the media information, e-commerce platforms, and local services industries. For paid short plays under the media information industry, we continued to improve user experience by refining native sales funnels and increase the scale of paying users through smart subsidies. This drove rapid growth in paid short plays marketing placement, with average daily marketing spending on paid short plays increasing by more than twofold year-over-year. Regarding smart placement, in the second quarter of 2024, the penetration rate of our external marketing product, *Universal Auto X (UAX)*, continued to increase across multiple industries, with total marketing spending through *UAX* accounting for over 30% of overall external marketing spending.

Revenue growth from our enclosed loop marketing services remained robust in the second quarter of 2024. The growth was driven by the ongoing optimization of our smart placement product strategies and capabilities, which led to total marketing spending by merchants using our omni-platform marketing solution or smart hosting products accounting for 40% of overall enclosed-loop marketing spending. For small- and medium-sized merchants, we leveraged major promotional events to boost marketing placement. We also offered simplified, automated marketing solutions through composite products that enhanced the stability and efficiency of their automated marketing placements, driving a 60% year-over-year surge in these merchants' spending in the second quarter of 2024. In our brand marketing efforts, we launched a unique marketing initiative in collaboration with fashion media. By blending Eastern esthetics with trendy culture, intangible cultural heritage, and avant-garde art, the initiative attracted numerous leading brands across cosmetics, food and beverage, apparel and 3C products. Furthermore, major brands, including Tmall, renewed their sponsorships for our ***Kuaishou Astral Short Plays*** (快手星芒短劇), resulting in an over 20-fold revenue growth year-over-year from marketing sponsorship of ***Kuaishou Astral Short Plays*** in the second quarter of 2024.

E-commerce

Despite the consumer demand challenges faced by domestic e-commerce businesses, rapidly evolving consumption trend and e-commerce infrastructure are driving e-commerce's growth. Amid the new trends, lower-tier markets are emerging as mainstream markets with the largest population and the greatest potential for growth. We aim to help consumers discover affordable quality products that fit their needs through trustworthy streamers and content on Kuaishou. We are committed to fostering a sustainable, healthy KOL ecosystem while propelling multi-faceted, omni-domain operations for brands and merchants in self-operated live streaming, pan shelf-based e-commerce and short video e-commerce.

In the second quarter of 2024, our e-commerce GMV grew by 15% year-over-year to RMB305.3 billion. On the demand side, the number of e-commerce monthly active paying users increased by 14.1% year-over-year to 131 million in the second quarter of 2024, and our MAU penetration rate reached a new high of 18.9%. We are committed to our user-centric strategy, coupled with a focused approach to tapping specific industries, which empowers us to swiftly capture and respond to fast-evolving consumer preferences. Specifically, we remain focused on iterating initiatives for acquiring new users as well as growing active users, expanding our user reach through product and subsidy strategies that encourage repeat purchases.

On the supply side, the number of average monthly active merchants in the second quarter of 2024 grew by more than 50% year-over-year, primarily due to our concerted efforts in new merchants' cold-starts, growth and sustained operations, in addition to empowering existing merchants to tap into omni-domain operations. Designed especially for small and medium-sized merchants, our ***Set Sail Initiative*** (啟航計劃) provides new merchants with up to 100 billion traffic resources throughout the year, coupled with our ***Uplift Initiative*** (扶搖計劃) that helps new merchants rapidly scale their businesses after a cold start. Additionally, we enhanced merchants' overall omni-domain operating capabilities by building follower-base growth initiatives, as well as by integrating short video and live-streaming content. Regarding KOL strategies, we recommended high-quality merchandise to KOLs internally while helping medium-tier KOLs select merchandise via external facilitator, particularly with targeted recommendations based on the follower profiles of medium-tier KOLs. At the same time, we leveraged AI technology, marketing tools and follower operation tools to enrich marketing strategies for KOLs. We lowered the barriers for KOLs to conduct e-commerce live streaming, encouraged live-streaming user interactions, and comprehensively enhanced our platform's capabilities in matching KOLs with products. For brand merchants, we prioritized our ***Trade-in, Trade-up*** (以舊換新) program, membership operations, and ***Big Brand, Big***

Subsidy (大牌大補) channel to attract a wider variety of brand merchandise offerings on our platform. During the 618 Shopping Festival, GMV from consumer electronics brands and household items grew by over 83% year-over-year, a testament to increased mindshare for affordable branded products.

In terms of e-commerce scenarios, pan shelf-based e-commerce GMV in the second quarter of 2024 continued to outpace the overall platform, accounting for over 25% of total GMV. The number of pan shelf-based e-commerce orders during the 618 Shopping Festival grew by 65% year-over-year, a key growth driver of our e-commerce business. In terms of our shopping mall, in the second quarter of 2024, the number of average daily active merchants and average daily paying users grew by over 50% and 70%, respectively on a year-over-year basis. On the user front, both the average number of product cards viewed per user and the volume of product searches in our shopping mall surged year-over-year, highlighting consumers' growing mindshare for browsing and searching for products in the Kuaishou shopping mall. The introduction of our large models has also improved our ability to identify user purchasing intentions, driving a more than 80% year-over-year increase in search-induced e-commerce GMV in the second quarter of 2024. In addition, we launched sales hosting services for Kuaishou shopping mall that integrates our platform's omni-domain traffic, aiming to lower merchants' operational barriers, providing merchants with predictable sales channels. Additionally, our short video e-commerce GMV continued its rapid growth in the second quarter of 2024, with a year-over-year increase of nearly 70%. Merchants leverage short videos to attract potential users before live streaming and extend the sales cycle of blockbuster products afterwards. This approach has further strengthened the integration between short videos and live streaming scenarios.

Live streaming

In the second quarter of 2024, revenue from our live-streaming business decreased by 6.7% year-over-year to RMB9.3 billion. We continued to iterate our refined operating approach to bolster a healthy and positive live-streaming ecosystem. On the supply side, we established regional teams dedicated to attracting high-quality talent agencies through targeted industry promotions and impactful offline presentations. This strategy led to a nearly 50% increase in the number of partnering talent agencies and a 60% growth in the number of talent agency-managed streamers by the end of the second quarter of 2024, both on a year-over-year basis. Meanwhile, we continued to promote emerging streaming features, such as multi-host live streaming and the "Grand Stage", which attracted significantly more talent agencies and streamers, driving core growth in our live streaming business.

We are dedicated to attracting mid-tier streamers, enhancing interactive live-streaming features, and encouraging streamers to produce high-quality content, all of which provide more reasons for users to engage with our platform. Additionally, as the official short video partner for **CrossFire (穿越火線)** and **King Pro League (王者榮耀職業聯賽)**, we effectively helped generate greater attention to broader audience by leveraging our "short video + live streaming + community" ecosystem.

As an example of "live streaming+" services empowering traditional industries, in the second quarter of 2024, the daily average number of resume submissions on **Kwai Hire (快聘)** increased by more than 130%, and matching rate grew by over 150%, both on a year-over-year basis. Meanwhile, daily lead generation on our **Ideal Housing (理想家)** expanded by nine-fold compared to the same period last year.

Overseas

We continued to deepen our local operations in key overseas markets during the second quarter of 2024 through advanced content offering, operation capabilities, and marketing initiatives. Under our ROI-driven growth strategies, we have been refining operations in traditional marketing channels and exploring new growth avenues. These initiatives drove steady growth in average DAUs in key overseas markets such as Brazil and Indonesia. Notably, DAUs in Brazil rose by 15.4% year-over-year and also improved quarter-over-quarter. Regarding content operations overseas, we continued to engage high-quality content creators, enriching our content offering and enhancing the vibrancy of our community-based ecosystem. Meanwhile, our optimized algorithm, enhanced traffic mechanisms and diverse monetization initiatives have gradually strengthened the positive flywheel effect of content production, consumption and monetization for creators. Average daily time spent per DAU in key overseas markets increased by 5% year-over-year to nearly 80 minutes in the second quarter of 2024.

In terms of monetization capabilities, our overseas revenues increased by 141.4% year-over-year to RMB1.1 billion in the second quarter of 2024. Our overseas online marketing team actively expanded the client base across multiple industries by optimizing product capabilities and upgrading clients' experiences. As a result, online marketing revenue from our overseas business increased by over 200% year-over-year and continued to grow quarter-over-quarter. With improvements in our overseas monetization efficiency, we gained further operating leverage, leading to a reduction in the operating loss from our overseas business by 64.5% year-over-year to RMB277 million in the second quarter of 2024.

Business Outlook

The strong technological foundation we built with our AI matrix paves the way for innovations and our next stage of growth across our thriving content and commercial ecosystem. In the second half of 2024, we will continue our trajectory of high-quality growth, with a strong emphasis on technological innovation, leveraging our integrated AI matrix to explore the vast content and commercial potentials. We are confident that these strategic efforts will enable Kuaishou to sustain leading position in a competitive market environment, achieve long-term growth and deliver increased value and opportunities for our users, creators and partners.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2024 Compared to Second Quarter of 2023

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the second quarter of 2024 and 2023, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	30,975	100.0	27,744	100.0
Cost of revenues	(13,840)	(44.7)	(13,810)	(49.8)
Gross profit	17,135	55.3	13,934	50.2
Selling and marketing expenses	(10,040)	(32.4)	(8,636)	(31.1)
Administrative expenses	(792)	(2.6)	(945)	(3.4)
Research and development expenses	(2,805)	(9.1)	(3,155)	(11.4)
Other income	34	0.1	113	0.4
Other gains/(losses), net	374	1.3	(15)	0.0
Operating profit	3,906	12.6	1,296	4.7
Finance income, net	66	0.2	158	0.6
Share of losses of investments accounted for using the equity method	(19)	(0.1)	(18)	(0.1)
Profit before income tax	3,953	12.7	1,436	5.2
Income tax benefits	27	0.1	45	0.1
Profit for the period	<u>3,980</u>	<u>12.8</u>	<u>1,481</u>	<u>5.3</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	4,679	15.1	2,694	9.7
Adjusted EBITDA	6,344	20.5	4,316	15.6

Revenues

Our revenues increased by 11.6% to RMB31.0 billion for the second quarter of 2024 from RMB27.7 billion for the same period of 2023. The increase was primarily attributable to the growth of our online marketing services and e-commerce business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues for the second quarter of 2024 and 2023, respectively:

	Unaudited Three Months Ended June 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
Online marketing services	17,515	56.5	14,347	51.7
Live streaming	9,302	30.0	9,968	35.9
Other services	4,158	13.5	3,429	12.4
Total	30,975	100.0	27,744	100.0

Online marketing services

Revenue from our online marketing services increased by 22.1% to RMB17.5 billion for the second quarter of 2024 from RMB14.3 billion for the same period of 2023, primarily attributable to the increased consumption from marketing clients driven by optimized smart marketing solutions and advanced algorithms.

Live streaming

Revenue from our live streaming business decreased by 6.7% to RMB9.3 billion for the second quarter of 2024 from RMB10.0 billion for the same period of 2023, as a result of our continuous efforts in building a healthy live streaming ecosystem.

Other services

Revenue from our other services increased by 21.3% to RMB4.2 billion for the second quarter of 2024 from RMB3.4 billion for the same period of 2023, primarily due to the growth of our e-commerce business, represented by the growth in our e-commerce GMV. The growth in e-commerce GMV was driven by increases in the number of active e-commerce paying users and active merchants as a result of our diversified omni-domain operations.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter of 2024 and 2023, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,731	28.2	8,680	31.3
Bandwidth expenses and server custody costs ⁽¹⁾	1,370	4.4	1,453	5.2
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,586	5.1	1,602	5.8
Employee benefit expenses	655	2.1	660	2.4
Payment processing costs	708	2.3	651	2.3
Other cost of revenues	790	2.6	764	2.8
Total	<u>13,840</u>	<u>44.7</u>	<u>13,810</u>	<u>49.8</u>

Note:

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

Our cost of revenues remained stable at RMB13.8 billion for the second quarter of 2024 and 2023, respectively.

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 second quarter of 2024 and 2023, respectively:

	Unaudited			
	Three Months Ended June 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	17,135	55.3	13,934	50.2

As a result of the foregoing, our gross profit increased by 23.0% to RMB17.1 billion for the second quarter of 2024, from RMB13.9 billion for the same period of 2023. Our gross profit margin increased to 55.3% for the second quarter of 2024, from 50.2% for the same period of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 16.3% to RMB10.0 billion for the second quarter of 2024, from RMB8.6 billion for the same period of 2023, and increased to 32.4% for the second quarter of 2024 from 31.1% for the same period of 2023 as a percentage of our total revenues. The increase was primarily attributable to the increased spending in promotion activities.

Administrative Expenses

Our administrative expenses decreased by 16.2% to RMB792 million for the second quarter of 2024, from RMB945 million for the same period of 2023, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 11.1% to RMB2.8 billion for the second quarter of 2024, from RMB3.2 billion for the same period of 2023, primarily due to a decrease in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income decreased to RMB34 million for the second quarter of 2024 from RMB113 million for the same period of 2023, primarily due to a decrease in the value-added tax preferences, as a result of change in tax regulations.

Other Gains/(Losses), Net

We had other gains, net of RMB374 million for the second quarter of 2024, compared to other losses, net of RMB15 million for the same period of 2023, primarily due to the fair value changes of financial assets at fair value through profit or loss.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB3.9 billion and an operating margin of 12.6% for the second quarter of 2024, compared to an operating profit of RMB1.3 billion and an operating margin of 4.7% for the same period of 2023.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the second quarter of 2024 and 2023, respectively:

	Unaudited		
	Three Months Ended June 30,		
	2024	2023	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	4,498	3,034	48.3%
Overseas	(277)	(780)	(64.5%)
Unallocated items	(315)	(958)	(67.1%)
Total	<u>3,906</u>	<u>1,296</u>	201.4%

Our operating profit from the domestic segment increased to RMB4.5 billion for the second quarter of 2024, from RMB3.0 billion for the same period of 2023, mainly attributable to a 9.5% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment narrowed to RMB277 million for the second quarter of 2024, from RMB780 million for the same period of 2023, primarily attributable to rapid growth in overseas revenues.

Finance Income, Net

Our finance income, net was RMB66 million for the second quarter of 2024, compared to RMB158 million for the same period of 2023.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method were RMB19 million and RMB18 million for the second quarter of 2024 and 2023, respectively.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB4.0 billion for the second quarter of 2024, compared to a profit before income tax of RMB1.4 billion for the same period of 2023.

Income Tax Benefits

We had income tax benefits of RMB27 million for the second quarter of 2024, compared to RMB45 million for the same period of 2023.

Profit for the Period

As a result of the foregoing, we had a profit of RMB4.0 billion for the second quarter of 2024, compared to a profit of RMB1.5 billion for the same period of 2023.

Second Quarter of 2024 Compared to First Quarter of 2024

The following table sets forth the comparative figures in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2024, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2024		March 31, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	30,975	100.0	29,408	100.0
Cost of revenues	(13,840)	(44.7)	(13,288)	(45.2)
Gross profit	17,135	55.3	16,120	54.8
Selling and marketing expenses	(10,040)	(32.4)	(9,384)	(31.9)
Administrative expenses	(792)	(2.6)	(462)	(1.6)
Research and development expenses	(2,805)	(9.1)	(2,843)	(9.7)
Other income	34	0.1	118	0.4
Other gains, net	374	1.3	445	1.6
Operating profit	3,906	12.6	3,994	13.6
Finance income, net	66	0.2	114	0.4
Share of losses of investments accounted for using the equity method	(19)	(0.1)	(3)	(0.0)
Profit before income tax	3,953	12.7	4,105	14.0
Income tax benefits	27	0.1	15	0.0
Profit for the period	<u>3,980</u>	<u>12.8</u>	<u>4,120</u>	<u>14.0</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	4,679	15.1	4,388	14.9
Adjusted EBITDA	6,344	20.5	5,979	20.3

Revenues

Our revenues increased by 5.3% to RMB31.0 billion for the second quarter of 2024, from RMB29.4 billion for the first quarter of 2024, primarily attributable to the growth of our online marketing services and live streaming business.

The following table sets forth our revenues by type in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2024, respectively:

	Unaudited Three Months Ended			
	June 30, 2024		March 31, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	17,515	56.5	16,650	56.6
Live streaming	9,302	30.0	8,575	29.2
Other services	4,158	13.5	4,183	14.2
Total	30,975	100.0	29,408	100.0

Online marketing services

Revenue from our online marketing services increased by 5.2% to RMB17.5 billion for the second quarter of 2024, from RMB16.7 billion for the first quarter of 2024, primarily attributable to optimized smart marketing solutions.

Live streaming

Revenue from our live streaming business increased by 8.5% to RMB9.3 billion for the second quarter of 2024, from RMB8.6 billion for the first quarter of 2024, primarily attributable to our continuous refined operation strategies.

Other services

Revenue from our other services remained stable at RMB4.2 billion for the second quarter and the first quarter of 2024, respectively.

Cost of Revenues

The following table sets forth our cost of revenues in absolute amounts and as percentages of our total revenues for the second quarter and the first quarter of 2024, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2024		March 31, 2024	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,731	28.2	8,339	28.4
Bandwidth expenses and server custody costs ⁽¹⁾	1,370	4.4	1,399	4.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,586	5.1	1,544	5.3
Employee benefit expenses	655	2.1	703	2.4
Payment processing costs	708	2.3	596	2.0
Other cost of revenues	790	2.6	707	2.3
Total	<u>13,840</u>	<u>44.7</u>	<u>13,288</u>	<u>45.2</u>

Note:

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

Our cost of revenues slightly increased by 4.2% to RMB13.8 billion for the second quarter of 2024, from RMB13.3 billion for the first quarter of 2024, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the second quarter and the first quarter of 2024, respectively:

	Unaudited			
	Three Months Ended			
	June 30, 2024		March 31, 2024	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>			
Gross Profit	17,135	55.3	16,120	54.8

As a result of the foregoing, our gross profit increased by 6.3% to RMB17.1 billion for the second quarter of 2024, from RMB16.1 billion for the first quarter of 2024. Our gross profit margin increased to 55.3% for the second quarter of 2024, from 54.8% for the first quarter of 2024.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 7.0% to RMB10.0 billion for the second quarter of 2024, from RMB9.4 billion for the first quarter of 2024, and increased to 32.4% for the second quarter of 2024 from 31.9% for the first quarter of 2024 as a percentage of our total revenues. The increase was primarily attributable to the increased spending in promotion activities.

Administrative Expenses

Our administrative expenses increased by 71.4% to RMB792 million for the second quarter of 2024, from RMB462 million for the first quarter of 2024, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Research and Development Expenses

Our research and development expenses remained stable at RMB2.8 billion for the second quarter and the first quarter of 2024, respectively.

Other Income

Our other income decreased to RMB34 million for the second quarter of 2024, from RMB118 million for the first quarter of 2024, primarily due to a decrease in the value-added tax preferences.

Other Gains, Net

We had other gains, net of RMB374 million for the second quarter of 2024, compared to RMB445 million for the first quarter of 2024.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB3.9 billion for the second quarter of 2024, compared to RMB4.0 billion for the first quarter of 2024, and our operating margin was 12.6% for the second quarter of 2024, compared to 13.6% for the first quarter of 2024.

The following table sets forth our operating profit/(loss) by segment in absolute amounts for the second quarter and the first quarter of 2024, respectively:

	Unaudited		
	Three Months Ended		
	June 30,	March 31,	Quarter-over-
	2024	2024	quarter change
	<i>(RMB millions, except for percentages)</i>		
Domestic	4,498	3,991	12.7%
Overseas	(277)	(268)	3.4%
Unallocated items	(315)	271	N/A
Total	<u>3,906</u>	<u>3,994</u>	(2.2%)

Our operating profit from the domestic segment was RMB4.5 billion for the second quarter of 2024, compared to RMB4.0 billion for the first quarter of 2024, mainly due to a quarter-over-quarter growth in domestic revenues.

Our operating loss from the overseas segment were RMB277 million and RMB268 million for the second quarter and the first quarter of 2024, respectively.

Finance Income, Net

Our finance income, net were RMB66 million and RMB114 million for the second quarter and the first quarter of 2024, respectively.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB19 million for the second quarter of 2024, compared to RMB3 million for the first quarter of 2024.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB4.0 billion for the second quarter of 2024, compared to a profit before income tax of RMB4.1 billion for the first quarter of 2024.

Income Tax Benefits

Our income tax benefits were RMB27 million and RMB15 million for the second quarter and the first quarter of 2024, respectively.

Profit for the Period

As a result of the foregoing, we had a profit of RMB4.0 billion for the second quarter of 2024, compared to a profit of RMB4.1 billion for the first quarter of 2024.

Reconciliation of Non-IFRS Accounting Standards Measures to the Nearest IFRS Accounting Standards Measures

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

The following table sets forth the reconciliations of our non-IFRS Accounting Standards financial measures for the second quarter of 2024, the first quarter of 2024 and the second quarter of 2023, as well as the first half of 2024 and 2023, respectively, to the nearest measures prepared in accordance with IFRS Accounting Standards:

	Unaudited Three Months Ended		
	June 30, 2024	March 31, 2024	June 30, 2023
	<i>(RMB millions)</i>		
Profit for the period	3,980	4,120	1,481
Add:			
Share-based compensation expenses	723	292	1,056
Net fair value changes on investments ⁽¹⁾	(24)	(24)	157
Adjusted net profit	<u>4,679</u>	<u>4,388</u>	<u>2,694</u>
Adjusted net profit	4,679	4,388	2,694
Add:			
Income tax benefits	(27)	(15)	(45)
Depreciation of property and equipment	997	977	978
Depreciation of right-of-use assets	735	716	808
Amortization of intangible assets	26	27	39
Finance income, net	(66)	(114)	(158)
Adjusted EBITDA	<u>6,344</u>	<u>5,979</u>	<u>4,316</u>

	Unaudited	
	Six Months Ended June 30,	
	2024	2023
	<i>(RMB millions)</i>	
Profit for the period	8,100	605
Add:		
Share-based compensation expenses	1,015	2,046
Net fair value changes on investments ⁽¹⁾	(48)	85
Adjusted net profit	<u>9,067</u>	<u>2,736</u>
Adjusted net profit	9,067	2,736
Add:		
Income tax (benefits)/expenses	(42)	230
Depreciation of property and equipment	1,974	1,942
Depreciation of right-of-use assets	1,451	1,596
Amortization of intangible assets	53	77
Finance income, net	(180)	(269)
Adjusted EBITDA	<u>12,323</u>	<u>6,312</u>

Note:

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

Liquidity and Financial Resources

Other than the funds raised through our Global Offering in February 2021, our principal sources of funds for working capital and other capital needs have been capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and borrowings, and cash generated from our operating activities. We had cash and cash equivalents of RMB11.4 billion as of June 30, 2024, compared to RMB11.0 billion as of March 31, 2024.

Our total available funds which we considered in cash management included but not limited to cash and cash equivalents, time deposits, financial assets and restricted cash. Financial assets mainly included wealth management products and others. The aggregate amount of our available funds was RMB77.7 billion as of June 30, 2024, compared to RMB63.7 billion as of March 31, 2024.

The following table sets forth a summary of our cash flows for the periods indicated:

	Unaudited Three Months Ended June 30, 2024	Unaudited Six Months Ended June 30, 2024
	<i>(RMB millions)</i>	
Net cash generated from operating activities	7,608	13,404
Net cash used in investing activities	(13,828)	(18,731)
Net cash generated from financing activities	6,651	3,846
Net increase/(decrease) in cash and cash equivalents	431	(1,481)
Cash and cash equivalents at the beginning of the period	11,004	12,905
Effects of exchange rate changes on cash and cash equivalents	2	13
Cash and cash equivalents at the end of the period	11,437	11,437

Net Cash Generated from Operating Activities

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

For the second quarter of 2024, our net cash generated from operating activities was RMB7.6 billion, which was primarily attributable to our profit before income tax of RMB4.0 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB723 million, depreciation of property and equipment of RMB997 million, and depreciation of right-of-use assets of RMB735 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in other payables and accruals of RMB1.8 billion. We also paid income tax of RMB500 million.

Net Cash Used in Investing Activities

For the second quarter of 2024, our net cash used in investing activities was RMB13.8 billion, which was primarily attributable to the net investments in financial assets at fair value through profit or loss of RMB7.1 billion, net investments in time deposits with initial terms of over three months of RMB6.4 billion and purchase of property, equipment and intangible assets of RMB1.0 billion.

Net Cash Generated from Financing Activities

For the second quarter of 2024, our net cash generated from financing activities was RMB6.7 billion, which was primarily attributable to the net proceeds from borrowings of RMB4.5 billion, net proceeds under notes arrangements of RMB3.6 billion, payments for principal elements of lease and related interests of RMB848 million and payments for shares repurchase of RMB585 million.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2024	2023	2024	2023
<i>(RMB millions)</i>					
Revenues	3	30,975	27,744	60,383	52,961
Cost of revenues	4	(13,840)	(13,810)	(27,128)	(27,315)
Gross profit		17,135	13,934	33,255	25,646
Selling and marketing expenses	4	(10,040)	(8,636)	(19,424)	(17,359)
Administrative expenses	4	(792)	(945)	(1,254)	(1,864)
Research and development expenses	4	(2,805)	(3,155)	(5,648)	(6,075)
Other income		34	113	152	165
Other gains/(losses), net		374	(15)	819	85
Operating profit		3,906	1,296	7,900	598
Finance income, net		66	158	180	269
Share of losses of investments accounted for using the equity method		(19)	(18)	(22)	(32)
Profit before income tax		3,953	1,436	8,058	835
Income tax benefits/(expenses)	5	27	45	42	(230)
Profit for the period		3,980	1,481	8,100	605
Attributable to:					
— Equity holders of the Company		3,979	1,480	8,098	607
— Non-controlling interests		1	1	2	(2)
		3,980	1,481	8,100	605
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)	6				
Basic earnings per share		0.92	0.34	1.87	0.14
Diluted earnings per share		0.90	0.34	1.84	0.14

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
<i>Note</i>	2024	2023	2024	2023
	<i>(RMB millions)</i>			
Profit for the period	3,980	1,481	8,100	605
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive (loss)/income of investments accounted for using the equity method	—	—	(3)	7
Currency translation differences	328	3,758	458	2,770
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	(248)	(2,731)	(345)	(2,020)
Other comprehensive income for the period, net of taxes	80	1,027	110	757
Total comprehensive income for the period	4,060	2,508	8,210	1,362
Attributable to:				
— Equity holders of the Company	4,059	2,507	8,208	1,364
— Non-controlling interests	1	1	2	(2)
	4,060	2,508	8,210	1,362

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		As of	As of
	<i>Note</i>	June 30,	December 31,
		2024	2023
		<i>(RMB millions)</i>	
ASSETS			
Non-current assets			
Property and equipment		11,871	12,356
Right-of-use assets		8,908	10,399
Intangible assets		1,032	1,073
Investments accounted for using the equity method		179	214
Financial assets at fair value through profit or loss	7	13,695	5,245
Other financial assets at amortized cost	7	143	283
Deferred tax assets		5,854	6,108
Long-term time deposits		13,580	9,765
Other non-current assets		536	492
		55,798	45,935
Current assets			
Trade receivables	8	6,526	6,457
Prepayments, other receivables and other current assets		4,346	4,919
Financial assets at fair value through profit or loss	7	31,180	25,128
Other financial assets at amortized cost	7	845	950
Short-term time deposits		9,578	9,874
Restricted cash		89	128
Cash and cash equivalents		11,437	12,905
		64,001	60,361
Total assets		119,799	106,296

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As of June 30, 2024	Audited As of December 31, 2023
		<i>(RMB millions)</i>	
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		—	—
Share premium		271,804	273,459
Treasury shares		(284)	(88)
Other reserves		34,298	33,183
Accumulated losses		(249,393)	(257,491)
		<u>56,425</u>	<u>49,063</u>
Non-controlling interests		<u>13</u>	<u>11</u>
Total equity		<u>56,438</u>	<u>49,074</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	4,500	—
Lease liabilities		6,985	8,405
Deferred tax liabilities		16	18
Other non-current liabilities		21	21
		<u>11,522</u>	<u>8,444</u>
Current liabilities			
Accounts payables	11	24,897	23,601
Other payables and accruals		19,192	16,592
Advances from customers		4,124	4,036
Income tax liabilities		269	1,222
Lease liabilities		3,357	3,327
		<u>51,839</u>	<u>48,778</u>
Total liabilities		<u>63,361</u>	<u>57,222</u>
Total equity and liabilities		<u>119,799</u>	<u>106,296</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2024	2023*
	<i>(RMB millions)</i>	
Net cash generated from operating activities	13,404	5,486
Net cash used in investing activities	(18,731)	(6,596)
Net cash generated from financing activities	3,846	932
Net decrease in cash and cash equivalents	(1,481)	(178)
Cash and cash equivalents at the beginning of the period	12,905	13,274
Effects of exchange rate changes on cash and cash equivalents	13	122
Cash and cash equivalents at the end of the period	<u>11,437</u>	<u>13,218</u>

* The condensed consolidated statement of cash flows for the six months ended June 30, 2023 has been adjusted for the voluntary change in accounting policy as described in Note 1.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and presentation

This condensed consolidated interim financial information for the three months and six months ended June 30, 2024 (“**Interim Financial Information**”) has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board. The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Information does not include all the notes of the type normally included in annual financial statements. The Interim Financial Information should be read in conjunction with the annual audited financial statements of the Group for the year ended December 31, 2023 which have been prepared in accordance with IFRS Accounting Standards by the Group as set out in the 2023 annual report of the Company (the “**2023 Financial Statements**”).

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2023, as described in the 2023 Financial Statements, except for the newly added borrowings and adoption of certain amendments which has had no significant impact on the results and the financial position of the Group.

As disclosed in the Note 2.1.1(c) in the 2023 Financial Statements, the Group voluntarily changed the presentation of cash flows related to notes payable transaction. Accordingly, comparative figures for the six months ended June 30, 2023 have been adjusted to conform to the current period presentation.

In preparing the Interim Financial Information, the critical accounting estimates and judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2023 Financial Statements.

The Interim Financial Information has been reviewed by the external auditor of the Company.

2 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. As a result of this evaluation, the Group determined that it has operating segments as follows:

- 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 results 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 three months and six months ended June 30, 2024 and 2023.

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 is measured as cost of revenues and operating expenses deducted from its revenues. Certain items are not allocated to each segment as they are not directly relevant to the operating results upon performance measurement and resource allocation by the CODM. Share-based compensation expenses, other income and other gains/(losses), net are not allocated to individual operating segments.

The segment results for the three months and six months ended June 30, 2024 and 2023 are as follows:

	Three months ended June 30, 2024			
	Domestic	Overseas	Unallocated items	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(RMB millions)</i>			
Revenues	29,896	1,079	—	30,975
Cost of revenues and operating expenses	(25,398)	(1,356)	—	(26,754)
Unallocated items	—	—	(315)	(315)
Operating profit/(loss)	<u>4,498</u>	<u>(277)</u>	<u>(315)</u>	<u>3,906</u>
	Three months ended June 30, 2023			
	Domestic	Overseas	Unallocated items	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(RMB millions)</i>			
Revenues	27,297	447	—	27,744
Cost of revenues and operating expenses	(24,263)	(1,227)	—	(25,490)
Unallocated items	—	—	(958)	(958)
Operating profit/(loss)	<u>3,034</u>	<u>(780)</u>	<u>(958)</u>	<u>1,296</u>

	Six months ended June 30, 2024			
	Domestic	Overseas	Unallocated items	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(RMB millions)</i>			
Revenues	58,313	2,070	—	60,383
Cost of revenues and operating expenses	(49,824)	(2,615)	—	(52,439)
Unallocated items	—	—	(44)	(44)
Operating profit/(loss)	8,489	(545)	(44)	7,900
	Six months ended June 30, 2023			
	Domestic	Overseas	Unallocated items	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>(RMB millions)</i>			
Revenues	52,176	785	—	52,961
Cost of revenues and operating expenses	(48,179)	(2,388)	—	(50,567)
Unallocated items	—	—	(1,796)	(1,796)
Operating profit/(loss)	3,997	(1,603)	(1,796)	598

3 Revenues

The breakdown of revenues during the three months and six months ended June 30, 2024 and 2023 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online marketing services	17,515	14,347	34,165	27,411
Live streaming	9,302	9,968	17,877	19,287
Other services	4,158	3,429	8,341	6,263
	<u>30,975</u>	<u>27,744</u>	<u>60,383</u>	<u>52,961</u>

4 Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	8,731	8,680	17,070	16,931
Promotion and marketing expenses	9,447	7,999	18,204	16,053
Employee benefit expenses	4,110	4,612	8,063	9,135
Bandwidth expenses and server custody costs	1,370	1,453	2,769	3,148
Depreciation of property and equipment	997	978	1,974	1,942
Depreciation of right-of-use assets <i>(Note a)</i>	735	808	1,451	1,596
Amortization of intangible assets	26	39	53	77
Payment processing costs	708	651	1,304	1,146
Outsourcing and other labor costs	322	255	624	536
Tax surcharges	280	169	455	299
Professional fees	81	79	140	123
Credit loss allowances on financial assets	11	43	33	57
Others <i>(Note b)</i>	659	780	1,314	1,570
	<u>27,477</u>	<u>26,546</u>	<u>53,454</u>	<u>52,613</u>

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

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

5 Income tax

The income tax benefits/(expenses) of the Group during the three months and six months ended June 30, 2024 and 2023 are analyzed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	485	(375)	294	(779)
Deferred income tax	(458)	420	(252)	549
Income tax benefits/(expenses)	<u>27</u>	<u>45</u>	<u>42</u>	<u>(230)</u>

6 Earnings per share

(a) Basic earnings per share

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings attributable to equity holders of the Company <i>(RMB millions)</i>	<u>3,979</u>	<u>1,480</u>	<u>8,098</u>	<u>607</u>
Weighted average number of ordinary shares in issue <i>(million shares)</i>	<u>4,318</u>	<u>4,311</u>	<u>4,319</u>	<u>4,306</u>
Basic earnings per share <i>(expressed in RMB per share)</i>	<u>0.92</u>	<u>0.34</u>	<u>1.87</u>	<u>0.14</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the three months and six months ended June 30, 2024 and 2023, the Company had two categories of potential ordinary shares: share options and restricted share units (“RSUs”).

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings attributable to equity holders of the Company (<i>RMB millions</i>)	<u>3,979</u>	<u>1,480</u>	<u>8,098</u>	<u>607</u>
Weighted average number of ordinary shares in issue (<i>million shares</i>)	<u>4,318</u>	<u>4,311</u>	<u>4,319</u>	<u>4,306</u>
Adjustments for share options and RSUs (<i>million shares</i>)	<u>86</u>	<u>90</u>	<u>94</u>	<u>106</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (<i>million shares</i>)	<u>4,404</u>	<u>4,401</u>	<u>4,413</u>	<u>4,412</u>
Diluted earnings per share (<i>expressed in RMB per share</i>)	<u><u>0.90</u></u>	<u><u>0.34</u></u>	<u><u>1.84</u></u>	<u><u>0.14</u></u>

7 Investments

	As of June 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,792	2,609
— Investment in a listed entity	65	52
— Wealth management products and others	10,819	2,584
— Derivative financial instruments	19	—
	13,695	5,245
Other financial assets at amortized cost	143	283
	13,838	5,528
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	6	8
— Wealth management products and others	31,174	25,120
	31,180	25,128
Other financial assets at amortized cost	845	950
	32,025	26,078
Total	45,863	31,606

8 Trade receivables

	As of June 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Trade receivables from contracts with customers	6,693	6,595
Less: credit loss allowances	(167)	(138)
	<u>6,526</u>	<u>6,457</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 June 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Up to 3 months	5,898	5,816
Over 3 months	795	779
	<u>6,693</u>	<u>6,595</u>

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

	Six months ended June 30,	
	2024	2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Unaudited)
At the beginning of the period	(138)	(45)
Additional provision	(29)	(57)
	<u>(167)</u>	<u>(102)</u>

9 Borrowings

	As of June 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Unsecured bank loans (<i>Note a</i>)	4,500	—

Note a: As of June 30, 2024, unsecured bank loans were RMB4.5 billion, with a term of 3 years and floating interest rate. The annual average interest rate was 3.47% for the period ended June 30, 2024.

10 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2024 and 2023.

11 Accounts payables

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

	As of June 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Up to 3 months	15,701	16,447
3 to 6 months	4,280	2,479
6 months to 1 year	3,075	3,165
Over 1 year	1,841	1,510
	24,897	23,601

12 Subsequent events

In June 2024, the Group entered into an unsecured credit facility agreement with certain commercial banks. The total amount under the facility was RMB9.0 billion, of which RMB4.5 billion was drawn down as of June 30, 2024 as described in Note 9. In July 2024, the Group drew down another RMB4.5 billion under this agreement.

Except as disclosed above, there were no other material subsequent events during the period from July 1, 2024 to the approval date of the Interim Financial Information.

OTHER INFORMATION

Use of Proceeds from the Global Offering

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

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

There was no change in the intended use of net proceeds after the Reallocation as previously disclosed in the 2023 Interim Results Announcement. Please refer to the 2023 Interim Results Announcement for details.

As of June 30, 2024, the Group has utilized the net proceeds as set out in the table below:

	Allocation of net proceeds as set out in the Prospectus (HK\$ million)	Amounts of net proceeds utilized immediately before the Reallocation (HK\$ million)	Amounts of net proceeds unutilized immediately before the Reallocation (HK\$ million)	Amount of net proceeds unutilized immediately after the Reallocation (HK\$ million)	Amount of net proceeds utilized after the Reallocation up to June 30, 2024 (HK\$ million)	Balance of net proceeds after the Reallocation as of June 30, 2024 (HK\$ million)	Expected timeline for balance of net proceeds as of June 30, 2024
Enhance and grow the ecosystem	16,437.5	15,859.3	578.2	4,737.3	711.1	4,026.2	Before December 31, 2025
Strengthen research and development and technological capabilities	14,089.3	13,367.2	722.1	4,237.3	587.5	3,649.8	Before December 31, 2025
Selectively acquire or invest in products, services and businesses	11,741.1	505.0	11,236.1	500.0	25.7	474.3	Before December 31, 2025
Working capital and general corporate purposes	4,696.5	4,600.0	96.5	3,158.3	3,158.3	0.0	Before December 31, 2025
Total	46,964.4	34,331.5	12,632.9	12,632.9	4,482.6	8,150.3	

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

of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent the Company from using the net proceeds to make loans or additional capital contributions to its PRC subsidiaries or Consolidated Affiliated Entities, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

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

During the six months ended June 30, 2024 and up to the Latest Practicable Date, the Company repurchased a total of 52,561,400 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$2,434,480,144.74. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration
		Highest (HK\$)	Lowest (HK\$)	
January 2024	12,986,000	51.85	38.85	573,165,403.11
February 2024	9,793,200	46.25	38.45	426,284,299.06
March 2024	7,226,900	51.75	43.10	342,663,422.95
April 2024	4,571,500	50.00	44.05	219,923,443.35
May 2024	2,960,600	59.95	54.90	169,926,425.13
June 2024	6,401,800	52.00	46.05	310,500,686.11
July 2024	5,866,200	48.15	43.55	269,331,538.50
August 2024 (up to the Latest Practicable Date)	2,755,200	45.15	42.35	122,684,926.53
Total	52,561,400			2,434,480,144.74

As of the Latest Practicable Date, a total of 51,692,700 Class B Shares repurchased from December 2023 to July 2024 have been cancelled on January 31, February 29, March 28, April 30, June 6 and July 31, 2024, respectively, and the number of Class B Shares in issue was reduced by 51,692,700 shares as a result of the cancellation. Upon cancellation of such Class B Shares, Reach Best Developments Limited, a holder of Class A Shares, simultaneously converted a total of 8,995,391 Class A Shares into Class B Shares on a one-to-one ratio on January 31, February 29, March 28, April 30, June 6 and July 31, 2024, respectively, pursuant to Rule 8A.21 of the Listing Rules, such that the proportion of shares carrying weighted voting rights of the Company would not be increased, pursuant to the requirements under Rules 8A.13 and 8A.15 of the Listing Rules. As of the Latest Practicable Date, a total of 2,755,200 Class B Shares repurchased had not been cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended June 30, 2024 and up to the Latest Practicable Date.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting a high standard of corporate governance which is crucial to the Group's development and safeguarding 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.

Save for the deviation from code provision C.2.1 as set out in Part 2 of the Corporate Governance Code, which is explained in the following paragraph, the Company has complied with all applicable code provisions as set out in Part 2 of the Corporate Governance Code during the six months ended June 30, 2024.

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

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

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 enquiry of all the Directors, all Directors have confirmed that they complied with the required standards as set out in the Model Code during the six months ended June 30, 2024.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024.

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited Interim Financial Information for the three and six months ended June 30, 2024. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Company's unaudited Interim Financial Information for the three and six months ended June 30, 2024 have been prepared in accordance with IFRS Accounting Standards.

Significant Events after June 30, 2024

Save as disclosed in this announcement (including Note 12 to the Condensed Consolidated Interim Financial Information), there were no other significant events affecting the Group which occurred after June 30, 2024 and up to the date of this announcement.

Publication of the Interim Results and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kuaishou.com), and the interim 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 (if requested).

APPRECIATION

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

By order of the Board
Kuaishou Technology
Mr. CHENG Yixiao
Chairman

Hong Kong, August 20, 2024

As at the date of this announcement, the Board comprises Mr. CHENG Yixiao and Mr. SU Hua as executive Directors; Mr. LI Zhaohui, Mr. ZHANG Fei, Mr. LIN Frank and Mr. WANG Huiwen as non-executive Directors; Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing 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:

“3C”	computer, communication and consumer electronics
“AI”	artificial intelligence
“AIGC”	artificial intelligence generated content
“Articles”	the articles of association of the Company adopted on and with effect from June 13, 2024, 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”, “the Company”, “Kuaishou” or “we”	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 C1 to the Listing Rules
“DAUs”	daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“Director(s)”	the director(s) of the Company

“Global Offering”	the global offering of the Class B Shares
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group” 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\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS Accounting Standards”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“KOL(s)”	key opinion leader(s)
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences
“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
“Latest Practicable Date”	August 13, 2024, being the latest practicable date prior to the publication of this interim results announcement for the purpose of ascertaining certain information contained herein
“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)
“MAUs”	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 adopted on and with effect from June 13, 2024, as amended from time to time

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“paying user(s)”	user account(s) that purchase(s) a particular service at least once during a given period
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated January 26, 2021
“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, 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
“ROI”	return on investment
“Share(s)”	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“US\$”	the lawful currency of the United States of America
“%”	per cent