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Kuaishou Technology 快手科技

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

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

RESULTS ANNOUNCEMENT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

KEY HIGHLIGHTS

Financial Summary

	Unaudited				Year-over-year change
	Three Months Ended September 30,				
	2024		2023		
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
<i>(RMB millions, except for percentages)</i>					
Revenues	31,131	100.0	27,948	100.0	11.4%
Gross profit	16,914	54.3	14,453	51.7	17.0%
Operating profit	3,119	10.0	2,211	7.9	41.1%
Profit for the period	3,270	10.5	2,182	7.8	49.9%
Non-IFRS Accounting Standards Measures:					
Adjusted net profit ⁽¹⁾	3,948	12.7	3,173	11.4	24.4%
Adjusted EBITDA ⁽²⁾	5,578	17.9	4,980	17.8	12.0%

Unaudited
Nine Months Ended September 30,

	2024		2023		Year-over-year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB millions, except for percentages)</i>				
Revenues	91,514	100.0	80,909	100.0	13.1%
Gross profit	50,169	54.8	40,099	49.6	25.1%
Operating profit	11,019	12.0	2,809	3.5	292.3%
Profit for the period	11,370	12.4	2,787	3.4	308.0%
Non-IFRS Accounting Standards Measures:					
Adjusted net profit ⁽¹⁾	13,015	14.2	5,909	7.3	120.3%
Adjusted EBITDA ⁽²⁾	17,901	19.6	11,292	14.0	58.5%

Notes:

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

Financial Information by Segment

Unaudited
Three Months Ended September 30, 2024

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	29,800	1,331	—	31,131
Operating profit/(loss)	3,505	(153)	(233)	3,119

Unaudited
Three Months Ended September 30, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	27,296	652	—	27,948
Operating profit/(loss)	3,155	(635)	(309)	2,211

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(Percentages %)</i>			
Revenues	9.2	104.1	—	11.4
Operating profit/(loss)	11.1	(75.9)	(24.6)	41.1

**Unaudited
Nine Months Ended September 30, 2024**

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	88,113	3,401	—	91,514
Operating profit/(loss)	11,994	(698)	(277)	11,019

Unaudited
Nine Months Ended September 30, 2023

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(RMB millions)</i>			
Revenues	79,472	1,437	—	80,909
Operating profit/(loss)	7,152	(2,238)	(2,105)	2,809

Year-over-year change

	Domestic	Overseas	Unallocated items ⁽¹⁾	Total
	<i>(Percentages %)</i>			
Revenues	10.9	136.7	—	13.1
Operating profit/(loss)	67.7	(68.8)	(86.8)	292.3

Note:

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

Operating Metrics

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

	Three Months Ended September 30,	
	2024	2023
Average DAUs (<i>in millions</i>)	407.5	386.6
Average MAUs (<i>in millions</i>)	714.1	684.7
Average online marketing services revenue per DAU (<i>in RMB</i>)	43.3	38.0
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	334,162.5	290,239.7

	Nine Months Ended September 30,	
	2024	2023
Average DAUs (<i>in millions</i>)	398.9	379.0
Average MAUs (<i>in millions</i>)	701.1	670.8
Average online marketing services revenue per DAU (<i>in RMB</i>)	129.9	111.1
Total e-commerce GMV ⁽¹⁾ (<i>in RMB millions</i>)	927,488.4	780,462.6

Note:

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

BUSINESS REVIEW

We grew our user base and increased our revenues and profits in the third quarter of 2024 despite a challenging macro environment. We achieved a new milestone of over 400 million quarterly average DAUs and recorded strong financial performance, driven by our unwavering dedication to our technology-driven, user-centric business philosophy. Our total revenue grew by 11.4% year-over-year to RMB31.1 billion, and revenue from our core commercial business, including online marketing services and other services, primarily e-commerce, increased by nearly 20.0% year-over-year in the third quarter of 2024. Our adjusted net profit rose by 24.4% year-over-year to RMB3.9 billion, evidencing our sustained profitability improvements.

We continued to advance the integration and application of large models for content creation, understanding and recommendation, empowering our content and commercial ecosystem. In the third quarter of 2024, average daily spending with AIGC marketing materials from marketing clients surpassed RMB20 million. In September 2024, we unveiled the latest version of our video generation model, **Kling AI (可靈AI)** 1.5, which sets new industry benchmarks for video quality with higher-quality resolution of 1080p, dynamic performance, semantic responsiveness and feature enhancements such as motion brush.

User and content ecosystem

In the third quarter of 2024, the average DAUs and MAUs on the Kuaishou App reached 408 million and 714 million, respectively, representing year-over-year increases of 5.4% and 4.3%, respectively, which further solidified our leading position as the third largest app in China in terms of quarterly average DAU. The average daily time spent per DAU on the Kuaishou App was 132.2 minutes. Total user time spent on the Kuaishou App increased by 7.3% year-over-year, with average daily live streaming and short video views reaching nearly 110 billion.

In line with our strategy to promote high-quality user growth, we enhanced our capabilities in leveraging marketing channels for user acquisition and optimized product features, while integrating user acquisition initiatives with commercial scenarios such as e-commerce. These efforts enabled us to expand our user base and enabled more users to access our products more frequently. We also progressed our user retention initiatives by enriching the interactive community experience. For example, to drive user engagement and increase user stickiness, we refined private messaging features across various scenarios, introduced more innovative features and enhanced the comment ranking system. In terms of algorithm, we developed new approaches to improve user retention by modeling users' diverse interests, user-to-user follow relationships and drivers for opening the Kuaishou App.

In terms of content operations, we have established a unique, multi-faceted ecosystem by developing specialized content verticals aligned with users' interests, supporting standout creators whose content represents Kuaishou's distinctive brand, and expanding our brand visibility and user reach with high-profile events. In the sports vertical, as a rights-holding broadcaster of the Olympic Games Paris 2024, we delivered a comprehensive content matrix that included panoramic on-demand event coverage, exclusive self-developed IP content, interactive features, and diverse user-generated content, creating an all-encompassing Olympic experience for users. During the Olympic Games Paris 2024, Olympic-related content on the Kuaishou App generated 310.6 billion impressions, with 640 million users watching the Olympic Games on our platform and generating 15.9 billion interactions.

With respect to our search business, in the third quarter of 2024, we optimized the search results page to improve user experience, significantly increasing our search user penetration. In the third quarter of 2024, average MAUs for Kuaishou searches exceeded 500 million, and average daily searches increased by over 20.0% year-over-year to over 700 million with daily searches peaking at over 800 million. Moreover, user searches accelerated the growth of our revenue-generating businesses related to searches by enabling us to gain deeper insights into users' needs.

Online marketing services

In the third quarter of 2024, revenue from online marketing services grew by 20.0% year-over-year, reaching RMB17.6 billion, demonstrating the sustainable growth of our online marketing services business. By continuously improving our data infrastructure, smart placement products and algorithms, we achieved a higher placement ROI for our marketing clients, leading to increased bids. Additionally, our large AI models' semantic understanding of marketing content and merchandise characteristics enables us to match users and merchandise more accurately for our merchants, boosting marketing conversion efficiency.

In the third quarter of 2024, revenue growth of our online marketing services was primarily driven by external marketing clients. Marketing spending in media information, e-commerce platforms and local services grew faster year-over-year. In the media information vertical, marketing spending from commercialized short plays grew significantly. We increased user payment conversion rate through high-quality content offerings and the implementation of smart dynamic subsidy strategies, improved placement outcomes for our marketing clients. In the third quarter of 2024, we accelerated the implementation of the **In-Apps Ads (IAA, 應用內廣告)** short play model, expanding our user base for free short plays. These efforts contributed to a more than three-fold year-over-year increase in short-play marketing spending during the same period. We also introduced differentiated **Universal Auto X (UAX, 全自動投放解決方案)** placement solutions for various industries and scenarios, enhancing the stability of clients' marketing placements and driving increased budget allocation. As a result, total marketing spending through **UAX** accounted for approximately 50.0% of overall marketing spending by external marketing clients in the third quarter of 2024.

Revenue growth of our closed-loop marketing services remained robust in the third quarter of 2024. The number of monthly active merchants using marketing placements increased by over 50.0% year over year. We provided simplified, automated marketing placement services for small and medium-sized merchants, enabling them to increase their GMV through marketing placements and significantly improving the retention rate of these merchants. We focused on policy support, product iterations, and algorithm optimizations to improve the operating efficiency of converting short video traffic to live streaming, which increased marketing spending in this scenario by nearly 20.0% year-over-year in the third quarter of 2024. Smart marketing placement is now a critical element of merchants' sustainable operations on the Kuaishou App. In the third quarter of 2024, our omni-platform marketing solution and smart hosting products accounted for approximately 50.0% of total closed-loop marketing spending on the Kuaishou App.

In terms of brand marketing services, we provide clients with integrated solutions that drive both brand awareness and sales conversion through marketing science, KOL recommendations, and customized strategies to attract marketing clients. In the third quarter of 2024, we also capitalized on the Olympic Games Paris 2024 by partnering with over 150 brands, including Yili, China Mobile and FAW-Volkswagen, to support these clients' rapid growth on Kuaishou with innovative marketing solutions empowered by our "sports+" strategy and content ecosystem.

E-commerce

Our e-commerce business in the third quarter of 2024 demonstrated its differentiation and resilience despite the third quarter being a traditionally slow season for e-commerce and ongoing challenges in consumer demand. We maintained strong market presence due to our solid foundation in content-based e-commerce and our strategy to provide "exceptional content, superior product." By strategically refocusing on live streaming e-commerce, further unlocking the potential of short video e-commerce, and steadily expanding our pan shelf-based e-commerce, we are maximizing synergies across multiple e-commerce scenarios. These efforts to boost e-commerce supply, enrich our e-commerce ecosystem and increase user spending drove a 15.1% year-over-year increase in e-commerce GMV to RMB334.2 billion in the third quarter of 2024.

On the supply side, the number of average monthly active merchants increased by over 40.0% year-over-year in the third quarter of 2024. Small and medium-sized merchants' performance on our platform exceeded expectations thanks to our strategic new merchant programs, including the **Golden Bounty Initiative (斗金計劃)**, **Set Sail Initiative (啟航計劃)** and **Uplift Initiative (扶搖計劃)**. These programs help early-stage merchants increase traffic and reduce uncertainties. In the third quarter of 2024, the number of new merchants joining Kuaishou increased by over 30.0% year-over-year. Meanwhile,

for existing small and medium-sized merchants, we offered refined methodologies for content-based e-commerce to support various merchants' operating capabilities on Kuaishou, facilitating their long-term business growth. Our merchants' healthy growth enriched our platform's merchandise ecosystem by expanding the number of merchandise categories by over 20.0% year-over-year in the third quarter of 2024 and providing users with a wider selection of high-quality products.

To enhance our content-based e-commerce, we customized operations for KOLs in different tiers. For top-tier KOLs, we introduced marketing features and tools, such as *Exclusive Mega Group Buy* (購物團) and *Mega Crowd Deals* (萬人團), to incentivize them to live stream and enhance the value of their content. To support small and medium-sized KOLs, we launched our *Rising Star Initiative* (新星計劃) in August 2024, which provides cash incentives and traffic support while collaborating with regional service providers for local operations. In the third quarter of 2024, these initiatives helped small and medium-sized KOLs achieve strong growth, increasing their average daily GMV by over 40.0% quarter-over-quarter and average daily number of merchandise sold by over 25.0% quarter-over-quarter. We also launched our *Blockbusters Initiative* (爆品計劃), offering subsidies for selected merchandise to provide users with more affordable, high-quality products. As a result of these efforts, our GMV achieved by KOLs increased by over 24.0% year-over-year during the 818 Shopping Festival. Short video e-commerce also maintained rapid growth, with its GMV increasing by over 40.0% year-over-year in the third quarter of 2024, driven by blockbuster products and live-streaming highlights. Through strategy optimization such as integrating e-commerce contents with marketing materials, and joint modeling of short video traffic and simple live streaming rooms, we achieved a nearly 40% quarter-over-quarter growth in GMV driven by short videos directing traffic to live streaming rooms in the third quarter of 2024.

While stabilizing and growing our content-based e-commerce, our pan shelf-based e-commerce has become an increasingly effective complement. In the third quarter of 2024, pan shelf-based e-commerce GMV accounted for 27.0% of our total e-commerce GMV, and its growth continued to outperform our overall GMV growth, driven by both strong supply and demand. Average daily active merchants and average daily active paying users in our shopping mall grew by nearly 70.0% and over 60.0% year-over-year, respectively, in the third quarter of 2024.

The continued enrichment of our e-commerce supply and ecosystem and increased synergies across e-commerce scenarios further stimulated user demand. In the third quarter of 2024, the number of e-commerce monthly active paying users grew by 12.2% year-over-year to 133 million, continuing the growth trend established in the second quarter which was the peak season. Our diverse marketing strategies, which include targeted approaches for new, growing and mature users, also supported this growth. Tools such as coupons for live streaming rooms and order incentives have been instrumental in expanding our user base and improving conversion rate and transaction efficiency. Going forward, we remain committed to our user-centric approach. By leveraging integrated live streaming and short video content, along with our pan shelf-based e-commerce strategy, we will continue to empower merchants and KOLs to grow holistically and provide a better shopping experience for our users.

Live streaming

In the third quarter of 2024, revenue from our live-streaming business was RMB9.3 billion, with the year-over-year decline continuing to narrow sequentially. As an instrumental component of our content ecosystem and ongoing driver of user engagement, we remain focused on fostering a healthy, sustainable live-streaming ecosystem. On the supply side, multi-host live streaming and other emerging product categories continued to grow. Increasing professionalism and institutionalization of streamers and our partner talent agencies' enhanced operational capabilities supported this growth, contributing to more refined and effective content delivery. By the end of the third quarter of 2024, the number of our partner talent agencies increased by more than 40.0%, and the number of talent agency-managed streamers increased by over 60.0%, both on a year-over-year basis.

We continued to expand the variety of high-quality content on our platform, with rich entertainment and local cultural content as foundational pillars. We focused on different niche areas and launched multiple content IPs featuring talented streamers, such as the *Grand Stage (直播大舞台)* and the *New Episodes of National Arts (國藝有新番)* live-streaming programs. By integrating content IPs with local culture and tourism, we successfully promoted the development of local cultural and tourism industries. To further enhance our gaming live-streaming ecosystem, we implemented a comprehensive content marketing strategy that included incubation of new games, game distribution through live streaming, and cultivation of top-tier influencers, among other initiatives. We also developed gaming content with distinct Kuaishou characteristics. In the third quarter of 2024, the number of active gaming live-streaming creators exceeded 30 million, strengthening the appeal of our diverse top-notch content to live-streaming users.

Our “live streaming+” services continued to empower traditional industries. For example, we continued to advance our services related to recruitment and real estate, leading to ongoing rapid growth in the number of customers served and transaction scale. In the third quarter of 2024, the average daily number of resume submissions on *Kwai Hire (快聘)* nearly doubled, and matching rate grew by over 20.0%, both on a year-over-year basis. For *Ideal Housing (理想家)*, daily lead generation surged by over four-fold compared with the same period last year.

Overseas

We progressed our overseas business in Brazil, where Kwai is building strong local brands by deepening local content operations. In the third quarter of 2024, we maintained high-quality, robust user growth, achieving breakthroughs in innovative user acquisition channels and improving user retention. DAUs in Brazil grew by 9.7% year-over-year in the third quarter of 2024. As for content operations, we promoted greater visibility for premium content through algorithm optimizations across multiple verticals such as entertainment, news, everyday life, sports and others. Leveraging Kwai’s strong user base and growing brand influence, we further optimized the monetization mechanism for creators and refined products flow to enhance their earning potential and motivation. Meanwhile, the efficiency of content subsidy programs improved steadily, supporting creators’ sustainable operations. User activity grew consistently, with the average daily time spent per DAU in Brazil rising by 4.2% year-over-year in the third quarter of 2024.

In terms of monetization, we continued to enhance marketing clients’ experience with improved traffic mechanisms and efficiency while ensuring a healthy ecosystem. We also embedded new traffic scenarios to increase marketing revenue, resulting in a year-over-year increase in online marketing revenue that doubled in the third quarter of 2024, and our total overseas revenues reached RMB1.3 billion, growing by 104.1% year-over-year. Along with this rapid revenue growth, we maintained highly efficient operations under an ROI-driven approach. This led to the operating loss from our overseas business decreasing by 75.9% year-over-year to RMB153 million in the third quarter of 2024. In addition, after more than a year of exploring e-commerce business models in Brazil, we made initial progress with our e-commerce business in terms of products, content, services and transaction efficiency, providing overseas users with more functions and services. These initial strides lay a solid foundation for our future growth overseas.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2024 Compared to Third Quarter of 2023

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

	Unaudited			
	Three Months Ended September 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	31,131	100.0	27,948	100.0
Cost of revenues	(14,217)	(45.7)	(13,495)	(48.3)
Gross profit	16,914	54.3	14,453	51.7
Selling and marketing expenses	(10,364)	(33.3)	(8,939)	(32.0)
Administrative expenses	(796)	(2.6)	(898)	(3.2)
Research and development expenses	(3,100)	(10.0)	(2,967)	(10.6)
Other income	194	0.6	434	1.6
Other gains, net	271	1.0	128	0.4
Operating profit	3,119	10.0	2,211	7.9
Finance income, net	37	0.1	135	0.5
Share of losses of investments accounted for using the equity method	(6)	(0.0)	(26)	(0.1)
Profit before income tax	3,150	10.1	2,320	8.3
Income tax benefits/(expenses)	120	0.4	(138)	(0.5)
Profit for the period	<u>3,270</u>	<u>10.5</u>	<u>2,182</u>	<u>7.8</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	3,948	12.7	3,173	11.4
Adjusted EBITDA	5,578	17.9	4,980	17.8

Revenues

Our revenues increased by 11.4% to RMB31.1 billion for the third quarter of 2024 from RMB27.9 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 third quarter of 2024 and 2023, respectively:

	Unaudited Three Months Ended September 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	17,634	56.6	14,690	52.6
Live streaming	9,338	30.0	9,719	34.8
Other services	4,159	13.4	3,539	12.6
Total	31,131	100.0	27,948	100.0

Online marketing services

Revenue from our online marketing services increased by 20.0% to RMB17.6 billion for the third quarter of 2024 from RMB14.7 billion for the same period of 2023, primarily attributable to the increased consumption from marketing clients driven by continuous optimization of smart placement capabilities and algorithms.

Live streaming

Revenue from our live streaming business decreased by 3.9% to RMB9.3 billion for the third quarter of 2024 from RMB9.7 billion for the same period of 2023, as a result of our continuous efforts in building a healthy and sustainable live streaming ecosystem.

Other services

Revenue from our other services increased by 17.5% to RMB4.2 billion for the third quarter of 2024 from RMB3.5 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 e-commerce monthly active paying users and monthly active merchants as a result of our continuous refined omni-domain operations.

Cost of Revenues

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

	Unaudited			
	Three Months Ended September 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,873	28.5	8,320	29.8
Bandwidth expenses and server custody costs ⁽¹⁾	1,465	4.7	1,343	4.8
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,624	5.2	1,614	5.8
Employee benefit expenses	689	2.2	690	2.5
Payment processing costs	669	2.1	623	2.2
Other cost of revenues	897	3.0	905	3.2
Total	14,217	45.7	13,495	48.3

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 increased by 5.4% to RMB14.2 billion for the third quarter of 2024, from RMB13.5 billion for the same period of 2023, primarily attributable to increases in revenue sharing costs and related taxes in line with our revenue growth, and bandwidth expenses and server custody costs.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amounts and as percentages of our total revenues, or gross profit margin, for the third quarter of 2024 and 2023, respectively:

	Unaudited			
	Three Months Ended September 30,			
	2024		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	16,914	54.3	14,453	51.7

As a result of the foregoing, our gross profit increased by 17.0% to RMB16.9 billion for the third quarter of 2024, from RMB14.5 billion for the same period of 2023. Our gross profit margin improved to 54.3% for the third quarter of 2024, from 51.7% for the same period of 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 15.9% to RMB10.4 billion for the third quarter of 2024, from RMB8.9 billion for the same period of 2023, and increased to 33.3% for the third quarter of 2024 from 32.0% 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 11.4% to RMB796 million for the third quarter of 2024, from RMB898 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 increased by 4.5% to RMB3.1 billion for the third quarter of 2024, from RMB3.0 billion for the same period of 2023, primarily attributable to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income decreased to RMB194 million for the third quarter of 2024, from RMB434 million for the same period of 2023, primarily due to a decrease in value-added tax preferences, as a result of change in tax regulations.

Other Gains, Net

We had other gains, net of RMB271 million for the third quarter of 2024, compared to other gains, net of RMB128 million for the same period of 2023. The change was 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 RMB3.1 billion and an operating margin of 10.0% for the third quarter of 2024, compared to an operating profit of RMB2.2 billion and an operating margin of 7.9% for the same period of 2023.

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

	Unaudited		
	Three Months Ended September 30,		
	2024	2023	Year-over-year change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,505	3,155	11.1%
Overseas	(153)	(635)	(75.9%)
Unallocated items	(233)	(309)	(24.6%)
Total	<u>3,119</u>	<u>2,211</u>	41.1%

Our operating profit from the domestic segment increased to RMB3.5 billion for the third quarter of 2024, from RMB3.2 billion for the same period of 2023, primarily attributable to a 9.2% year-over-year growth in domestic revenues.

Our operating loss from the overseas segment narrowed to RMB153 million for the third quarter of 2024, from RMB635 million for the same period of 2023, primarily attributable to rapid growth in overseas revenues.

Finance Income, Net

Our finance income, net was RMB37 million and RMB135 million for the third quarter of 2024 and 2023, respectively. The change was primarily attributable to an increase in interest expense from borrowings.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB6 million for the third quarter of 2024, compared to RMB26 million for the same period of 2023.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB3.2 billion for the third quarter of 2024, compared to a profit before income tax of RMB2.3 billion for the same period of 2023.

Income Tax Benefits/(Expenses)

We had income tax benefits of RMB120 million for the third quarter of 2024, compared to income tax expenses of RMB138 million for the same period of 2023. The change was primarily due to the recognition of deferred tax assets based on the evaluation of future taxable income incurred by certain subsidiaries.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.3 billion for the third quarter of 2024, compared to a profit of RMB2.2 billion for the same period of 2023.

Third Quarter of 2024 Compared to Second Quarter of 2024

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

	Unaudited			
	Three Months Ended			
	September 30, 2024		June 30, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenues	31,131	100.0	30,975	100.0
Cost of revenues	<u>(14,217)</u>	<u>(45.7)</u>	<u>(13,840)</u>	<u>(44.7)</u>
Gross profit	16,914	54.3	17,135	55.3
Selling and marketing expenses	<u>(10,364)</u>	<u>(33.3)</u>	<u>(10,040)</u>	<u>(32.4)</u>
Administrative expenses	<u>(796)</u>	<u>(2.6)</u>	<u>(792)</u>	<u>(2.6)</u>
Research and development expenses	<u>(3,100)</u>	<u>(10.0)</u>	<u>(2,805)</u>	<u>(9.1)</u>
Other income	<u>194</u>	<u>0.6</u>	<u>34</u>	<u>0.1</u>
Other gains, net	<u>271</u>	<u>1.0</u>	<u>374</u>	<u>1.3</u>
Operating profit	3,119	10.0	3,906	12.6
Finance income, net	<u>37</u>	<u>0.1</u>	<u>66</u>	<u>0.2</u>
Share of losses of investments accounted for using the equity method	<u>(6)</u>	<u>(0.0)</u>	<u>(19)</u>	<u>(0.1)</u>
Profit before income tax	3,150	10.1	3,953	12.7
Income tax benefits	<u>120</u>	<u>0.4</u>	<u>27</u>	<u>0.1</u>
Profit for the period	<u>3,270</u>	<u>10.5</u>	<u>3,980</u>	<u>12.8</u>
Non-IFRS Accounting Standards Measures:				
Adjusted net profit	3,948	12.7	4,679	15.1
Adjusted EBITDA	5,578	17.9	6,344	20.5

Revenues

Our revenues slightly increased by 0.5% to RMB31.1 billion for the third quarter of 2024, from RMB31.0 billion for the second quarter of 2024, primarily attributable to the growth of our online marketing services.

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

	Unaudited Three Months Ended			
	September 30, 2024		June 30, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Online marketing services	17,634	56.6	17,515	56.5
Live streaming	9,338	30.0	9,302	30.0
Other services	4,159	13.4	4,158	13.5
Total	<u>31,131</u>	<u>100.0</u>	<u>30,975</u>	<u>100.0</u>

Online marketing services

Revenue from our online marketing services slightly increased by 0.7% to RMB17.6 billion for the third quarter of 2024, from RMB17.5 billion for the second quarter of 2024, primarily attributable to continuous improvements in smart placement products capabilities.

Live streaming

Revenue from our live streaming business remained stable at RMB9.3 billion for the third quarter and the second quarter of 2024, respectively.

Other services

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

Cost of Revenues

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

	Unaudited			
	Three Months Ended			
	September 30, 2024		June 30, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Revenue sharing costs and related taxes	8,873	28.5	8,731	28.2
Bandwidth expenses and server custody costs ⁽¹⁾	1,465	4.7	1,370	4.4
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	1,624	5.2	1,586	5.1
Employee benefit expenses	689	2.2	655	2.1
Payment processing costs	669	2.1	708	2.3
Other cost of revenues	897	3.0	790	2.6
Total	<u>14,217</u>	<u>45.7</u>	<u>13,840</u>	<u>44.7</u>

Note:

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

Our cost of revenues slightly increased by 2.7% to RMB14.2 billion for the third quarter of 2024, from RMB13.8 billion for the second quarter of 2024, primarily attributable to increases in revenue sharing costs and related taxes, and content costs as part of other cost of revenues.

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 third quarter and the second quarter of 2024, respectively:

	Unaudited			
	Three Months Ended			
	September 30, 2024		June 30, 2024	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in millions, except for percentages)</i>			
Gross profit	16,914	54.3	17,135	55.3

As a result of the foregoing, our gross profit decreased by 1.3% to RMB16.9 billion for the third quarter of 2024, from RMB17.1 billion for the second quarter of 2024. Our gross profit margin decreased to 54.3% for the third quarter of 2024, from 55.3% for the second quarter of 2024.

Selling and Marketing Expenses

Our selling and marketing expenses slightly increased by 3.2% to RMB10.4 billion for the third quarter of 2024, from RMB10.0 billion for the second quarter of 2024, and increased to 33.3% for the third quarter of 2024 from 32.4% for the second 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 were RMB796 million and RMB792 million for the third quarter and the second quarter of 2024, respectively.

Research and Development Expenses

Our research and development expenses increased by 10.5% to RMB3.1 billion for the third quarter of 2024, from RMB2.8 billion for the second quarter of 2024, primarily due to an increase in employee benefit expenses, including the related share-based compensation expenses.

Other Income

Our other income increased to RMB194 million for the third quarter of 2024, from RMB34 million for the second quarter of 2024, primarily due to an increase in government grants.

Other Gains, Net

We had other gains, net of RMB271 million for the third quarter of 2024, compared to other gains, net of RMB374 million for the second quarter of 2024.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB3.1 billion for the third quarter of 2024, and an operating profit of RMB3.9 billion for the second quarter of 2024, and our operating margin was 10.0% for the third quarter of 2024, compared to 12.6% for the second quarter of 2024.

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

	Unaudited Three Months Ended		
	September 30, 2024	June 30, 2024	Quarter-over- quarter change
	<i>(RMB millions, except for percentages)</i>		
Domestic	3,505	4,498	(22.1%)
Overseas	(153)	(277)	(44.8%)
Unallocated items	(233)	(315)	(26.0%)
Total	<u>3,119</u>	<u>3,906</u>	(20.1%)

We had an operating profit from the domestic segment of RMB3.5 billion for the third quarter of 2024, compared to an operating profit of RMB4.5 billion for the second quarter of 2024, primarily attributable to our operating expenses increased as a percentage of our total revenues.

We had an operating loss from the overseas segment of RMB153 million and RMB277 million for the third quarter and the second quarter of 2024, respectively, primarily attributable to growth in overseas revenues.

Finance Income, Net

Our finance income, net was RMB37 million for the third quarter of 2024, compared to RMB66 million for the second quarter of 2024.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB6 million and RMB19 million for the third quarter and the second quarter of 2024, respectively.

Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB3.2 billion for the third quarter of 2024, compared to a profit before income tax of RMB4.0 billion for the second quarter of 2024.

Income Tax Benefits

Our income tax benefits were RMB120 million for the third quarter of 2024, compared to RMB27 million for the second quarter of 2024. The increase was primarily due to the recognition of deferred tax assets based on the evaluation of future taxable income incurred by certain subsidiaries.

Profit for the Period

As a result of the foregoing, we had a profit of RMB3.3 billion for the third quarter of 2024, compared to a profit of RMB4.0 billion for the second quarter of 2024.

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

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

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

	Unaudited		
	Three Months Ended		
	September 30,	June 30,	September 30,
	2024	2024	2023
	<i>(RMB millions)</i>		
Profit for the period	3,270	3,980	2,182
Adjusted for:			
Share-based compensation expenses	698	723	871
Net fair value changes on investments ⁽¹⁾	(20)	(24)	120
Adjusted net profit	<u>3,948</u>	<u>4,679</u>	<u>3,173</u>
Adjusted net profit	3,948	4,679	3,173
Adjusted for:			
Income tax (benefits)/expenses	(120)	(27)	138
Depreciation of property and equipment	997	997	1,029
Depreciation of right-of-use assets	765	735	737
Amortization of intangible assets	25	26	38
Finance income, net	(37)	(66)	(135)
Adjusted EBITDA	<u>5,578</u>	<u>6,344</u>	<u>4,980</u>

	Unaudited Nine Months Ended September 30,	
	2024	2023
	<i>(RMB millions)</i>	
Profit for the period	11,370	2,787
Adjusted for:		
Share-based compensation expenses	1,713	2,917
Net fair value changes on investments ⁽¹⁾	(68)	205
Adjusted net profit	13,015	5,909
Adjusted net profit	13,015	5,909
Adjusted for:		
Income tax (benefits)/expenses	(162)	368
Depreciation of property and equipment	2,971	2,971
Depreciation of right-of-use assets	2,216	2,333
Amortization of intangible assets	78	115
Finance income, net	(217)	(404)
Adjusted EBITDA	17,901	11,292

Note:

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

Liquidity and Financial Resources

Other than the funds raised through our global offering in February 2021, our principal sources of funds for working capital and other capital needs have been capital contributions from the Shareholders, cash generated from issuance of convertible redeemable preferred shares and borrowings, and cash generated from our operating activities. We had cash and cash equivalents of RMB12.5 billion as of September 30, 2024, compared to RMB11.4 billion as of June 30, 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 RMB86.7 billion as of September 30, 2024, compared to RMB77.7 billion as of June 30, 2024.

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

	Unaudited Three Months Ended September 30, 2024	Unaudited Nine Months Ended September 30, 2024
	<i>(RMB millions)</i>	
Net cash generated from operating activities	7,743	21,147
Net cash used in investing activities	(10,402)	(29,133)
Net cash generated from financing activities	3,752	7,598
Net increase/(decrease) in cash and cash equivalents	1,093	(388)
Cash and cash equivalents at the beginning of the period	11,437	12,905
Effects of exchange rate changes on cash and cash equivalents	(64)	(51)
Cash and cash equivalents at the end of the period	<u>12,466</u>	<u>12,466</u>

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 third quarter of 2024, our net cash generated from operating activities was RMB7.7 billion, which was primarily attributable to our profit before income tax of RMB3.2 billion, adjusted by non-cash items, primarily comprising share-based compensation expenses of RMB698 million, depreciation of property and equipment of RMB997 million and depreciation of right-of-use assets of RMB765 million. The amount was further adjusted by changes in working capital, which primarily comprised increases in other payables and accruals of RMB1.4 billion and advances from customers of RMB524 million. We also paid income tax of RMB155 million.

Net Cash Used in Investing Activities

For the third quarter of 2024, our net cash used in investing activities was RMB10.4 billion, which was primarily attributable to the net investments in time deposits with initial terms of over three months of RMB6.0 billion, purchase of property, equipment and intangible assets of RMB2.5 billion and net investments in financial assets at fair value through profit or loss of RMB2.3 billion.

Net Cash Generated from Financing Activities

For the third quarter of 2024, our net cash generated from financing activities was RMB3.8 billion, which was primarily attributable to the net proceeds from borrowings of RMB4.5 billion, net proceeds under notes arrangements of RMB1.8 billion, payments for shares repurchase of RMB1.9 billion and payments for principal elements of lease and related interests of RMB583 million.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
		2024	2023	2024	2023
		<i>(RMB millions)</i>			
Revenues	3	31,131	27,948	91,514	80,909
Cost of revenues	4	(14,217)	(13,495)	(41,345)	(40,810)
Gross profit		16,914	14,453	50,169	40,099
Selling and marketing expenses	4	(10,364)	(8,939)	(29,788)	(26,298)
Administrative expenses	4	(796)	(898)	(2,050)	(2,762)
Research and development expenses	4	(3,100)	(2,967)	(8,748)	(9,042)
Other income		194	434	346	599
Other gains, net		271	128	1,090	213
Operating profit		3,119	2,211	11,019	2,809
Finance income, net		37	135	217	404
Share of losses of investments accounted for using the equity method		(6)	(26)	(28)	(58)
Profit before income tax		3,150	2,320	11,208	3,155
Income tax benefits/(expenses)		120	(138)	162	(368)
Profit for the period		3,270	2,182	11,370	2,787
Attributable to:					
— Equity holders of the Company		3,268	2,181	11,366	2,788
— Non-controlling interests		2	1	4	(1)
		3,270	2,182	11,370	2,787
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)	5				
Basic earnings per share		0.76	0.51	2.64	0.65
Diluted earnings per share		0.75	0.49	2.58	0.63

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Three months ended September 30,		Unaudited Nine months ended September 30,	
Note	2024	2023	2024	2023
	(RMB millions)			
Profit for the period	3,270	2,182	11,370	2,787
Other comprehensive (loss)/income				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive income/(loss) of investments accounted for using the equity method	—	7	(3)	14
Currency translation differences	(1,193)	(466)	(735)	2,304
<i>Items that may be subsequently reclassified to profit or loss</i>				
Currency translation differences	925	336	580	(1,684)
Other comprehensive (loss)/income for the period, net of taxes	(268)	(123)	(158)	634
Total comprehensive income for the period	3,002	2,059	11,212	3,421
Attributable to:				
— Equity holders of the Company	3,000	2,058	11,208	3,422
— Non-controlling interests	2	1	4	(1)
	3,002	2,059	11,212	3,421

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		As of	As of
		September 30,	December 31,
	<i>Note</i>	2024	2023
		<i>(RMB millions)</i>	
ASSETS			
Non-current assets			
Property and equipment		13,366	12,356
Right-of-use assets		9,759	10,399
Intangible assets		1,064	1,073
Investments accounted for using the equity method		163	214
Financial assets at fair value through profit or loss	6	20,711	5,245
Other financial assets at amortized cost	6	74	283
Deferred tax assets		6,264	6,108
Long-term time deposits		18,332	9,765
Other non-current assets		732	492
		70,465	45,935
Current assets			
Trade receivables		6,215	6,457
Prepayments, other receivables and other current assets		4,599	4,919
Financial assets at fair value through profit or loss	6	26,846	25,128
Other financial assets at amortized cost	6	518	950
Short-term time deposits		10,903	9,874
Restricted cash		83	128
Cash and cash equivalents		12,466	12,905
		61,630	60,361
Total assets		132,095	106,296

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	As of	As of
<i>Note</i>	September 30,	December 31,
	2024	2023
	<i>(RMB millions)</i>	
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	—	—
Share premium	269,745	273,459
Treasury shares	—	(88)
Other reserves	34,718	33,183
Accumulated losses	(246,125)	(257,491)
	<u>58,338</u>	<u>49,063</u>
Non-controlling interests	<u>15</u>	<u>11</u>
Total equity	<u>58,353</u>	<u>49,074</u>
LIABILITIES		
Non-current liabilities		
Borrowings	7 9,000	—
Lease liabilities	7,592	8,405
Deferred tax liabilities	15	18
Other non-current liabilities	19	21
	<u>16,626</u>	<u>8,444</u>
Current liabilities		
Accounts payables	26,084	23,601
Other payables and accruals	22,089	16,592
Advances from customers	4,648	4,036
Income tax liabilities	399	1,222
Lease liabilities	3,896	3,327
	<u>57,116</u>	<u>48,778</u>
Total liabilities	<u>73,742</u>	<u>57,222</u>
Total equity and liabilities	<u>132,095</u>	<u>106,296</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Nine months ended September 30,	
	2024	2023*
	<i>(RMB millions)</i>	
Net cash generated from operating activities	21,147	11,876
Net cash used in investing activities	(29,133)	(14,662)
Net cash generated from financing activities	7,598	675
Net decrease in cash and cash equivalents	(388)	(2,111)
Cash and cash equivalents at the beginning of the period	12,905	13,274
Effects of exchange rate changes on cash and cash equivalents	(51)	109
Cash and cash equivalents at the end of the period	12,466	11,272

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation and presentation

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

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

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

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

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

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

2 Segment information

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Domestic
- Overseas

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment results would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the three months and nine months ended September 30, 2024 and 2023.

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

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

	Three months ended September 30, 2024			
	Domestic	Overseas	Unallocated items	Total
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	29,800	1,331	—	31,131
Cost of revenues and operating expenses	(26,295)	(1,484)	—	(27,779)
Unallocated items	—	—	(233)	(233)
Operating profit/(loss)	<u>3,505</u>	<u>(153)</u>	<u>(233)</u>	<u>3,119</u>
	Three months ended September 30, 2023			
	Domestic	Overseas	Unallocated items	Total
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	27,296	652	—	27,948
Cost of revenues and operating expenses	(24,141)	(1,287)	—	(25,428)
Unallocated items	—	—	(309)	(309)
Operating profit/(loss)	<u>3,155</u>	<u>(635)</u>	<u>(309)</u>	<u>2,211</u>

	Nine months ended September 30, 2024			
	Domestic	Overseas	Unallocated items	Total
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	88,113	3,401	—	91,514
Cost of revenues and operating expenses	(76,119)	(4,099)	—	(80,218)
Unallocated items	—	—	(277)	(277)
Operating profit/(loss)	<u>11,994</u>	<u>(698)</u>	<u>(277)</u>	<u>11,019</u>

	Nine months ended September 30, 2023			
	Domestic	Overseas	Unallocated items	Total
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	79,472	1,437	—	80,909
Cost of revenues and operating expenses	(72,320)	(3,675)	—	(75,995)
Unallocated items	—	—	(2,105)	(2,105)
Operating profit/(loss)	<u>7,152</u>	<u>(2,238)</u>	<u>(2,105)</u>	<u>2,809</u>

3 Revenues

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online marketing services	17,634	14,690	51,799	42,101
Live streaming	9,338	9,719	27,215	29,006
Other services	4,159	3,539	12,500	9,802
	<u>31,131</u>	<u>27,948</u>	<u>91,514</u>	<u>80,909</u>

4 Expenses by nature

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	<i>(RMB millions)</i>			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue sharing costs and related taxes	8,873	8,320	25,943	25,251
Promotion and marketing expenses	9,777	8,263	27,981	24,316
Employee benefit expenses	4,386	4,475	12,449	13,610
Bandwidth expenses and server custody costs	1,465	1,343	4,234	4,491
Depreciation of property and equipment	997	1,029	2,971	2,971
Depreciation of right-of-use assets <i>(Note a)</i>	765	737	2,216	2,333
Amortization of intangible assets	25	38	78	115
Payment processing costs	669	623	1,973	1,769
Outsourcing and other labor costs	340	290	964	826
Tax surcharges	234	237	689	536
Professional fees	63	65	203	188
Credit loss allowances on financial assets	37	17	70	74
Others <i>(Note b)</i>	846	862	2,160	2,432
	28,477	26,299	81,931	78,912

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 comprised content-related costs, traveling and communication fees and office facilities fees.

5 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 September 30,		Nine months ended September 30,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Earnings attributable to equity holders of the Company (RMB millions)	<u>3,268</u>	<u>2,181</u>	<u>11,366</u>	<u>2,788</u>
Weighted average number of ordinary shares in issue (million shares)	<u>4,301</u>	<u>4,316</u>	<u>4,313</u>	<u>4,310</u>
Basic earnings per share (expressed in RMB per share)	<u><u>0.76</u></u>	<u><u>0.51</u></u>	<u><u>2.64</u></u>	<u><u>0.65</u></u>

(b) Diluted earnings per share

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

	Three months ended September 30,		Nine months ended September 30,	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Earnings attributable to equity holders of the Company (RMB millions)	<u>3,268</u>	<u>2,181</u>	<u>11,366</u>	<u>2,788</u>
Weighted average number of ordinary shares in issue (million shares)	<u>4,301</u>	<u>4,316</u>	<u>4,313</u>	<u>4,310</u>
Adjustments for share options and RSUs (million shares)	<u>83</u>	<u>118</u>	<u>98</u>	<u>120</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (million shares)	<u>4,384</u>	<u>4,434</u>	<u>4,411</u>	<u>4,430</u>
Diluted earnings per share (expressed in RMB per share)	<u><u>0.75</u></u>	<u><u>0.49</u></u>	<u><u>2.58</u></u>	<u><u>0.63</u></u>

6 Investments

	As of September 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Non-current assets		
Financial assets at fair value through profit or loss		
— Investments in unlisted entities	2,760	2,609
— Investment in a listed entity	75	52
— Wealth management products and others	17,492	2,584
— Derivative financial instruments	384	—
	<u>20,711</u>	<u>5,245</u>
Other financial assets at amortized cost	74	283
	<u>20,785</u>	<u>5,528</u>
Current assets		
Financial assets at fair value through profit or loss		
— Investment in a listed entity	9	8
— Wealth management products and others	26,837	25,120
	<u>26,846</u>	<u>25,128</u>
Other financial assets at amortized cost	518	950
	<u>27,364</u>	<u>26,078</u>
Total	<u>48,149</u>	<u>31,606</u>

7 Borrowings

	As of September 30, 2024	As of December 31, 2023
	<i>(RMB millions)</i>	
	(Unaudited)	(Audited)
Unsecured bank loans (<i>Note a</i>)	<u>9,000</u>	<u>—</u>

Note a: As of September 30, 2024, unsecured bank loans were RMB9.0 billion, with a term of 3 years and floating interest rate. The annual average interest rate was 3.45%.

OTHER INFORMATION

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

During the three months ended September 30, 2024 and up to the Latest Practicable Date, the Company repurchased a total of 51,070,000 Class B Shares (the “**Shares Repurchased**”) on the Stock Exchange at an aggregate consideration of HK\$2,131,261,837.49. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration
		Highest	Lowest	
		(HK\$)	(HK\$)	(HK\$)
July 2024	5,866,200	48.15	43.55	269,331,538.50
August 2024	24,205,400	45.15	37.70	1,000,866,234.36
September 2024	17,099,500	41.75	37.80	671,487,334.14
October 2024	3,428,900	54.95	44.75	165,685,502.29
November 2024 (up to the Latest Practicable Date)	470,000	52.60	49.80	23,891,228.20
Total	51,070,000			2,131,261,837.49

As of the Latest Practicable Date, a total of 56,742,800 Class B Shares repurchased from June to October 2024 have been cancelled on July 31, August 30, September 30 and October 31, 2024, respectively, and the number of Class B Shares in issue was reduced by 56,742,800 shares as a result of the cancellation. Upon cancellation of such Class B Shares, Reach Best Developments Limited, a holder of Class A Shares, simultaneously converted a total of 9,813,662 Class A Shares into Class B Shares on a one-to-one ratio on July 31, August 30, September 30 and October 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 729,000 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 three months ended September 30, 2024 and up to the Latest Practicable Date.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting a high standard of corporate governance which is crucial to the Group's development and safeguarding the interests of the Shareholders. The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

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

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

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

Audit Committee

The Audit Committee, after the discussion with the Auditor, has reviewed the Company's unaudited interim financial information for the three and nine months ended September 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 nine months ended September 30, 2024 has been prepared in accordance with IFRS Accounting Standards.

Significant Events after September 30, 2024

Save as disclosed in this announcement, there were no other significant events affecting the Group which occurred after September 30, 2024 and up to the date of this announcement.

APPRECIATION

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

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

Hong Kong, November 20, 2024

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

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

DEFINITIONS

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

“AI”	artificial intelligence
“AIGC”	artificial intelligence generated content
“Articles”	the articles of association of the Company adopted on and with effect from June 13, 2024, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “the Company”, “Kuaishou” or “we”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
“Consolidated Affiliated Entities”	the entities that the Company controls through a set of contractual arrangements
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“DAU(s)”	daily active user(s), which is/are calculated as the number of unique user account(s), excluding spam account(s), that access an app at least once during the day
“Director(s)”	the director(s) of the Company

“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to the Group’s partners through, the Group’s platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“Group” or “the Group”	the Company, its subsidiaries and its Consolidated Affiliated Entities, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS Accounting Standards”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“KOL(s)”	key opinion leader(s)
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences
“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
“Latest Practicable Date”	November 12, 2024, being the latest practicable date prior to the publication of this announcement for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“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
“paying users”	user accounts that purchase a particular service at least once during a given period
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Company’s auditors; and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“ROI”	return on investment
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of the Company, as the context so requires
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“treasury shares”	has the meaning ascribed to it under the Listing Rules
“US\$”	the lawful currency of the United States of America
“%”	per cent