



Kuaishou Technology

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

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

INTERIM REPORT 2024



Contents

Corporate Information	2
Key Highlights	4
Chairman’s Statement	8
Management Discussion and Analysis	14
Other Information	32
Report on Review of Interim Financial Information	56
Condensed Consolidated Income Statement	57
Condensed Consolidated Statement of Comprehensive Income	58
Condensed Consolidated Balance Sheet	59
Condensed Consolidated Statement of Changes in Equity	61
Condensed Consolidated Statement of Cash Flows	63
Notes to the Condensed Consolidated Interim Financial Information	64
Definitions	103



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHENG Yixiao (程一笑) (*Chairman of the Board and Chief Executive Officer*)
Mr. SU Hua (宿華)

Non-executive Directors

Mr. LI Zhaohui (李朝暉)
Mr. ZHANG Fei (張斐)
Mr. LIN Frank (林欣禾) (*alias LIN Frank Hurst*)
Mr. WANG Huiwen (王慧文)

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德)
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星)

AUDIT COMMITTEE

Mr. HUANG Sidney Xuande (黃宣德) (*Chairman*)
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星)

REMUNERATION COMMITTEE

Mr. HUANG Sidney Xuande (黃宣德) (*Chairman*)
Mr. SU Hua (宿華)
Mr. LI Zhaohui (李朝暉)
Mr. MA Yin (馬寅)
Prof. XIAO Xing (肖星)

NOMINATION COMMITTEE

Mr. MA Yin (馬寅) (*Chairman*)
Mr. CHENG Yixiao (程一笑)
Mr. ZHANG Fei (張斐)
Mr. HUANG Sidney Xuande (黃宣德)
Prof. XIAO Xing (肖星)

CORPORATE GOVERNANCE COMMITTEE

Mr. MA Yin (馬寅) (*Chairman*)
Mr. HUANG Sidney Xuande (黃宣德)
Prof. XIAO Xing (肖星)

JOINT COMPANY SECRETARIES

Mr. ZHAO Huaxia Matthew (趙華夏)
Ms. SO Ka Man (蘇嘉敏)

AUTHORIZED REPRESENTATIVES

Mr. CHENG Yixiao (程一笑)
Ms. SO Ka Man (蘇嘉敏)

AUDITOR

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANK

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Beijing
the PRC

STOCK CODE

HKD Counter Stock Code: 01024
RMB Counter Stock Code: 81024

COMPANY'S WEBSITE

www.kuaishou.com

Key Highlights

Financial Summary

	Unaudited Three Months Ended June 30,		Unaudited Three Months Ended June 30,		Year-over- year change
	2024	2023	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,		Unaudited Six Months Ended June 30,		Year-over- year change
	2024	2023	2024	2023	
	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.

Key Highlights

Financial Information by Segment

	Unaudited Three Months Ended June 30, 2024			Total
	Domestic	Overseas	Unallocated items ⁽¹⁾	
	(RMB millions)			
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
	(RMB millions)			
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%

Key Highlights

Unaudited Six Months Ended June 30, 2024

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	(RMB millions)			
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
	(RMB millions)			
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.

Key Highlights

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.

Chairman's Statement

Dear Shareholders,

We are delighted to present to you a set of robust financial and business results. In the first half of 2024, our total revenue continued to grow, increasing by 14.0% year-over-year to reach RMB60.4 billion. Meanwhile, our net profit soared to a record high of RMB8.1 billion. This remarkable profitability is a strong testament to the success of our user-centric value orientation and our technology-led development strategy, which have driven significant progress across our platform and financial profile. We have increasingly integrated our industry-leading AI matrix across our platform, enabling a deeper integration of our user and commercial ecosystems. This will further drive more robust user traffic and deeper engagement, while also unlocking additional commercialization opportunities. These initiatives are poised to greatly enhance the platform's productivity and increase value for our users and partners.

While pursuing commercial success, we also remain committed to fulfilling our social responsibility and mission of sustainable development. We strive to balance economic growth with social responsibility, setting an example as a responsible corporate citizen in the communities we serve. By continuously optimizing operating efficiency and strengthening synergies across our ecosystem, we are confident of delivering long-term value for all our stakeholders.

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.

Chairman's Statement

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.

Chairman's Statement

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.

Chairman's Statement

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.

Chairman's Statement

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	
	RMB	%	RMB	%
	<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	3,980	12.8	1,481	5.3
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

Management Discussion and Analysis

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	
	RMB	%	RMB	%
	<i>(in millions, except for percentages)</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 omn-domain operations.

Management Discussion and Analysis

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	
	RMB	%	RMB	%
<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	13,840	44.7	13,810	49.8

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.

Management Discussion and Analysis

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	
	RMB	%	RMB	%
<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.

Management Discussion and Analysis

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,		Year-over-year change
	2024	2023	
	<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	3,906	1,296	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	
	RMB	%	RMB	%
	<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	3,980	12.8	4,120	14.0
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

Management Discussion and Analysis

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	
	RMB	%	RMB	%
	<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.

Management Discussion and Analysis

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	13,840	44.7	13,288	45.2

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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, 2024	March 31, 2024	Quarter-over- 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	3,906	3,994	(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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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,	March 31,	June 30,
	2024	2024	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	4,679	4,388	2,694
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	6,344	5,979	4,316

Management Discussion and Analysis

	Unaudited Six Months Ended June 30,	
	2024	2023
	(RMB millions)	
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	9,067	2,736
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	12,323	6,312

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.

Management Discussion and Analysis

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
	(RMB millions)	
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

Management Discussion and Analysis

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.

BORROWINGS

As of June 30, 2024, we had total borrowings of RMB4.5 billion. The details of our borrowings are disclosed in Note 18 to the Condensed Consolidated Interim Financial Information in this interim report.

GEARING RATIO

As of June 30, 2024, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was 8.0%.

Management Discussion and Analysis

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of June 30, 2024.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2024, we did not hold any significant investments in the equity interests of any other companies.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As of June 30, 2024, we had not pledged any assets of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as otherwise disclosed in this interim report, as of June 30, 2024, we have no specific plan for material investments or acquisition of capital assets. However, we will continue to identify new opportunities for business development and investments.

Management Discussion and Analysis

FOREIGN EXCHANGE RISK

During the Reporting Period, most transactions of the Group were settled in RMB and USD, while a limited number of transactions was denominated in foreign currencies such as Brazilian real, the amount of which was not significant. Thus, the Group mitigated such risk mainly through natural hedges wherever possible.

The Group is also exposed to foreign exchange risk in respect of its borrowings. As of June 30, 2024, a subsidiary of the Group with functional currency of USD had RMB-denominated bank borrowings amounting to RMB4.5 billion (December 31, 2023: 0). Accordingly, the Group has entered into foreign currency options agreements to manage the risk of RMB exchange rate fluctuations.

For further details, please refer to Notes 5.1, 14, 18 and 27 to the Condensed Consolidated Interim Financial Information in this interim report. The Group will continue to monitor foreign exchange risk based on its business development requirements to best preserve the Group's cash value, and may engage in other hedging activities when necessary.

EMPLOYEE AND REMUNERATION POLICY

The Group had 24,564 full-time employees as of June 30, 2024. The Group also used some third-party labor outsourcing and labor dispatch services, though most of our employees were directly employed by us. Substantially all of the Group's employees are based in China, primarily at our headquarters in Beijing as well as in Chengdu, Hangzhou, Wuhan, Wuxi, and other cities.

The Group's success depends on its ability to attract, retain and motivate qualified personnel. The Group adopts high standards in recruitment with strict procedures to ensure the quality of new hires. The Group uses various methods for its recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy its demand for different types of talents, and pay competitive market salaries.

The Group provides robust training programs for its employees, which it believes are effective in equipping them with the necessary skillset and work ethic. As required by PRC laws, it participates in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. The Group and its employees are required to bear the costs of the social security schemes in proportion to a specified percentage. The Group is required under PRC law to make contributions to employee social security plans directly at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

The total remuneration expenses of the employees of the Group for the Reporting Period are set out in Note 9 to the Condensed Consolidated Interim Financial Information in this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

In accordance with the archiving notice submitted through the Disclosure of Interests Online (DION) System, as far as the Directors are aware and as of June 30, 2024, the interests or short positions of the Directors and the chief executive in any Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which shall be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which is required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which is required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, are set forth below:

(a) Interest in Shares and underlying Shares of the Company

Name	Capacity/Nature of Interest ⁽¹⁾	Number and class of shares held	Approximate percentage of shareholding of each class of shares in the Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of the Company ⁽²⁾
Class A Shares — Mr. SU Hua				
Reach Best ⁽³⁾	Beneficial interest (L)	416,484,638 Class A Shares	55.15%	9.60%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾ (L)	416,484,638 Class A Shares	55.15%	9.60%
Mr. SU Hua	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾ (L)	416,484,638 Class A Shares	55.15%	9.60%
Class A Shares — Mr. CHENG Yixiao				
Ke Yong ⁽⁴⁾	Beneficial interest (L)	338,767,480 Class A Shares	44.85%	7.81%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽⁴⁾ (L)	338,767,480 Class A Shares	44.85%	7.81%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽⁴⁾ Founder of a trust ⁽⁴⁾ (L)	338,767,480 Class A Shares	44.85%	7.81%
Class B Shares — Mr. SU Hua				
Reach Best ⁽³⁾	Beneficial interest (L)	10,984,883 Class B Shares	0.31%	0.25%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾ (L)	10,984,883 Class B Shares	0.31%	0.25%
Mr. SU Hua	Beneficiary of a trust ⁽³⁾ Founder of a trust and other ⁽³⁾ (L)	16,683,986 Class B Shares	0.47%	0.38%

Other Information

Name	Capacity/Nature of Interest ⁽¹⁾	Number and class of shares held	Approximate percentage of shareholding of each class of shares in the Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of the Company ⁽²⁾
Class B Shares — Mr. CHENG Yixiao				
Ke Yong ⁽⁴⁾	Beneficial interest (L)	43,770,873 Class B Shares	1.22%	1.01%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽⁴⁾ (L)	43,770,873 Class B Shares	1.22%	1.01%
Mr. CHENG Yixiao	Beneficiary of a trust ⁽⁴⁾ Founder of a trust ⁽⁴⁾ (L) Beneficial interest ⁽⁴⁾ (L)	60,017,629 Class B Shares	1.68%	1.38%
Class B Shares — Mr. ZHANG Fei				
Mr. ZHANG Fei	Founder of a trust ⁽⁵⁾ (L)	26,728,522 Class B Shares	0.75%	0.62%

Notes:

- (1) The letter "L" denotes long position.
- (2) As of June 30, 2024, the Company had 4,337,886,464 issued and outstanding share capital in total, comprising 755,252,118 Class A Shares and 3,582,634,346 Class B Shares.
- (3) The entire interest in Reach Best is held by an entity wholly owned by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. SU Hua (as settlor) for the benefit of Mr. SU Hua and his family. Mr. SU Hua is deemed to be interested in the 416,484,638 Class A Shares and 10,984,883 Class B Shares held by Reach Best under the SFO.

As of June 30, 2024, Mr. SU Hua is also deemed to be interested in the 5,699,103 outstanding and unexercised options underlying Class B Shares pursuant to the Pre-IPO ESOP.

- (4) The entire interest in Ke Yong is held by an entity wholly owned by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Mr. CHENG Yixiao (as settlor) for the benefit of Mr. CHENG Yixiao and his family. Mr. CHENG Yixiao is deemed to be interested in the 338,767,480 Class A Shares and 43,770,873 Class B Shares held by Ke Yong under the SFO.

As of June 30, 2024, Mr. CHENG Yixiao is also deemed to be interested in the 16,246,756 outstanding and unexercised options underlying Class B Shares pursuant to the Post-IPO Share Option Scheme.

- (5) Mr. ZHANG Fei is deemed to be interested in the 26,728,522 Class B Shares held by an entity controlled by the trustee of a discretionary trust, of which Mr. ZHANG Fei is a founder, under the SFO.

Other Information

(b) Interest in associated corporation

Name of Director or chief executive	Nature of interest ⁽¹⁾	Associated corporations	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation ⁽²⁾
Mr. SU Hua	Beneficial interest (L)	Hangzhou Youqu ⁽³⁾	10,000,000	90.00%
		Beijing One Smile ⁽⁴⁾	10,000,000	32.32%
Mr. CHENG Yixiao	Beneficial interest (L)	Beijing One Smile ⁽⁴⁾	10,000,000	25.86%

Notes:

- (1) The letter "L" denotes long position.
- (2) The calculation is based on the registered capital of Hangzhou Youqu and Beijing One Smile, respectively.
- (3) Hangzhou Youqu is a Consolidated Affiliated Entity and is owned as to 90% and 10% by Mr. SU Hua and Ms. PENG Xiaochun, respectively.
- (4) Beijing One Smile is a Consolidated Affiliated Entity and is owned as to (i) 32.32% by Mr. SU Hua, (ii) 29.24% by Mr. YANG Yuanxi, (iii) 25.86% by Mr. CHENG Yixiao, and (iv) 12.58% by Mr. YIN Xin.

Save as disclosed above, as far as the Directors are aware and as of June 30, 2024, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

In accordance with the archiving notice submitted through the Disclosure of Interests Online (DION) System, as far as the Directors are aware and as of June 30, 2024, the following persons (other than the Directors and chief executive of the Company whose interests have been disclosed above) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of Interest ⁽¹⁾	Number and class of shares held	Approximate percentage of shareholding of each class of shares in the Company ⁽²⁾	Approximate percentage of shareholding in the issued and outstanding share capital of the Company ⁽²⁾
<i>Class B Shares — Tencent Shareholders</i>				
Tencent Mobility Limited ⁽³⁾	Beneficial interest (L)	506,143,854 Class B Shares	14.13%	11.67%
Image Frame Investment (HK) Limited ⁽³⁾	Beneficial interest (L)	80,048,189 Class B Shares	2.23%	1.85%
Morespark Limited ⁽³⁾	Beneficial interest (L)	53,619,657 Class B Shares	1.50%	1.24%
Parallel Nebula Investment Limited ⁽³⁾	Beneficial interest (L)	31,972,215 Class B Shares	0.89%	0.74%
TPP Follow-on I Holding F Limited ⁽³⁾	Beneficial interest (L)	6,003,614 Class B Shares	0.17%	0.14%
THL A25 Limited ⁽³⁾	Beneficial interest (L)	656,867 Class B Shares	0.02%	0.02%
THL A6 Limited ⁽³⁾	Beneficial interest (L)	138,711 Class B Shares	0.004%	0.003%

Other Information

Notes:

- (1) The letter “L” denotes long position.
- (2) As of June 30, 2024, the Company had 4,337,886,464 issued and outstanding share capital in total, comprising 755,252,118 Class A Shares and 3,582,634,346 Class B Shares.
- (3) Tencent Mobility Limited, Image Frame Investment (HK) Limited, Morespark Limited, Parallel Nebula Investment Limited, TPP Follow-on I Holding F Limited, THL A25 Limited and THL A6 Limited are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700).

Save as disclosed above, as of June 30, 2024, the Directors were not aware of any person (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PRE-IPO AND POST-IPO SHARE INCENTIVE PLANS

Pre-IPO ESOP

Pre-IPO ESOP was approved and adopted pursuant to the written resolutions of all the then Shareholders of the Company dated February 6, 2018. The terms of the Pre-IPO ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. The purpose of the Pre-IPO ESOP is to promote the success of the Company and the interests of its Shareholders by providing a means through which the Company may grant equity-based incentives in the form of options (“**Options**”) and restricted share (“**Restricted Shares**”) awards to attract, motivate, retain and reward certain officers, employees, Directors and other eligible persons and to further link the interests of award recipients under the Pre-IPO ESOP with those of the Shareholders generally.

Outstanding Share Options Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted Options under the Pre-IPO ESOP to 7,020 grantees (including Directors, officers and other employees of the Company) to subscribe for an aggregate of 626,184,514 Shares, a portion of which corresponding to 363,146,799 Shares has been exercised. All these 363,146,799 Shares have been issued as Class B Shares upon the Listing. No consideration has been paid by the grantees for the grant of Options under the Pre-IPO ESOP. For details, please refer to “Statutory and General Information — 4. Pre-IPO ESOP — Outstanding share options granted” in Appendix V of the Prospectus. Up to the Listing Date, the Company has not issued any Restricted Shares under the Pre-IPO ESOP.

There is no Options or Restricted Share available for grant under the Pre-IPO ESOP upon the Listing.

Other Information

The table below shows the details of movements of Options granted to each participant or each category of participants under the Pre-IPO ESOP:

Name	Date of Grant	Vesting Period ⁽¹⁾	Exercise Period	Exercise Price (US\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2024	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise (HK\$)	Number of Options cancelled during the Reporting Period	Number of Options lapsed during the Reporting Period	Number of Class B Shares underlying Options outstanding as of June 30, 2024
<i>Director</i>										
Mr. SU Hua	2017/06/30-2020/04/01	4 years	2021/08/06-2030/03/31	0.0422	5,699,103	0	—	0	0	5,699,103
<i>Other grantees</i>										
Employees	2014/12/22-2021/01/07	0-4 years	2021/08/06-2031/03/31	0.0422-16.66	51,792,255	(12,502,910)	49.8	0	(1,939,198)	37,350,147
Total					57,491,358	(12,502,910)		0	(1,939,198)	43,049,250

Note:

- (1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the Options granted.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021. The terms of the Post-IPO Share Option Scheme are governed by Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

The Post-IPO Share Option Scheme commenced on the Listing Date and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023. Upon the termination, the Company did not grant further options (“Options”) under the Post-IPO Share Option Scheme, but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in respect of Options which were granted prior to the termination.

Outstanding Share Options Granted under the Post-IPO Share Option Scheme

There is no Option available for grant under the Post-IPO Share Option Scheme since the termination of it on June 23, 2023. There is no service provider sublimit under the Post-IPO Share Option Scheme.

Other Information

Details of movements of Options granted to each participant or each category of participants under the Post-IPO Share Option Scheme are as follows:

Name	Date of Grant	Vesting Period ⁽¹⁾	Particulars of Options granted during the Reporting Period										
			Exercise Period	Exercise Price (HK\$)	Number of Class B Shares underlying Options outstanding as of January 1, 2024	Number of Class B Shares underlying Options granted during the Reporting Period	Performance Targets of the Options granted during the Reporting Period	Closing price of the Class B Shares immediately before the date on which the Options were granted (HK\$)	Fair value of Options at the date of grant (HK\$)	Number of Options exercised during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of exercise (HK\$)	Number of Options cancelled during the Reporting Period	Number of Class B Shares underlying Options outstanding as of June 30, 2024
Director													
Mr. CHENG Yixiao	2022/04/14	4 years	2023/04/13-2029/04/13	66.46	3,246,770	N/A	N/A	N/A	0	—	0	0	3,246,770
Mr. CHENG Yixiao	2023/03/30	3 years	2024/03/30-2030/03/29	59.4	12,999,986	N/A	N/A	N/A	0	—	0	0	12,999,986
Other grantees													
Employees	2022/01/24	4 years	2023/01/23-2029/01/23	86.85	6,744,884	N/A	N/A	N/A	0	—	0	(1,561,271)	4,683,663
Employees	2022/03/30	2-4 years	2022/06/29-2029/03/29	76.29	15,557,495	N/A	N/A	N/A	0	—	0	(8,246,211)	7,311,284
Employees	2022/04/21	2-4 years	2022/07/20-2029/04/20	62.30	37,713,928	N/A	N/A	N/A	0	—	0	(2,380,100)	35,333,828
Employees	2022/06/23	1 year	2023/06/22-2026/06/22	83.55	6,251	N/A	N/A	N/A	0	—	0	0	6,251
Employees	2022/07/21	3-6-4 years	2023/03/29-2029/07/20	82.40	3,779,720	N/A	N/A	N/A	0	—	0	(3,215,464)	564,256
Employees	2022/09/27	4 years	2023/09/26-2029/09/26	56.15	67,922	N/A	N/A	N/A	0	—	0	0	67,922
Employees	2022/10/20	2-4 years	2023/10/19-2029/10/19	48.86	67,206	N/A	N/A	N/A	0	—	0	0	67,206
Employees	2022/11/29	2-34 years	2023/04/01-2029/11/28	54.80	2,981,353	N/A	N/A	N/A	(5,039)	58.15	0	(660,938)	2,715,376
Employees	2022/12/29	4 years	2023/12/28-2029/12/28	70.65	177,935	N/A	N/A	N/A	0	—	0	0	177,935
Employees	2023/01/19	3 years	2024/01/19-2030/01/18	72.63	3,096,824	N/A	N/A	N/A	0	—	0	(1,548,412)	1,548,412
Total					85,934,274				(5,039)		0	(17,272,346)	68,716,889

Note:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the Options granted.

Post-IPO RSU Scheme

The Post-IPO RSU Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021. Save for disclosure requirements under Rules 17.06A, 17.06B, 17.06C, 17.07, 17.07A and 17.09 of the Listing Rules, the Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme was adopted by the Company before January 1, 2023, the effective date of the amended Chapter 17.

The purposes of the Post-IPO RSU Scheme are to recognize and reward individuals, being employees, Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an “**Eligible Person**” and, collectively “**Eligible Persons**”) for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them so as to align the interests of the Eligible Persons with those of the Group and to further promote the long-term success of the Group’s business.

The Post-IPO RSU Scheme commenced on the Listing Date and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023. Upon the termination, the Company did not grant further RSUs under the Post-IPO RSU Scheme, but in all other respects the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in respect of RSUs which were granted prior to the termination.

RSUs Granted under the Post-IPO RSU Scheme

There is no RSU available for grant under the Post-IPO RSU Scheme since the termination of it on June 23, 2023. There is no service provider sublimit under the Post-IPO RSU Scheme.

Other Information

Details of movements of RSUs granted to each category of participants under the Post-IPO RSU Scheme are as follows:

Particulars of RSUs granted during the Reporting Period													
Name	Date of Grant	Vesting Period ⁽¹⁾	Purchase Price (HK\$)	Number of Class B Shares underlying RSUs outstanding as of January 1, 2024	Number of Class B Shares underlying RSUs granted during the Reporting Period	Performance Targets of RSUs granted during the Reporting Period	Closing price of the Class B Shares immediately before the date on which the RSUs were granted (HK\$)	Fair value of RSUs at the date of grant (HK\$)	Number of RSUs vested during the Reporting Period	Weighted average price of Class B Shares immediately cancelled during the Reporting Period of vesting (HK\$)	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of Class B Shares underlying RSUs outstanding as of June 30, 2024
Employees	2021/02/23	0.45-4 years	0	2,758	N/A	N/A	N/A	N/A	(1,379)	45.55	0	0	1,379
Employees	2021/04/02	4 years	0-0.3273	2,852,454	N/A	N/A	N/A	N/A	939,319	49.26	0	(400,416)	1,512,719
Employees	2021/04/23	0.48-4 years	0-0.3273	2,494,547	N/A	N/A	N/A	N/A	(883,348)	48.44	0	(391,793)	1,259,406
Employees	2021/05/20	0.19-4 years	0-0.3273	915,992	N/A	N/A	N/A	N/A	326,938	52.82	0	(156,158)	432,896
Employees	2021/06/29	4 years	0-0.3273	648,705	N/A	N/A	N/A	N/A	(289,884)	46.4	0	(74,792)	284,029
Employees	2021/07/21	0.04-4 years	0-0.3273	1,084,246	N/A	N/A	N/A	N/A	(13,278)	48.77	0	(113,655)	957,313
Employees	2021/08/27	0.95-4 years	0	1,381,216	N/A	N/A	N/A	N/A	(10,934)	46.03	0	(232,543)	1,137,739
Employees	2021/09/26	0-4 years	0-0.3273	3,400,024	N/A	N/A	N/A	N/A	(62,468)	50.96	0	(502,936)	2,834,620
Employees	2021/10/22	4 years	0-0.3273	10,221,000	N/A	N/A	N/A	N/A	(881)	49.94	0	(1,519,394)	8,700,725
Employees	2021/11/30	3.74-4 years	0	1,360,013	N/A	N/A	N/A	N/A	(3,142)	48.85	0	(65,656)	1,291,235
Employees	2021/12/28	4 years	0	1,317,872	N/A	N/A	N/A	N/A	0	—	0	(294,185)	1,023,687
Employees	2022/01/24	4 years	0	3,921,100	N/A	N/A	N/A	N/A	(921,718)	46.79	0	(850,126)	2,149,256
Employees	2022/02/25	4 years	0	344,298	N/A	N/A	N/A	N/A	(114,765)	45.9	0	(41,948)	187,585
Employees	2022/03/30	4 years	0	2,509,242	N/A	N/A	N/A	N/A	(567,305)	48.59	0	(547,368)	1,394,569
Employees	2022/04/21	4 years	0	6,579,413	N/A	N/A	N/A	N/A	(2,126,237)	44.77	0	(516,383)	3,936,793
Employees	2022/05/20	4 years	0	2,020,183	N/A	N/A	N/A	N/A	(667,423)	56.55	0	(56,179)	1,296,581
Employees	2022/06/23	4 years	0	1,326,128	N/A	N/A	N/A	N/A	(401,736)	49.35	0	(120,912)	803,480
Employees	2022/07/21	4 years	0	2,054,396	N/A	N/A	N/A	N/A	0	—	0	(125,488)	1,928,908
Employees	2022/08/31	4 years	0	1,315,604	N/A	N/A	N/A	N/A	0	—	0	(441,565)	874,039
Employees	2022/09/27	1-4 years	0	2,389,233	N/A	N/A	N/A	N/A	0	—	0	(191,530)	2,197,703
Employees	2022/10/20	2-4 years	0	18,269,131	N/A	N/A	N/A	N/A	(65,100)	56.1	0	(2,445,374)	15,758,657
Employees	2022/11/29	0-4 years	0	4,230,364	N/A	N/A	N/A	N/A	0	—	0	(394,344)	3,836,020
Employees	2022/12/29	0-4 years	0	2,478,081	N/A	N/A	N/A	N/A	(18,888)	50.86	0	(335,356)	2,123,837
Employees	2023/01/19	4 years	0	1,282,094	N/A	N/A	N/A	N/A	(320,490)	43.05	0	(158,461)	803,143
Employees	2023/04/21	1-4 years	0	29,334,505	N/A	N/A	N/A	N/A	(7,967,413)	44.36	0	(2,715,297)	18,651,795
Total				103,672,599					(15,602,646)		0	(12,691,639)	75,378,114

Note:

(1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the RSUs granted.

2023 Share Incentive Scheme

The 2023 Share Incentive Scheme was approved and adopted by the Shareholders on June 16, 2023 (the “**Adoption Date**”), which shall be valid and effective for a period of ten years commencing on June 16, 2023. The terms of the 2023 Share Incentive Scheme complied with the provisions of Chapter 17 of the Listing Rules.

The purpose of the 2023 Share Incentive Scheme included (a) recognize and reward Eligible Participants (as defined in the 2023 Share Incentive Scheme) for their contribution to the Group; (b) attract and retain best available personnel, and provide them with the opportunity to acquire proprietary interests in the Company; and (c) encourage Eligible Participants to work towards enhancing the value of the Company and its shares, align the interests of these Eligible Participants with those of the Group and further promote the success of the Group’s business.

Options and RSUs Granted under the 2023 Share Incentive Scheme

From the Adoption Date to the end of the Reporting Period, no option was granted under the 2023 Share Incentive Scheme. During the Reporting Period, 63,286,324 RSUs were granted to Eligible Participants under the 2023 Share Incentive Scheme. As of January 1, 2024, being the beginning of the Reporting Period, the total number of awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit of 2023 Share Incentive Scheme were 418,435,328 and 21,675,509, respectively. As of June 30, 2024, being the end of the Reporting Period, the total number of awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit of 2023 Share Incentive Scheme were 358,012,665 and 21,675,509, respectively.

Other Information

Details of movements of RSUs granted to each category of participants under the 2023 Share Incentive Scheme are as follows:

Name	Date of Grant	Vesting Period ⁽¹⁾	Purchase Price (HK\$)	Number of Class B Shares		Particulars of RSUs granted during the Reporting Period		Closing price of the Class B Shares immediately before the date on which the RSUs were granted (HK\$)	Fair value of RSUs at the date of grant ⁽²⁾ (HK\$)	Number of RSUs vested during the Reporting Period	Weighted average price of Class B Shares immediately before the dates of vesting (HK\$)	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of Class B Shares underlying RSUs outstanding as of June 30, 2024
				outstanding as of January 1, 2024	Class B Shares underlying RSUs granted during the Reporting Period	Performance Targets of RSUs granted during the Reporting Period	Number of RSUs granted during the Reporting Period							
Employees	2023/08/23	0.66-3.92 years	0	6,739,286	N/A	N/A	N/A	N/A	N/A	(312,475)	44.24	0	(359,927)	6,056,884
Employees	2023/11/22	1.91-3.91 years	0	8,345,288	N/A	N/A	N/A	N/A	N/A	(103,118)	44.35	0	(871,688)	7,370,482
Employees	2024/01/19	1.75-4 years	0	0	6,522,906	—	43.05	41.55	(67,999)	44.35	44.35	0	(587,853)	5,867,054
Employees	2024/04/21	0-4 years	0	0	56,763,418	There is no performance target attached to the RSUs granted to a Grantee if he/she is not a Designated Employee	44.35	44.35	(311,422)	44.35	44.35	0	(1,044,193)	55,407,803
Total				15,074,574	63,286,324					(795,014)		0	(2,863,661)	74,702,223

Notes:

- (1) Vesting period means the total vesting period (i.e. the period between the date of grant and the last vesting date) for the RSUs granted.
- (2) The fair value of each RSU was determined by reference to the market price of the Class B Shares at the respective date of grant or the trading day immediately preceding the date of grant if it was a non-trading day.

The Class B Shares that may be issued in respect of all the options and RSUs granted under the Pre-IPO ESOP, Post-IPO Share Option Scheme, Post-IPO RSU Scheme and 2023 Share Incentive Scheme during the Reporting Period, being 63,286,324 Class B Shares, represented approximately 1.76% of the weighted average number of Class B Shares in issue for the Reporting Period.

WEIGHTED VOTING RIGHTS

The Company is controlled through weighted voting rights. Each Class A Share has 10 votes per share and each Class B Share has one vote per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's weighted voting rights structure will enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of the Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of the Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

As of the Latest Practicable Date, the WVR Beneficiaries are Mr. SU Hua and Mr. CHENG Yixiao.

- (a) Mr. SU Hua is interested in and controls, through Reach Best, 414,361,976 Class A Shares and 13,107,545 Class B Shares, representing approximately 9.82% of the Company's total issued share capital, approximately 9.82% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 37.34% with respect to matters other than the Reserved Matters.
- (b) Mr. CHENG Yixiao is interested and controls, through Ke Yong, 338,767,480 Class A Shares and 43,770,873 Class B Shares, representing approximately 8.79% of the Company's total issued share capital, approximately 8.79% of the voting rights in the Company with respect to shareholder resolutions in relation to the Reserved Matters, and approximately 30.83% with respect to matters other than the Reserved Matters.

Class A Shares may be converted into Class B Shares on a one to one ratio. As of the Latest Practicable Date, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 753,129,456 Class B Shares, representing approximately 20.92% of the total number of issued and outstanding Class B Shares as of the Latest Practicable Date.

Other Information

The weighted voting rights attached to Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of the Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (a) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where both WVR Beneficiaries are: (1) deceased; (2) no longer members of the Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing their duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;
- (b) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (c) where the vehicles holding Class A Shares on behalf of both WVR Beneficiaries no longer comply with Rule 8A.18(2) of the Listing Rules; or
- (d) when all of the Class A Shares have been converted to Class B Shares.

BIOGRAPHICAL DETAILS AND OTHER INFORMATION OF DIRECTORS

We set forth below the updated biographical details and other information of the Directors.

Executive Directors

Mr. CHENG Yixiao (程一笑先生)

Mr. CHENG Yixiao, aged 40, is our co-founder, executive Director, Chairman of the Board and Chief Executive Officer. He is also a member of the Nomination Committee and holds directorship in certain subsidiaries of the Group. Mr. CHENG is responsible for formulating the Group's long-term strategies, overseeing the management of the business and operations of the Group, including leading the day-to-day operations, supervising product-related matters and strategic investments and acquisitions of the Group.

Prior to founding the Group in 2011, Mr. CHENG was a software engineer and developer at Hewlett-Packard from August 2007 to July 2009, and worked at Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN) from September 2009 to February 2011. "GIF Kuaishou", our original mobile app for users to create and share animated images, was launched by Mr. CHENG in 2011.

Mr. CHENG received his bachelor's degree in software engineering from the Software College of Northeastern University in Liaoning Province, the PRC, in July 2007.

Mr. SU Hua (宿華先生)

Mr. SU Hua, aged 41, is our co-founder and executive Director. He is also a member of the Remuneration Committee and holds directorship in certain subsidiaries of the Group. Mr. SU is responsible for contributing long-term value to the Group.

Mr. SU joined the Group in November 2013. Prior to that, Mr. SU worked as an engineer at Google China from December 2006 to October 2008, and Baidu, Inc. (a company listed on Nasdaq with stock symbol of BIDU with its secondary listing on the Stock Exchange with stock code of 9888) from January 2010 to May 2011.

Mr. SU received his bachelor's degree in computer software from the School of Software, Tsinghua University in Beijing, the PRC, in July 2005.

Non-executive Directors

Mr. LI Zhaohui (李朝暉先生)

Mr. LI Zhaohui, aged 48, is a non-executive Director. He is also a member of the Remuneration Committee. Mr. LI joined the Group in March 2017 and is primarily responsible for providing professional advice to the Board.

Mr. LI joined Tencent Holdings Limited (a company listed on the Stock Exchange with stock code of 700) in 2011, and currently serves as the managing partner of Tencent Investment and the vice president of Tencent. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010.

Mr. LI also holds directorships at various other companies. He has been a non-executive director of KE Holdings Inc. (a company listed on the New York Stock Exchange with stock symbol of BEKE and on the Stock Exchange with stock code of 2423) since December 2018. He has been a non-executive director of Zhihu Inc. (a company listed on the New York Stock Exchange with stock symbol of ZH and on the Stock Exchange with stock code of 2390) since September 2015. He was previously a director of Howbuy Wealth Management Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations with stock code of 834418) from December 2013 to August 2022, a director of Missfresh Limited (a company listed on Nasdaq with stock symbol of MF) from June 2017 to November 2021, and a non-executive director of Fenbi Ltd. (a company listed on the Stock Exchange with stock code of 2469) from December 2020 to March 2023.

Mr. LI received his bachelor's degree in economics (majoring in enterprise management) from Peking University in Beijing, the PRC, in July 1998 and his MBA degree from Duke University Fuqua School of Business in North Carolina, the United States, in May 2004.

Other Information

Mr. ZHANG Fei (張斐先生)

Mr. ZHANG Fei, aged 51, is a non-executive Director. He is also a member of the Nomination Committee. Mr. ZHANG joined the Group in February 2014 and is primarily responsible for participating in the formulation of business plans and strategic and major decisions of the Group.

Mr. ZHANG has over 20 years of venture capital experience, with a focus in the areas of AI/cloud computing, social/digital media and entertainment, and electric vehicle/autonomous driving. He was a partner at Ceyuan Ventures (策源創投) in Beijing from 2004 to 2007, where he set up and managed a venture fund and led investments in multiple portfolios. Since January 2011, Mr. ZHANG was a partner of 5Y Capital (formerly known as Morningside Venture Capital). Around 2016, he founded and has been a fund manager and the Responsible Officer of Neumann Advisory Hong Kong Limited, a SFC Type 9 licensed corporation.

Mr. ZHANG received his bachelor's degree of engineering in automation and control from the Shanghai Jiao Tong University in Shanghai, the PRC, in July 1994, and his MBA degree from the China Europe International Business School in Shanghai, the PRC, in May 1999.

Mr. LIN Frank (林欣禾先生) (alias LIN Frank Hurst)

Mr. LIN Frank, aged 59, is a non-executive Director. Mr. LIN joined the Group in May 2016 and is primarily responsible for participating in the formulation of business plans and strategic and major decisions of the Group.

Mr. LIN has been a co-founder and general partner of DCM China, a technology venture capital firm, since 2006. He co-founded and was the chief operations officer of SINA Corporation (a company listed on Nasdaq with stock symbol SINA), helping to guide it to become the first Chinese internet company to list in the United States.

Mr. LIN also holds directorships at various listed companies, including China Online Education Group (a company listed on the New York Stock Exchange with stock symbol COE) since June 2013, Vipshop Holdings Limited (a company listed on the New York Stock Exchange with stock symbol VIPS) since January 2011, Tuniu Corporation (a company listed on Nasdaq with stock symbol TOUR) since December 2009, GigaCloud Technology Inc (a company listed on Nasdaq with stock symbol GCT) since November 2006, QuantaSing Group Ltd (a company listed on Nasdaq with stock symbol QSG) since May 2022 and YSB Inc. (a company listed on the Stock Exchange with stock code of 9885) from December 2018 to November 2023.

Mr. LIN received his bachelor's degree in engineering from Dartmouth College in New Hampshire, the United States in June 1988, and his MBA degree from Stanford University in California, the United States, in June 1993.

Mr. WANG Huiwen (王慧文先生)

Mr. WANG Huiwen, aged 45, is a non-executive Director. Mr. WANG had been an independent non-executive Director and re-designated as a non-executive Director with effect from May 2023. He joined the Group in February 2021 and is primarily responsible for strategic planning, major business decisions, and corporate governance of the Group.

Mr. WANG has over 10 years of managerial and operational experience in the internet industry. In December 2005, he co-founded xiaonei.com. xiaonei.com was sold to China InterActive Corp in October 2006, which was later renamed as Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN). In January 2009, he co-founded taofang.com and worked there from June 2008 to October 2010. In 2010, Mr. WANG co-founded Meituan (a company listed on the Stock Exchange with stock code of 3690) and served as its executive director from October 2015 to March 2023, and served as its non-executive director from March 2023 to June 2023.

Mr. WANG received his bachelor's degree in electronic engineering from Tsinghua University in Beijing, the PRC, in July 2001.

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黄宣德先生)

Mr. HUANG Sidney Xuande, aged 58, is an independent non-executive Director. He is also the chairman of both Audit Committee and Remuneration Committee, and a member of the Nomination Committee and Corporate Governance Committee. He joined the Group in February 2021 and is primarily responsible for providing independent judgment to the Board.

Mr. HUANG has over 15 years of experience in the technology and internet industry. He is currently a senior advisor of JD.com, Inc. (a company listed on Nasdaq with stock symbol of JD with its secondary listing on the Stock Exchange with stock code of 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor.

Mr. HUANG has served as an independent non-executive director of Tuya Inc. (a company listed on the New York Stock Exchange with stock symbol of TUYA and on the Stock Exchange with stock code of 2391) since July 2022. He has been an independent director of Yatsen Holding Limited (a company listed on the New York Stock Exchange with stock symbol of YSG) since November 2020.

Other Information

Mr. HUANG previously served as chief financial officer of VancelInfo Technologies Inc. and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the chief operating officer of VancelInfo Technologies Inc. from 2008 to 2010 and the co-president from 2011 to 2012. He also served as chief financial officer at two China-based companies in the technology and internet sectors between August 2004 and March 2006. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000 and qualified as a Certified Public Accountant in the State of New York in October 1999.

Mr. HUANG is currently a Foundation Fellow and was an Academic Visitor focusing on geoeconomics from October 2021 to September 2022 at St Antony's College of Oxford University in the United Kingdom. He received his bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States, in February 1997, and his MBA degree from the Kellogg School of Management at Northwestern University in the United States, in June 2002.

Mr. MA Yin (馬寅先生)

Mr. MA Yin, aged 50, is an independent non-executive Director. He is also the chairman of both Nomination Committee and Corporate Governance Committee, and a member of the Audit Committee and the Remuneration Committee. He joined the Group in February 2021 and is primarily responsible for providing independent judgment to the Board.

Mr. MA has been the general manager of Aranya Holdings Group Co., Ltd. (阿那亞控股集團有限公司) since February 2014. From April 2006 to September 2013, Mr. MA served various managerial roles at Yeland Group Co., Ltd. (億城集團股份有限公司, subsequently renamed HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) in 2015, and is a company listed on the Shenzhen Stock Exchange with stock code of 000616), including vice president, executive vice president, and president. He was a director of HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) from April 2007 to September 2013.

Mr. MA received his executive MBA degree from Peking University in Beijing, the PRC, in July 2009.

Prof. XIAO Xing (肖星教授)

Prof. XIAO Xing, aged 53, is an independent non-executive Director since September 2023. She is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. She is primarily responsible for providing independent judgment to the Board.

Prof. XIAO is a professor of the accounting department of the School of Economics and Management of Tsinghua University, where she has taught classes since April 1997. During her time at the Tsinghua University, Prof. XIAO visited Massachusetts Institute of Technology and University of Wisconsin as a visiting scholar and received the Fulbright Scholar award in 2011. Prof. XIAO also served as a faculty co-chair in the senior executive program which was jointly held by the School of Economics and Management of Tsinghua University, China Europe International Business School and Harvard Business School. Prof. XIAO's main research areas are corporate governance, financial management, financial statement analysis and financial accounting.

Prof. XIAO has served as an independent non-executive director of Li Auto Inc. (a company listed on Nasdaq with stock symbol of LI and on the Stock Exchange with stock code of 02015) since August 2021; an independent director of Mango Excellent Media Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code of 300413) since January 2019; an independent director of Bloomage Biotechnology Corporation Limited (a company listed on the Shanghai Stock Exchange with stock code of 688363) from March 2019 to April 2022; an independent non-executive director of Agricultural Bank of China Limited (a company listed on the Shanghai Stock Exchange with stock code of 601288 and on the Stock Exchange with stock code of 01288) from March 2015 to November 2021; and an independent director of Aixin Life Co., Ltd. Since August 2017. Prof. XIAO accumulated corporate governance knowledge and experience through her academic research and the foregoing directorships.

Prof. XIAO received a bachelor's degree in mechanical engineering and a second bachelor's degree in business management from Tsinghua University in July 1994 and a master's degree in industrial foreign trade (accounting) from Tsinghua University in March 1997. Prof. XIAO obtained her doctorate degree in business administration from Tsinghua University in January 2004.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company aims to achieve high standards of corporate governance which are crucial to the Company's development and safeguard the interests of the Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board of Directors to all Shareholders.

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 Reporting Period.

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 since October 29, 2023, to ensure consistent leadership to advance long-term strategy, and allowing 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 development.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company (the "**Guidelines for Securities Dealings by Relevant Employees**") on terms no less exacting than the Model Code. No incident of non-compliance with the Guidelines for Securities Dealings by Relevant Employees by the employees has been noted by the Company.

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 57,080,700 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$2,634,468,412.09. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration (HK\$)
		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 (<i>up to the Latest Practicable Date</i>)	7,274,500	45.15	42.35	322,673,193.88
Total	57,080,700			2,634,468,412.09

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, 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 7,274,500 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.

Other Information

USE OF PROCEEDS

Use of Proceeds from 2020 Issuance of Convertible Redeemable Preferred Shares

The Company raised net proceeds of approximately RMB20,956.5 million from issuance of convertible redeemable series F-1 & F-2 preferred shares during the year ended December 31, 2020 (the “**2020 Issuance of Convertible Redeemable Preferred Shares**”). The convertible redeemable series F-1 & F-2 preferred shares were automatically converted into Class B Shares upon the Listing.

There has been no change in the intended use of net proceeds. The Group has utilized the net proceeds from the 2020 Issuance of Convertible Redeemable Preferred Shares as set out in the table below:

Net proceeds raised (RMB million)	Proposed use of net proceeds	Amount of net proceeds utilized as of June 30, 2024 (RMB million)	Balance of net proceeds as of June 30, 2024 (RMB million)	Expected timeline of full utilization of net proceeds
20,956.5	Business operations and other general corporate purposes	13,191.5	2,870.3	Before December 31, 2024
	Capital expenditure	4,894.7		Before December 31, 2024

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**”).

Other Information

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 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.

INTERIM DIVIDEND

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

Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, the risk management and internal control systems of the Group, to review connected transactions and to advise the Board. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. The chairman of the Audit Committee is Mr. HUANG Sidney Xuande, who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

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 has been prepared in accordance with IFRS Accounting Standards.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a Corporate Governance Committee, a Nomination Committee and a Remuneration Committee.

CORPORATE GOVERNANCE COMMITTEE

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company. The Corporate Governance Committee currently comprises three independent non-executive Directors, namely, Mr. HUANG Sidney Xuande, Mr. MA Yin and Prof. XIAO Xing. Mr. MA Yin is the chairman of the Corporate Governance Committee. During the Reporting Period, the Corporate Governance Committee had held one meeting, in which the Corporate Governance Committee has performed the following major tasks:

- reviewed the Company's compliance with laws, regulations and the Corporate Governance Code, and the disclosure in the Corporate Governance Report;
- reviewed the written confirmation provided by the WVR Beneficiaries that they have been members of the Company's Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year; and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;

Other Information

- reviewed and monitored the management of conflicts of interests between the Company, its subsidiaries or Consolidated Affiliated Entities and/or the Shareholders on one hand and any WVR Beneficiaries or Controlling Shareholders on the other;
- reviewed and monitored all risks related to the weighted voting rights structure;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed the implementation and effectiveness of the shareholders' communication policy;
- made a recommendation to the Board as to the change of compliance advisor;
- reviewed and approved the statement of the Board regarding Environmental, Social and Governance (“ESG”) of the Group (including reviewing the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's ESG related matters); and
- reviewed and approved the 2023 ESG Report.

In particular, the Corporate Governance Committee has confirmed to the Board that it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the WVR Beneficiaries in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole. These measures include the Corporate Governance Committee ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) any Directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iii) the compliance advisor is consulted on any matters related to transactions involving the WVR Beneficiaries or a potential conflict of interest between the Group and the WVR Beneficiaries. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

The Corporate Governance Committee has also reviewed the remuneration and terms of engagement of the compliance advisor, and has made a recommendation to the Board as to the change of compliance advisor. The Board has approved the appointment of Somerley Capital Limited as the new compliance advisor with effect from May 6, 2024. For further details of the change of compliance advisor, please refer to the announcement of the Company dated May 6, 2024.

SIGNIFICANT EVENTS AFTER THE END OF JUNE 30, 2024

Save as otherwise disclosed in this interim report (including Note 27 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 Latest Practicable Date.

Report on Review of Interim Financial Information

To the Board of Directors of Kuaishou Technology
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 57 to 102, which comprises the condensed consolidated balance sheet of Kuaishou Technology (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2024 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 20, 2024

Condensed Consolidated Income Statement

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2024 RMB'Million	2023 RMB'Million	2024 RMB'Million	2023 RMB'Million
Revenues	7	30,975	27,744	60,383	52,961
Cost of revenues	9	(13,840)	(13,810)	(27,128)	(27,315)
Gross profit		17,135	13,934	33,255	25,646
Selling and marketing expenses	9	(10,040)	(8,636)	(19,424)	(17,359)
Administrative expenses	9	(792)	(945)	(1,254)	(1,864)
Research and development expenses	9	(2,805)	(3,155)	(5,648)	(6,075)
Other income		34	113	152	165
Other gains/(losses), net	8	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)	10	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)	11				
Basic earnings per share		0.92	0.34	1.87	0.14
Diluted earnings per share		0.90	0.34	1.84	0.14

The accompanying notes on pages 64 to 102 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2024 RMB'Million	2023 RMB'Million	2024 RMB'Million	2023 RMB'Million
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

The accompanying notes on pages 64 to 102 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet

	Note	Unaudited As of June 30, 2024 RMB' Million	Audited As of December 31, 2023 RMB' Million
ASSETS			
Non-current assets			
Property and equipment	12	11,871	12,356
Right-of-use assets	13	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	14	13,695	5,245
Other financial assets at amortized cost	14	143	283
Deferred tax assets	23	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	15	6,526	6,457
Prepayments, other receivables and other current assets	16	4,346	4,919
Financial assets at fair value through profit or loss	14	31,180	25,128
Other financial assets at amortized cost	14	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

	Note	Unaudited As of June 30, 2024 RMB'Million	Audited As of December 31, 2023 RMB'Million
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	17	—	—
Share premium	17	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		13	11
		<u>56,438</u>	<u>49,074</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	4,500	—
Lease liabilities	13	6,985	8,405
Deferred tax liabilities	23	16	18
Other non-current liabilities		21	21
		<u>11,522</u>	<u>8,444</u>
Current liabilities			
Accounts payables	21	24,897	23,601
Other payables and accruals	22	19,192	16,592
Advances from customers		4,124	4,036
Income tax liabilities		269	1,222
Lease liabilities	13	3,357	3,327
		<u>51,839</u>	<u>48,778</u>
Total liabilities		63,361	57,222
		<u>119,799</u>	<u>106,296</u>
Total equity and liabilities		119,799	106,296

The accompanying notes on pages 64 to 102 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited							Total RMB'Million
		Attributable to equity holders of the Company							
		Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Other reserves RMB'Million	Accumulated losses RMB'Million	Subtotal RMB'Million	Non- controlling interests RMB'Million	
Balance at January 1, 2024		—	273,459	(88)	33,183	(257,491)	49,063	11	49,074
Profit for the period		—	—	—	—	8,098	8,098	2	8,100
Other comprehensive income									
Share of other comprehensive loss of investments accounted for using the equity method		—	—	—	(3)	—	(3)	—	(3)
Currency translation differences		—	—	—	113	—	113	—	113
Total comprehensive income for the period		—	—	—	110	8,098	8,208	2	8,210
Share of other changes in net assets of investments accounted for using the equity method		—	—	—	(10)	—	(10)	—	(10)
Transactions with owners in their capacity as owners									
Share-based compensation	20	—	—	—	1,015	—	1,015	—	1,015
Exercise of share options and vesting of restricted share units ("RSUs")	17	—	9	—	—	—	9	—	9
Repurchase of shares (to be canceled)		—	—	(1,860)	—	—	(1,860)	—	(1,860)
Cancellation of shares		—	(1,664)	1,664	—	—	—	—	—
Total transactions with owners in their capacity as owners		—	(1,655)	(196)	1,015	—	(836)	—	(836)
Balance at June 30, 2024		—	271,804	(284)	34,298	(249,393)	56,425	13	56,438

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Attributable to equity holders of the Company								
	Note	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Other reserves RMB'Million	Accumulated losses RMB'Million	Subtotal RMB'Million	Non-controlling interests RMB'Million	Total RMB'Million
Balance at January 1, 2023		—	274,473	—	29,239	(263,882)	39,830	8	39,838
Profit for the period		—	—	—	—	607	607	(2)	605
Other comprehensive income									
Share of other comprehensive income of investments accounted for using the equity method		—	—	—	7	—	7	—	7
Currency translation differences		—	—	—	750	—	750	—	750
Total comprehensive income for the period		—	—	—	757	607	1,364	(2)	1,362
Share of other changes in net assets of investments accounted for using the equity method		—	—	—	6	—	6	—	6
Transactions with owners in their capacity as owners									
Share-based compensation	20	—	—	—	2,046	—	2,046	—	2,046
Exercise of share options and vesting of RSUs	17	—	49	—	—	—	49	—	49
Repurchase of shares (to be canceled)		—	—	(206)	—	—	(206)	—	(206)
Cancellation of shares		—	(93)	93	—	—	—	—	—
Total transactions with owners in their capacity as owners		—	(44)	(113)	2,046	—	1,889	—	1,889
Balance at June 30, 2023		—	274,429	(113)	32,048	(263,275)	43,089	6	43,095

The accompanying notes on pages 64 to 102 form an integral part of this interim financial information.

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended June 30,	
	2024	2023*
	RMB'Million	RMB'Million
Cash flows from operating activities		
Cash generated from operations	14,121	6,334
Income tax paid	(717)	(848)
Net cash generated from operating activities	13,404	5,486
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(2,377)	(2,456)
Proceeds from disposal of property, equipment and intangible assets	9	—
Purchase of investments in financial assets at fair value through profit or loss	(48,088)	(17,549)
Proceeds from disposal of investments in financial assets at fair value through profit or loss	34,526	15,836
Purchase of investments in other financial assets at amortized cost	—	(520)
Proceeds from disposal of investments in other financial assets at amortized cost	276	356
Purchase of time deposits with initial terms over three months	(12,646)	(7,884)
Proceeds from maturity of time deposits with initial terms over three months	8,875	5,457
Interest income received	684	113
Repayment of loans by other parties	10	—
Withdraw of restricted cash	—	51
Net cash used in investing activities	(18,731)	(6,596)
Cash flows from financing activities		
Proceeds from borrowings	4,926	—
Repayments of borrowings and related interests	(432)	—
Payments for principal elements of lease and related interests	(1,604)	(1,747)
Proceeds from exercise of share options and vesting of RSUs	10	70
Proceeds received under notes payable transaction	6,880	3,478
Proceeds received from notes receivable factoring to banks	6,157	—
Payments for principal of matured notes and related interests	(10,349)	(750)
Payments for shares repurchase	(1,742)	(119)
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	11,437	13,218

* 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 3.

The accompanying notes on pages 64 to 102 form an integral part of this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company’s Class B Shares have been listed on the Main Board of the Hong Kong Stock Exchange.

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.

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as of June 30, 2024, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (the “**Interim Financial Information**”).

The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

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

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board.

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 all applicable International Financial Reporting Standards and interpretations issued by the International Accounting Standards Boards (“**IFRS Accounting Standards**”) by the Group as set out in the 2023 annual report of the Company (the “**2023 Financial Statements**”) and any public announcements made by the Group during the interim reporting period.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES

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 as set out below.

Borrowings

The borrowings are recognized initially at fair value, net of transaction costs incurred. The borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

The borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All of the borrowings costs are recognized in profit or loss in the period when they are incurred.

Amendments adopted by the Group

- Classification of Liabilities as Current or Non-current — Amendments to IAS 1
- Lease Liability in a Sale and Leaseback — Amendments to IFRS 16
- Non-current Liabilities with Covenants — Amendments to IAS 1
- Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7

The adoption of these amendments does not have 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 reporting period presentation.

Notes to the Condensed Consolidated Interim Financial Information

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's policies on financial risk management were set out in the 2023 Financial Statements and there have been no significant changes in the financial risk management policies for the three months and six months ended June 30, 2024, except for the description as set out below:

As of June 30, 2024, the Group has unsecured bank loans which were borrowed by a subsidiary of the Group, whose functional currency is USD. Details of the bank loans are disclosed in Note 18. If RMB had strengthened/weakened by 3% against USD with all other variables held constant, the profit before income tax for the three months and six months ended June 30, 2024 would have been approximately RMB135 million lower/higher, as a result of foreign exchange gains or losses on translation of the bank loans denominated in RMB.

The Group entered into certain foreign currency option agreements to economically hedge its exposure to foreign exchange risk arising from the borrowings. The above sensitivity analysis did not consider any influence of economic hedge.

If the interest rate of the borrowings had been 50 basis points higher/lower, the profit before income tax for the three months and six months ended June 30, 2024 would have been RMB250,000 lower/higher, based on the interest expenses recognized since the facility was drawn down in late June, 2024. The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at June 30, 2024:

	Level 1	Level 2	Level 3	Total
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
(Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	71	—	—	71
— Investments in unlisted entities	—	—	2,792	2,792
— Wealth management products and others	—	262	41,731	41,993
— Derivative financial instruments	—	19	—	19
	<u>71</u>	<u>281</u>	<u>44,523</u>	<u>44,875</u>

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at December 31, 2023:

	Level 1 RMB'Million	Level 2 RMB'Million	Level 3 RMB'Million	Total RMB'Million
(Audited)				
Assets				
Financial assets at fair value through profit or loss				
— Investments in listed entities	60	—	—	60
— Investments in unlisted entities	—	—	2,609	2,609
— Wealth management products and others	—	333	27,371	27,704
	<u>60</u>	<u>333</u>	<u>29,980</u>	<u>30,373</u>

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

Level 2 instruments of the Group's assets mainly includes foreign currency options in derivative financial instruments and perpetual bonds in wealth management products and others.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets mainly include investments measured at fair value through profit or loss in unlisted entities (Note 14) and investments in wealth management products and others (excluding investments in perpetual bonds) (Note 14). As these level 3 instruments are not traded in an active market, their fair values have been determined by using various application valuation techniques, including market approach, etc.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the six months ended June 30, 2024 and 2023.

	Financial assets at fair value through profit or loss RMB' Million
(Unaudited)	
At January 1, 2024	29,980
Additions	48,237
Disposals	(34,452)
Change in fair value through profit or loss*	699
Currency translation differences	59
	<hr/>
At June 30, 2024	44,523
	<hr/>
* Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the period	187

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or loss RMB' Million
(Unaudited)	
At January 1, 2023	16,189
Additions	17,549
Disposals	(15,823)
Change in fair value through profit or loss*	177
Currency translation differences	268
	<hr/>
At June 30, 2023	18,360
	<hr/>
* Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the period	77

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Values		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)		As of June 30, 2024 (Unaudited)	As of December 31, 2023 (Audited)	
Investments in unlisted entities	2,792	2,609	Expected volatility	37%-83%	37%-83%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	6%-14%	6%-14%	The higher the DLOM, the lower the fair value
			Risk-free rate	2.30%-4.81%	2.30%-4.81%	The higher the risk-free rate, the lower the fair value
Wealth management products and others	41,731	27,371	Expected rate of return	2.75%-8.68%	2.73%-8.68%	The higher the expected rate of return, the higher the fair value

Notes to the Condensed Consolidated Interim Financial Information

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

Investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the People's Republic of China ("PRC") and international financial institutions outside of the PRC with floating rates. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are determined based on the expected rate of return (based on management judgment) and are within level 3 of the fair value hierarchy. From the perspective of cash management and risk control, the Group diversifies its investment portfolios and mainly purchases low-risk products from reputable financial institutions and prefers those products with high-liquidity.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2024 and 2023.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, time deposits, trade receivables, other receivables, other current and non-current assets and other financial assets at amortized cost and the Group's financial liabilities that are not measured at fair value, including accounts payables, other payables and accruals and borrowings, approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION

6.1 Description of segments and principal activities

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 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 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 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 gains/(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.

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (CONTINUED)

6.1 Description of segments and principal activities (Continued)

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	Total
	RMB'Million	RMB'Million	items	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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)	4,498	(277)	(315)	3,906

	Three months ended June 30, 2023			
	Domestic	Overseas	Unallocated	Total
	RMB'Million	RMB'Million	items	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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)	3,034	(780)	(958)	1,296

Notes to the Condensed Consolidated Interim Financial Information

6 SEGMENT INFORMATION (CONTINUED)

6.1 Description of segments and principal activities (Continued)

	Six months ended June 30, 2024			
	Domestic RMB'Million (Unaudited)	Overseas RMB'Million (Unaudited)	Unallocated items RMB'Million (Unaudited)	Total RMB'Million (Unaudited)
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 RMB'Million (Unaudited)	Overseas RMB'Million (Unaudited)	Unallocated items RMB'Million (Unaudited)	Total RMB'Million (Unaudited)
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

6.2 Segment assets

As of June 30, 2024 and December 31, 2023, substantially all of the Group's non-current assets other than certain financial instruments and investments accounted for using the equity method were located in the PRC.

Notes to the Condensed Consolidated Interim Financial Information

7 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 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2024 RMB'Million (Unaudited)	2023 RMB'Million (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
	30,975	27,744	60,383	52,961

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

	Three months ended June 30,		Six months ended June 30,	
	2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)
Revenue recognized at a point in time	30,218	27,022	59,008	51,675
Revenue recognized over time	757	722	1,375	1,286
	30,975	27,744	60,383	52,961

There was no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the three months and six months ended June 30, 2024 and 2023.

Notes to the Condensed Consolidated Interim Financial Information

8 OTHER GAINS/(LOSSES), NET

	Three months ended June 30,		Six months ended June 30,	
	2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)
Net fair value gains/(losses) on financial assets at fair value through profit or loss				
— Investments in listed and unlisted entities	24	(157)	48	(85)
— Wealth management products and others	374	143	662	259
Net gains/(losses) on disposal of property and equipment, intangible assets and right-of-use assets	3	(1)	104	(2)
Net foreign exchange (losses)/gains	(5)	29	(5)	—
Others	(22)	(29)	10	(87)
	<u>374</u>	<u>(15)</u>	<u>819</u>	<u>85</u>

9 EXPENSES BY NATURE

	Three months ended June 30,		Six months ended June 30,	
	2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)	2024 RMB'Million (Unaudited)	2023 RMB'Million (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 (Note a)	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 (Note b)	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.

Notes to the Condensed Consolidated Interim Financial Information

10 INCOME TAX

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) British Virgin Islands (“BVI”)

The Group’s entities established under the International Business Companies Acts of the BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

(d) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the three months and six months ended June 30, 2024 and 2023, based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia Internet Information Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, was accredited as High and New Technology Enterprises enabling it to enjoy a preferential tax rate of 15% from 2023 to 2025.

The State Taxation Administration of the PRC (“**STA**”) announced in March 2023 that enterprises engaging in research and development activities would be entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits (“**Super Deduction**”) from January 1, 2023 onwards. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the period.

Notes to the Condensed Consolidated Interim Financial Information

10 INCOME TAX (CONTINUED)

(e) Withholding tax in mainland China (“WHT”)

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

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

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
	RMB'Million	RMB'Million	RMB'Million	RMB'Million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax	485	(375)	294	(779)
Deferred income tax (Note 23)	(458)	420	(252)	549
Income tax benefits/(expenses)	27	45	42	(230)

OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Since the Pillar Two legislation was not effective in jurisdictions the Group’ entities operate at the reporting date, the Group has no related current tax exposure. The Group applies the IAS 12 exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax.

The legislation is expected to come into effect from January 1, 2025 in certain jurisdictions the Group operates. Under the legislation, it exposes a top-up tax on profits arising in a jurisdiction whenever tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%. The Group is in the process of assessing its impact to the consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Information

11 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 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Earnings attributable to equity holders of the Company (RMB millions)	3,979	1,480	8,098	607
Weighted average number of ordinary shares in issue (million shares)	4,318	4,311	4,319	4,306
Basic earnings per share (expressed in RMB per share)	0.92	0.34	1.87	0.14

(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 RSUs.

Notes to the Condensed Consolidated Interim Financial Information

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share (Continued)

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

Notes to the Condensed Consolidated Interim Financial Information

12 PROPERTY AND EQUIPMENT

The detailed information of property and equipment during the six months ended June 30, 2024 and 2023 is as below:

	Property and equipment RMB'Million (Unaudited)
At January 1, 2024	12,356
Additions	1,505
Disposals	(20)
Depreciation charge	(1,974)
Currency translation differences	4
	<hr/>
At June 30, 2024	11,871
	<hr/> <hr/>
At January 1, 2023	13,215
Additions	784
Disposals	(6)
Depreciation charge	(1,942)
Currency translation differences	20
	<hr/>
At June 30, 2023	12,071
	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Information

13 LEASE

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Right-of-use assets		
Internet data centers	6,947	8,261
Office buildings	1,934	2,111
Land use rights	27	27
	<u>8,908</u>	<u>10,399</u>
	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Lease liabilities		
Current	3,357	3,327
Non-current	6,985	8,405
	<u>10,342</u>	<u>11,732</u>

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENTS

	As of June 30, 2024 RMB' Million (Unaudited)	As of December 31, 2023 RMB' Million (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	—
	<u>13,695</u>	5,245
Other financial assets at amortized cost (Note a)	<u>143</u>	283
	<u>13,838</u>	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
	<u>31,180</u>	25,128
Other financial assets at amortized cost (Note a)	<u>845</u>	950
	<u>32,025</u>	26,078
Total	<u>45,863</u>	<u>31,606</u>

Note a: Investments measured at amortized cost were mainly debt securities in USD, which were held for collection of contractual cash flows, where those cash flows represented solely payments of principal and interest. Interest income from these financial assets was recorded in other income using the effective interest rate method. None of these investments were past due.

Notes to the Condensed Consolidated Interim Financial Information

14 INVESTMENTS (CONTINUED)

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

	Six months ended June 30,	
	2024 <i>RMB'Million</i> (Unaudited)	2023 <i>RMB'Million</i> (Unaudited)
At the beginning of the period	30,373	16,713
Additions	48,255	17,549
Disposals	(34,526)	(15,836)
Change in fair value through profit or loss	711	174
Currency translation differences	62	286
At the end of the period	44,875	18,886

Notes to the Condensed Consolidated Interim Financial Information

15 TRADE RECEIVABLES

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Trade receivables from contracts with customers	6,693	6,595
Less: credit loss allowances	(167)	(138)
	6,526	6,457

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 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Up to 3 months	5,898	5,816
Over 3 months	795	779
	6,693	6,595

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

	Six months ended June 30, 2024 RMB'Million (Unaudited)	2023 RMB'Million (Unaudited)
At the beginning of the period	(138)	(45)
Additional provision	(29)	(57)
At the end of the period	(167)	(102)

Notes to the Condensed Consolidated Interim Financial Information

16 PREPAYMENTS, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

The detailed information of prepayments, other receivables and other current assets is as below:

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Recoverable VAT and other tax prepayments	1,770	1,739
Receivables from third parties	912	1,818
Prepaid promotion and marketing fees	663	659
Prepaid content costs and license fees	213	150
Deposits	138	161
Rental prepayments	54	48
Others	613	358
	4,363	4,933
Less: credit loss allowances	(17)	(14)
	4,346	4,919

Notes to the Condensed Consolidated Interim Financial Information

17 SHARE CAPITAL

Issued:

(Unaudited)	Number of ordinary shares 'Million	Nominal value of ordinary shares USD'Million	Equivalent nominal value of ordinary shares RMB'Million	Share premium RMB'Million
At January 1, 2024	4,333	—	—	273,459
Exercise of share options and vesting of RSUs	30	—	—	9
Cancellation of shares	(39)	—	—	(1,664)
	<u>4,324</u>	<u>—</u>	<u>—</u>	<u>271,804</u>

Issued:

(Unaudited)	Number of ordinary shares 'Million	Nominal value of ordinary shares USD'Million	Equivalent nominal value of ordinary shares RMB'Million	Share premium RMB'Million
At January 1, 2023	4,294	—	—	274,473
Exercise of share options and vesting of RSUs	23	—	—	49
Cancellation of shares	(2)	—	—	(93)
	<u>4,315</u>	<u>—</u>	<u>—</u>	<u>274,429</u>

Notes to the Condensed Consolidated Interim Financial Information

18 BORROWINGS

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Unsecured bank loans (Note a)	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.

19 DIVIDENDS

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

20 SHARE-BASED COMPENSATION

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

The Post-IPO Share Option Scheme and RSU Scheme was approved and adopted by all the then Shareholders of the Company on January 18, 2021 to recognize and reward eligible persons for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them. The Post-IPO Share Option Scheme and RSU Scheme commenced on February 5, 2021 and was terminated upon the 2023 Share Incentive Scheme becoming unconditional and effective on June 23, 2023.

The 2023 Share Incentive Scheme was approved and adopted by the Shareholders on June 16, 2023, which shall be valid and effective for a period of ten years commencing from June 16, 2023. The purposes of the 2023 Share Incentive Scheme are to recognize and reward eligible participants for their contribution to the Group, to attract and retain best available personnel, and to encourage eligible participants to work towards enhancing the value of the Company and its shares.

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan

Share options granted to employees

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

(Unaudited)	Number of share options	Weighted average exercise price per share option HKD
Outstanding as of January 1, 2024	57,491,358	12.66
Forfeited during the period	(1,939,198)	9.16
Exercised during the period	(12,502,910)	0.78
Outstanding as of June 30, 2024	<u>43,049,250</u>	<u>16.27</u>
Exercisable as of June 30, 2024	<u>38,428,741</u>	<u>18.19</u>

(Unaudited)	Number of share options	Weighted average exercise price per share option HKD
Outstanding as of January 1, 2023	88,120,752	10.32
Forfeited during the period	(5,681,067)	18.38
Exercised during the period	(11,256,477)	0.33
Outstanding as of June 30, 2023	<u>71,183,208</u>	<u>11.26</u>
Exercisable as of June 30, 2023	<u>48,752,004</u>	<u>15.58</u>

The weighted average remaining contract life for outstanding share options were 5.19 years and 5.78 years as of June 30, 2024 and December 31, 2023, respectively. The weighted average price of the shares at the time these share options were exercised was HKD49.74 per share during the six months ended June 30, 2024.

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Pre-IPO ESOP Plan (Continued)

Fair value of share options

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

Based on fair value of the underlying ordinary shares, the Group used Binomial model to determine the fair value of the share option at the grant date.

Post-IPO Share Option Scheme

Share options granted to employees

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

(Unaudited)	Number of share options	Weighted average exercise price per share option HKD
Outstanding as of January 1, 2024	85,934,274	67.34
Forfeited during the period	(17,212,346)	75.80
Exercised during the period	(5,039)	54.80
	<u>68,716,889</u>	<u>65.22</u>
Outstanding as of June 30, 2024		
	<u>68,716,889</u>	<u>65.22</u>
Exercisable as of June 30, 2024		
	<u>50,574,297</u>	<u>65.71</u>
(Unaudited)	Number of share options	Weighted average exercise price per share option HKD
Outstanding as of January 1, 2023	83,431,558	67.67
Granted during the period	16,096,810	61.95
Forfeited during the period	(7,132,809)	63.40
Exercised during the period	(832,976)	62.30
	<u>91,562,583</u>	<u>67.05</u>
Outstanding as of June 30, 2023		
	<u>91,562,583</u>	<u>67.05</u>
Exercisable as of June 30, 2023		
	<u>29,240,655</u>	<u>66.17</u>

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO Share Option Scheme (Continued)

Share options granted to employees (Continued)

The weighted average remaining contract life for outstanding share options were 3.62 years and 4.31 years as of June 30, 2024 and December 31, 2023, respectively. The weighted average price of the shares at the time these share options were exercised was HKD59.15 per share during the six months ended June 30, 2024.

Fair value of share options

Based on fair value of the underlying ordinary shares, the Group used Binomial model to determine the fair value of the share option at the grant date. There was no share option granted during the six months ended June 30, 2024. Key assumptions for the six months ended June 30, 2023 are set as below:

	Six months ended June 30, 2023 (Unaudited)
Fair value of ordinary shares (HKD)	59.9–68.15
Exercise price (HKD)	59.4–72.63
Risk-free interest rate	2.98%–3.42%
Dividend yield	0.00%
Expected volatility	62.7%–68.9%
Expected terms	6.8–7 years

The risk-free interest rate is based on the yield to maturity of Hong Kong government bond with a term commensurate with the maturity of the share options as of the grant date. Given the limited trading period of the Company as of the grant date, the expected volatility is estimated based on the historical daily share price volatility of comparable companies and the Company itself with a time horizon close to the life to expiration of the share options. Dividend yield is based on management's estimation at the grant date.

The weighted average grant date fair value of granted share options was HKD34.18 per share for the six months ended June 30, 2023.

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

Post-IPO RSU Scheme

RSUs granted to employees

Movements in the number of RSUs granted to the Company's employees under the Post-IPO RSU Scheme and the respective weighted average grant date fair value are as below:

(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU HKD
Outstanding as of January 1, 2024	103,672,599	75.74
Forfeited during the period	(12,691,839)	80.85
Vested during the period	(15,602,646)	86.69
Outstanding as of June 30, 2024	75,378,114	72.61

(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU HKD
Outstanding as of January 1, 2023	128,560,217	93.51
Granted during the period	33,831,540	49.49
Forfeited during the period	(14,685,491)	97.83
Vested during the period	(9,005,952)	136.11
Outstanding as of June 30, 2023	138,700,314	79.55

Notes to the Condensed Consolidated Interim Financial Information

20 SHARE-BASED COMPENSATION (CONTINUED)

2023 Share Incentive Scheme

Movements in the number of RSUs granted to the Company's employees under the 2023 Share Incentive Scheme and the respective weighted average grant date fair value are as below:

(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU HKD
Outstanding as of January 1, 2024	15,074,574	62.08
Granted during the period	63,286,324	44.06
Forfeited during the period	(2,863,661)	51.12
Vested during the period	(795,014)	54.05
Outstanding as of June 30, 2024	<u>74,702,223</u>	<u>47.32</u>

The fair value of each RSU was determined by reference to the market price of the Company's shares at the respective grant date.

The share-based compensation expenses of RMB1,015 million and RMB2,046 million were recognized in the condensed consolidated income statement for the six months ended June 30, 2024 and 2023, respectively.

Notes to the Condensed Consolidated Interim Financial Information

21 ACCOUNTS PAYABLES

The aging analysis of accounts payables based on invoice date is as follows:

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (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

22 OTHER PAYABLES AND ACCRUALS

The breakdown of other payables and accruals is as follows:

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
Refundable deposits from customers	7,226	6,103
Notes payable	6,770	3,990
Employee benefit payables	3,025	4,662
Collection on behalf of others	889	777
Other taxes payable	691	567
Others	591	493
	19,192	16,592

Notes to the Condensed Consolidated Interim Financial Information

23 DEFERRED INCOME TAX

The amounts of offsetting deferred tax assets and liabilities were RMB1,634 million and RMB1,875 million as of June 30, 2024 and December 31, 2023, respectively.

The amounts of the deferred tax assets before offsetting are as follows:

	Six months ended June 30,	
	2024	2023
	RMB' Million	RMB' Million
	(Unaudited)	(Unaudited)
At the beginning of the period	7,983	7,043
(Debited)/Credited to the consolidated income statement	(495)	466
At the end of the period	7,488	7,509
	As of	As of
	June 30,	December 31,
	2024	2023
	RMB' Million	RMB' Million
	(Unaudited)	(Audited)
The gross amount of deferred tax assets attributable to:		
— Accrued liabilities and provisions	2,634	3,545
— Tax losses (Note a)	2,999	2,357
— Lease liabilities	1,735	1,969
— Others	120	112
Total gross deferred tax assets	7,488	7,983

Note a: The deductible cumulative tax losses will expire within 10 years. The Group only recognizes deferred tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses.

Notes to the Condensed Consolidated Interim Financial Information

23 DEFERRED INCOME TAX (CONTINUED)

The amounts of the deferred tax liabilities before offsetting are as follows:

	Six months ended June 30,	
	2024	2023
	RMB'Million	RMB'Million
	(Unaudited)	(Unaudited)
At the beginning of the period	1,893	1,971
Credited to the consolidated income statement	(243)	(83)
At the end of the period	1,650	1,888
	As of	As of
	June 30,	December 31,
	2024	2023
	RMB'Million	RMB'Million
	(Unaudited)	(Audited)
The gross amount of deferred tax liabilities attributable to:		
— Right-of-use assets	1,611	1,851
— Others	39	42
Total gross deferred tax liabilities	1,650	1,893

24 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As of	As of
	June 30,	December 31,
	2024	2023
	RMB'Million	RMB'Million
	(Unaudited)	(Audited)
Property and equipment	751	512
Investments	190	212
Intangible assets	3	3
	944	727

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions with the Group during the six months ended June 30, 2024 and 2023, and/or balances with the Group as of June 30, 2024 and December 31, 2023, respectively.

Company	Relationship
Tencent Holdings Limited and its subsidiaries	One of the Company's shareholders
Zhihu Inc. and its subsidiaries	Investee of the Group
SHAREit Technology Holdings Inc. and its subsidiaries	Investee of the Group
Yixin Youxuan Information Technology (Shandong) Group Co., Ltd. and its subsidiaries	Investee of the Group

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant transactions with related parties

		Six months ended June 30,	
		2024	2023
		RMB'Million	RMB'Million
		(Unaudited)	(Unaudited)
<hr/>			
(i)	Provision of services		
	Investees of the Group	95	183
	One of the Company's shareholders	183	20
		<hr/>	<hr/>
		278	203
		<hr/> <hr/>	<hr/> <hr/>
		Six months ended June 30,	
		2024	2023
		RMB'Million	RMB'Million
		(Unaudited)	(Unaudited)
<hr/>			
(ii)	Purchases of services		
	One of the Company's shareholders	1,844	2,521
		<hr/>	<hr/>
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Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	As of June 30, 2024 RMB' Million (Unaudited)	As of December 31, 2023 RMB' Million (Audited)
(i) Prepayments and other receivables from related parties		
One of the Company's shareholders	428	422
	As of June 30, 2024 RMB' Million (Unaudited)	As of December 31, 2023 RMB' Million (Audited)
(ii) Trade receivables from related parties		
Investees of the Group	28	48
One of the Company's shareholders	242	224
	270	272

Notes to the Condensed Consolidated Interim Financial Information

25 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

	As of June 30, 2024 RMB'Million (Unaudited)	As of December 31, 2023 RMB'Million (Audited)
(iii) Accounts payables to related parties One of the Company's shareholders	294	238

All the balances with related parties above were business operation related and were considered as trade in nature as of June 30, 2024 and December 31, 2023. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

26 CONTINGENCIES

As of June 30, 2024, the Group did not have any material contingent liabilities.

27 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 18. 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.

In this interim report, unless the context otherwise requires the following expressions have the following meanings.

“2023 Share Incentive Scheme”	the share incentive scheme of the Company adopted at the annual general meeting held on June 16, 2023
“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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Beijing One Smile”	Beijing One Smile Technology and Development Co., Ltd. (北京一笑科技發展有限公司), a limited liability company incorporated under the laws of the PRC on November 29, 2011 and the Consolidated Affiliated Entity
“Board” or “Board of Directors”	the board of Directors
“BVI”	the British Virgin Islands
“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”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014

Definitions

“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the PRC Holdcos and their respective subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into between WFOE, PRC Holdcos and the Registered Shareholders (as applicable)
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua, Mr. CHENG Yixiao, Reach Best and Ke Yong
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Board
“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
“Designated Employees”	certain employees (including senior management) of the Group as designated by the Board or its delegate(s), the vesting of whose RSUs shall be subject to the satisfaction of the performance targets. The scope and criteria of the Designated Employees are determined by the Board or its delegate(s) as he may in his absolute discretion deem appropriate and necessary taking into account, among other factors, the talent motivation strategy of the Group
“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
“Grantee”	the employee (including senior management) of the Group, who is an eligible participant under the 2023 Share Incentive Scheme and was granted RSUs under the 2023 Share Incentive Scheme on April 21, 2024

“Group” or “the Group”	the Company, its subsidiaries and the 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
“Hangzhou Youqu”	Hangzhou Youqu Network Co., Ltd. (杭州遊趣網絡有限公司), a limited liability company incorporated under the laws of the PRC on July 7, 2008 and the Consolidated Affiliated Entity
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IASB”	International Accounting Standards Board
“IFRS Accounting Standards”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“Ke Yong”	Ke Yong Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. CHENG Yixiao
“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 19, 2024, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained in this interim report
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange

Definitions

“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”	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
“Nomination Committee”	the nomination committee of the Board
“paying user(s)”	user account(s) that purchase(s) a particular service at least once during a given period
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on January 18, 2021 and terminated on June 23, 2023
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on January 18, 2021 and terminated on June 23, 2023
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Holdcos”	(i) Hangzhou Youqu, (ii) Beijing Huayi Huilong Network Technology Co., Ltd., (iii) Beijing One Smile, and (iv) Shandong Yixiang Culture Communication Co., Ltd.
“Pre-IPO ESOP”	the pre-IPO employee incentive scheme adopted by the Company dated February 6, 2018 and terminated upon Listing

“Prospectus”	the prospectus of the Company dated January 26, 2021
“Reach Best”	Reach Best Developments Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. SU Hua
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the six months ended June 30, 2024
“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 our auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“ROI”	return on investment
“senior management”	any person referred to as senior management in the corporate communication of the Company, or any other publications on the websites of the Stock Exchange or the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“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
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited (stock code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“treasury shares”	has the meaning ascribed to it under the Listing Rules

Definitions

“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“WVR” or “weighted voting right”	has the meaning ascribed to it in the Listing Rules
“WVR Beneficiaries”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SU Hua and Mr. CHENG Yixiao, being the holders of the Class A Shares, entitling each to weighted voting rights
“%”	per cent



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