

# meitu



Stock Code 股份代號：1357

(於開曼群島註冊成立的有限公司，並以「美圖之家」名稱於香港經營業務)  
(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “美圖之家”)

**INTERIM REPORT 2022 中期報告**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CAI Wensheng (*Chairman of the Board*)

Mr. WU Zeyuan (*also known as: Mr. WU Xinhong*)

### Non-Executive Directors

Dr. GUO Yihong

Dr. LEE Kai-fu

Mr. CHEN Jiarong

### Independent Non-Executive Directors

Mr. ZHOU Hao

Mr. LAI Xiaoling

Ms. KUI Yingchun

## AUDIT COMMITTEE

Mr. ZHOU Hao (*Chairman*)

Dr. GUO Yihong

Mr. LAI Xiaoling

## REMUNERATION COMMITTEE

Mr. LAI Xiaoling (*Chairman*)

Dr. LEE Kai-fu

Ms. KUI Yingchun

## NOMINATION COMMITTEE

Mr. CAI Wensheng (*Chairman*)

Mr. ZHOU Hao

Ms. KUI Yingchun

## COMPANY SECRETARY

Mr. NGAN King Leung Gary

## AUTHORIZED REPRESENTATIVES

Mr. CAI Wensheng

Mr. NGAN King Leung Gary

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## REGISTERED OFFICE

The offices of Conyers Trust Company (Cayman) Limited

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PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEADQUARTERS

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Siming District

Xiamen, Fujian

PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Austin Road West

Kowloon

Hong Kong

## LEGAL ADVISORS

*As to Hong Kong law (in alphabetical order)*

Skadden, Arps, Slate, Meagher & Flom

Woo Kwan Lee & Lo

*As to PRC law (in alphabetical order)*

Jingtian & Gongcheng

Tian Yuan Law Firm

*As to Cayman Islands law*

Conyers Dill & Pearman

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## **PRINCIPAL BANKERS**

The Hong Kong and Shanghai Banking Corporation Limited  
China Merchants Bank (Offshore Banking)

## **STOCK CODE**

1357

## **COMPANY WEBSITE**

[www.meitu.com](http://www.meitu.com)

The logo for Meitu, featuring the word "meitu" in a lowercase, sans-serif font followed by the Chinese characters "美图" in a similar font. The logo is centered on a background with a colorful gradient from blue to purple to green, overlaid with faint, white-outlined icons of smartphones and circular patterns.

# 2022 Highlights



Despite economic headwind in the first half of 2022, revenue grew 20.5% year-over-year, to RMB971.2 million and Adjusted Net Profit attributable to the Owners of the Company grew 7.9% year-over-year, to RMB36.0 million. Strong growth in the VIP subscription business has offset the reduction in online advertising revenues. SaaS (Software as a Service) and related businesses also made meaningful contribution to our revenues for the first time, driven by both organic growth and acquisition of a SaaS company, Meidd.



Monthly Active Users (“MAU”) growth resumed and reached 240.9 million in June 2022, 4.5% higher than that of December 2021. Such growth was mainly due to the *Meitu app*, demonstrating its ability to drive higher user activities despite being a mature app. The rising popularity of Wink, our newly launched video-focused app, has also contributed to such growth.



VIP subscription business became our largest revenue contributor with RMB339.2 million and 61.4% year-over-year growth in the first half of 2022. Compared to the advertising model, VIP subscription aligns our interest better with our users as we generate more revenues through providing better user experience, rather than distracting users with more ads. The high gross margin and ample room for VIP subscription penetration growth also means this business is likely to become very sizeable over the next few years, underpinning our profitability in the foreseeable future.



We have made meaningful progress in our beauty-industry focused SaaS and related businesses in the first half this year. In particular, revenue from our Supply Chain Management SaaS\*, which focuses on enabling cosmetic retailers to discover trending cosmetic products and making timely procurement at competitive prices, had grown rapidly.

\* Includes cosmetic sales generated from assisting clients to secure inventories at low prices and recommending to them the next trending products in advance by analyzing real-time cosmetic industry trends through the ERP SaaS.

# Key Financial and Operational Data

## KEY FINANCIAL DATA

	Six months ended June 30,		Year on year change (%)
	2022 RMB'000	2021 RMB'000	
Revenue	<b>971,188</b>	806,004	20.5%
– Online Advertising	<b>254,713</b>	392,622	–35.1%
– VIP subscription business	<b>339,180</b>	210,148	61.4%
– SaaS and related businesses <sup>(1)</sup>	<b>226,551</b>	13,795	1,542.3%
– Internet Value-added Services (“IVAS”) <sup>(2)</sup>	<b>41,724</b>	37,348	11.7%
– Influencer Marketing Solutions (“IMS”) and Others	<b>109,020</b>	152,091	–28.3%
Gross Profit	<b>503,385</b>	532,756	–5.5%
Gross Margin	<b>51.8%</b>	66.1%	–14.3p.p.
Adjusted Net Profit attributable to Owners of the Company <sup>(3)</sup>	<b>35,988</b>	33,358	7.9%

## KEY OPERATIONAL DATA

	As of June 30, 2022 '000	As of December 31, 2021 '000	Change (%)
	Total MAU	<b>240,931</b>	
<i>MAU breakdown by product:</i>			
– Meitu	<b>124,724</b>	114,718	8.7%
– BeautyCam	<b>56,081</b>	56,870	–1.4%
– BeautyPlus	<b>32,074</b>	37,116	–13.6%
– Others	<b>28,052</b>	21,940	27.9%
<i>MAU breakdown by geography:</i>			
– Mainland China	<b>171,087</b>	153,882	11.2%
– Overseas	<b>69,844</b>	76,762	–9.0%

<sup>(1)</sup> SaaS and related businesses refer to revenues generated by providing SaaS and related services. Certain revenue streams under IMS and others had been redefined and reclassified to SaaS and related businesses.

<sup>(2)</sup> Certain revenue streams under IMS and others had been redefined and reclassified to IVAS.

<sup>(3)</sup> For details of Adjusted Net Profit attributable to Owners of the Company, please refer to the section headed “Management Discussion and Analysis – Loss for the Period and Non-IFRS Measure: Adjusted Net Profit/(Loss)”.

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I hereby present the interim results of the Group for the six months from January 1, 2022 to June 30, 2022. During the first half of 2022, we continued to improve our business operations and made progress in the total revenue and profitability in terms of Adjusted Net Profit.

## STRATEGIC HIGHLIGHT

### VIP subscription business became the Largest Revenue Contributor

We are very pleased to see the continued success of Meitu's VIP subscription business, which demonstrates the successful development and scaling of a new monetization model. The VIP subscription business performed well and became the Group's largest revenue contributor in the first half of 2022, as we had previously expected. This is a meaningful milestone of Meitu's successful business transformation, as the VIP subscription business model aligns the interest between us and our users, i.e. as they become subscribers, we generate revenue while their user experience are enhanced through better image-editing results and efficiency, as opposed to getting distracted by too many advertisements under the advertising business model.

We expect the VIP subscription business will continue to grow rapidly over the next few years, underpinned by both an increase in both VIP subscribers and Average Revenue Per Paying User ("ARPPU"). Against the backdrop of a vast and stable MAU base, that grew 4.5% compared to December 2021, most of our apps are still at their early stage of adopting this VIP subscription model, with a consistently growing VIP subscription penetration. We adopted a three-pronged approach to drive further growth of our VIP subscribers through:

- i) ongoing in-app marketing to trigger subscription interest in our user base;
- ii) optimizing operation of the paid VIP features to maintain a high VIP subscriber retention rate;
- iii) launching of new apps that integrate VIP subscription models from the very beginning, such as Wink, an app which focuses on video portrait retouching.

Currently, most of our apps and their VIP features cater for image enhancement for lifestyle scenarios such as sharing on social networks. To drive ARPPU increase, we have introduced higher-priced VIP features that cater for work-related design demands. For example, we provide poster template functions with a large number of poster designs, and one-click image cutout function to allow users to conveniently cutout any element of an original image. Such VIP features are designed to offer a simple solution to users who have little or no design experience and enables them to create high quality end-product in an efficient manner, allowing them to be more productive at their work. We believe this creates a strong value proposition to our users that can support higher price points.

# Chairman's Statement

## Empowering the Beauty Industry with SaaS solutions

Apart from our image-related apps, we also provide enterprise solutions leveraging on our established brand image for beauty and technological capabilities in artificial intelligence and computer vision:

### *i. ERP and Supply Chain Management SaaS for cosmetic retailers*

We provide both Enterprise Resource Planning (“ERP”) service and Supply Chain Management SaaS for our cosmetic retailers under the brand of Meidd. In particular, revenue from our Supply Chain Management SaaS had grown rapidly in the first half of 2022, with a significantly higher revenue size than that of the ERP SaaS.

Our Supply Chain Management SaaS provides a strong value proposition to our clients, enabling them to discover trending products and make timely procurement at very competitive prices. The cosmetic market is highly fragmented and pricing information is not transparent. For example, the pricing of the same product at the same volume can vary significantly depending on when, where and from whom one procures from. This gives us an opportunity to put our real-time analysis of the demand and supply dynamic of the market, which we generate through the network of ERP SaaS deployed in over 200 cities, into good use. By analyzing real-time industry trends such as regional pricing differences and product inventory status, we are not only able to secure inventories for our clients at low prices, but also predict the next trending products to recommend to our clients in advance, which will in turn benefit their businesses. This sets us apart from our competitors and drove significant growth of this business.

To further grow our Supply Chain Management SaaS business, we will adopt a two-step approach:

The first step is revenue maximization. For existing clients, we aim at increasing the amount they procure through our Supply Management SaaS by continuing to expand the selection of trending products at competitive prices and covering more brands and product categories. We also aim at growing the number of clients not only through traditional business development such as industry conferences, but also through converting our existing ERP customers which currently covers over ten thousand cosmetic retail stores into using our Supply Chain Management SaaS via demonstration of our unique value proposition.

The second step involves expanding our gross profit margin. As we continue to expand our share and presence in the supply chain management market and gain trust among our clients, we can start to introduce quality products with higher gross margin such as niche products, functional skincare products and customized products.

### *ii. AI Skin Analysis and related SaaS solution*

Under the brand of *MeituEve* and *EveLab Insight*, we empower skincare brands, medical aesthetic institutes and beauty spas across the globe with the SaaS solution based on AI skin analysis technology, enabling them to accurately access their customers' skin quality and recommend customized skincare solutions or products accordingly. Our solutions are flexible and scalable, enabling our clients to integrate with their current customer relationship management (“CRM”) systems for better customer retention, as well as optimizing operational efficiency of multiple storefronts.

# Chairman's Statement

In 2022 we have successfully transformed this business from a hardware-sale only business into a “hardware + SaaS” model. Currently, our skin analysis solutions have been deployed in over 2,826 stores globally.

We have always valued science and precision as two of the most important factors for product innovation. As such, we maintain close collaborations with a number of world-leading research institutes and reputable professionals in dermatology to enhance the accuracy and capabilities of our skin analysis solutions. For instance, we have teamed up with scientists from the Chinese Academy of Sciences to jointly release two major scientific research achievements, “Genome-wide association study of the nasolabial fold identified novel variants related to genes that also affect facial morphology” and “Quantifying facial skin aging signs by deep learning-based algorithm”, which were selected for publication in the Society for Investigative Dermatology (SID) and the International Society for Biophysics and Imaging of the Skin (ISBS), respectively.

## BUSINESS REVIEW

Our revenue increased by 20.5% for the first half of 2022 compared to the same period last year, despite the economic headwind in mainland China.

As the largest revenue contributor of the Company, our VIP subscription business increased by 61.4% year-over-year. We are pleased to see that there is a growing trend in the in-app purchases made by customers. In June 2022, our apps had more than 5.0 million active paying subscribers. Our SaaS and related business grew on a fast and healthy trend, which mainly include services for the cosmetic and skincare industry. During the first half of 2022, revenue from this sector grew by 1,542.3%.

During the first half of 2022, we had an increased amount of operational expenses. On the daily operational level, we invested more resources in research and development to improve our full series of product performances. In the future, we will proactively optimize costs and expenses to keep the Company's operation on a more prudent basis.

Looking ahead, we expect our revenues to continue to grow, driven mostly by our VIP subscription business, as well as SaaS and related businesses. After years of exploration in different areas and business models, we have decided to focus on empowering image and the beauty industry. We are now seeing some exciting progress achieved in our new businesses. We are cautiously optimistic about remaining profitable in terms of Adjusted Net Profit for the full year of 2022.

## APPRECIATION

Finally, on behalf of everyone at Meitu, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating Meitu's core values in every day's work, and in executing the Group's strategy with professionalism, integrity, and dedication. I am also thankful for the continued support and trust from our shareholders and stakeholders. We will strive to “make beauty accessible through technology”, helping our users become more beautiful and assisting with the digital transformation of the beauty industry.

**Cai Wensheng**

*Chairman*

Hong Kong

August 31, 2022

# Management Discussion and Analysis

## SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO SIX MONTHS ENDED JUNE 30, 2021

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six Months ended June 30, 2021 RMB'000
Revenue	971,188	806,004
Cost of sales	(467,803)	(273,248)
<b>Gross profit</b>	<b>503,385</b>	532,756
Selling and marketing expenses	(182,736)	(188,246)
Administrative expenses	(136,341)	(126,215)
Research and development expenses	(265,487)	(259,456)
Net impairment losses on financial assets	(10,527)	(14,715)
Impairment losses on cryptocurrencies	(305,457)	(111,907)
Other income	78,477	47,073
Other gains, net	62,548	5,152
Finance income, net	4,145	1,233
Shares of losses of investments accounted for using the equity method	(5,720)	(877)
<b>Loss before income tax</b>	<b>(257,713)</b>	(115,202)
Income tax expense	(23,900)	(22,477)
<b>Loss for the period</b>	<b>(281,613)</b>	(137,679)

## Management Discussion and Analysis

	<b>Unaudited</b>	Unaudited
	<b>Six months ended</b>	Six Months ended
	<b>June 30, 2022</b>	June 30, 2021
	<b>RMB'000</b>	RMB'000
<b>Loss attributable to:</b>		
– Owners of the Company	<b>(266,245)</b>	(128,666)
– Non-controlling interests	<b>(15,368)</b>	(9,013)
	<b>(281,613)</b>	(137,679)
<b>Non-IFRS measure:</b>		
<b>Adjusted Net Profit/(Loss)<sup>(1)</sup></b>		
– Owners of the Company	<b>35,988</b>	33,358
– Non-controlling interests	<b>(10,581)</b>	(13,063)
	<b>25,407</b>	20,295

<sup>(1)</sup> For details of Adjusted Net Profit attributable to Owners of the Company, please refer to the section headed "Management Discussion and Analysis – Loss for the Period and Non-IFRS Measure: Adjusted Net Profit/(Loss)".

### Revenue

Building on our massive user base, we are launching multiple solutions for image industries, and SaaS services for beauty industries, allowing both the consumer users and business users to obtain various beauty-related products and services on our multiple platforms. We derive our revenues from (i) online advertising; (ii) VIP subscription business; (iii) SaaS and related businesses; (iv) IVAS; and (v) IMS and others.

## Management Discussion and Analysis

The following table presents our revenue lines and as percentages of our total revenues for the periods presented. For the six months ended June 30, 2022, total revenue had increased by 20.5% to RMB971.2 million from RMB806.0 million for the six months ended June 30, 2021. This increase was mainly driven by the strong growth in our major business sectors, especially in the VIP subscription business as well as the SaaS and related businesses.

	Six months ended June 30,			
	2022		2021	
	Amount RMB'000	% of total revenues	Amount RMB'000	% of total revenues
Online Advertising	254,713	26.2%	392,622	48.7%
VIP subscription business	339,180	34.9%	210,148	26.1%
SaaS and related businesses	226,551	23.3%	13,795	1.7%
IVAS	41,724	4.3%	37,348	4.6%
IMS and Others	109,020	11.3%	152,091	18.9%
Total	971,188	100.0%	806,004	100.0%

### **Online advertising**

Our revenue from online advertising decreased by 35.1% year on year to RMB254.7 million for the six months ended June 30, 2022, primarily due to the impact from the fluctuations of the COVID-19 pandemic. Such impact is particularly evident during the second quarter, but as the outbreak gradually became under control within the People's Republic of China (the "PRC"), our advertising revenue gradually picked up from its low point in May. As such, we do not expect an immediate reacceleration of growth in our advertising business.

In order to fully utilize our unique marketing advantage, we improved our mainstream applications and replaced part of the traditional display advertisements with more innovative display models. We introduced specific photo retouching themes in our apps according to different holiday and celebration themes to promote our customer brands. For instance, during the Chinese New Year, we launched a photo retouching campaign to celebrate the festival with Wong Lo Kat (王老吉), a famous Chinese herbal tea brand. By introducing the Wong Lo Kat icon into the retouching process, our clients gained an unexpectedly large amount of user exposure. We are confident that our online advertising business will develop steadily through a series of innovative actions.

### **VIP subscription business**

Revenue from VIP subscription business continues to have a strong momentum with a significant year-over-year increase of 61.4% from RMB210.1 million for the six months ended June 30, 2021 to RMB339.2 million for the six months ended June 30, 2022. Such growth was attributable to the increase in new subscribing users and a stable renewal rate in imaging apps, as we continued to optimize advanced functions and differentiate our product offerings.

## Management Discussion and Analysis

Enlarging the subscriber base is the current main momentum for boosting the VIP subscription business. Compared to the massive user base of the Meitu app ecosystem, the VIP subscriber amount is still relatively small. Refined operations on the existing VIP business is a key to transform the general users into VIP users. For example, the number of VIP functions have been increasing. We have provided VIP functions in most retouching modules, so that a VIP user can have a premium retouching experience throughout the retouching process. Besides, we also have different subscription charging models to attract different users, which has benefited us in enlarging the subscription user base. In addition, for those users whose subscription have expired, we provided free services such as “free experience for a limited time” to entice these users to resume the VIP services. With these refined operations, we have seen a fast continuous growth in the number of VIP users in the first half of 2022.

For VIP service expansion, we also applied our image processing capabilities to launch the design services for individuals and enterprises by providing work-related design solutions. The design services target the marketing and promotion demands of users as product highlight, including personal marketing, event promotion, product description, brand promotion and others. For example, one of the design functions called “Poster Design” became popular soon after it was upgraded. This feature provided users with a large number of graphic design templates to meet different needs, such as commercial marketing material production, personal resume presentation, social media photo creation, and so on.

We have seen a fast growth in the revenue of VIP subscription business during the past few reporting periods. Leveraging on the large user base of Meitu’s app portfolio both in the PRC and overseas, as well as an increasing willingness to pay for these services by the users, we will keep investing resources to improve the user experiences of our services, and we expect this business to continuously grow in the future.

### ***SaaS and related businesses***

For the six months ended June 30, 2022, revenue from our SaaS and related services grew by 1,542.3% year-over-year to RMB226.6 million from RMB13.8 million for the six months ended June 30, 2021, mainly due to the organic growth and acquisition of Meidd.

Our SaaS and related businesses mainly provide SaaS solutions and related services to empower the beauty industry and the commercial shooting industry. For the beauty industry, we provide ERP and supply chain services for cosmetic stores as well as AI-based skin testing with CRM solution for skincare brands and related customers. For the commercial shooting business, we incubated a brand called Meitu AI Photo Editing (美圖雲修) to provide AI-based photo editing services.

The main revenue of SaaS and related businesses comes from revenue of the Supply Chain Management SaaS, which was developed based on ERP services. The ERP solutions we offered to our customers help cosmetic retailers manage their stores efficiently, including inventory management and marketing planning, etc.. For the six months ended June 30, 2022, our ERP solutions have served over 10,000 cosmetic businesses in over 250 locations across the PRC. Based on the massive offline store network served by the ERP system, we conducted the cosmetic supply chain business which performed well.

## Management Discussion and Analysis

Our *MeituEve* business provides an AI skin analysis and related SaaS solution for skincare brands, medical aesthetic clinics and beauty salons. Its AI skin testing technology can effectively evaluate skin quality and recommend tailored skincare treatments. With the skin findings, *MeituEve* can enhance brands' sales conversion. In addition, *MeituEve* provides the CRM related services to assist its clients to better understand and manage their customers better. *MeituEve* continued to broaden its customer expansion and deepened the cooperation with professional and research institutions. It was still our second largest revenue line of the "SaaS and related businesses" for the six months ended June 30, 2022.

In addition, we launched AI-based image SaaS services to serve professional photo shooting studios under the brand Meitu AI Photo Editing, which aims at improving their production quality and efficiency. This business segment performed well and achieved expected success for the first half of 2022.

### ***IVAS***

For the six months ended June 30, 2022, revenue from our IVAS increased by 11.7% year-over-year to RMB41.7 million from RMB37.3 million for the six months ended June 30, 2021.

This revenue line primarily consists of a variety of mobile value-added services offerings. For example, we leverage our platform and user base to promote the mobile entertainment and related services, such as casual mobile game, online literatures, video and musical service, etc., for our third-party partners through which we receive a certain portion of revenue sharing.

### ***IMS and others***

IMS and others include businesses that are currently in incubation as well as legacy businesses that do not fall directly under our strategic goals. For the six months ended June 30, 2022, revenue from IMS and others decreased by 28.3% year-over-year to RMB109.0 million from RMB152.1 million for the six months ended June 30, 2021.

Our IMS business made up 94.0% of this revenue line during the first half of 2022, and thus the decrease in revenue from IMS business was the main factor that resulted in the decrease in revenue from this business line. Revenues generated from this business during the first half of 2022 were RMB102.5 million, as compared to RMB145.5 million for the six months ended June 30, 2021.

The IMS business provides advertising and marketing services to advertisers across multiple online and mobile social media platforms, through the online performance undertaken by third party influencers (including the KOL/KOC among Meitu users). Besides, this business also provides a one-stop KOL platform called Mei Shi (美事) for influencers with related solutions associated with talent management such as recruiting, training, content production support, quality control and service settlement solutions.

# Management Discussion and Analysis

## Cost of Sales

Our cost of sales increased by 71.2% to RMB467.8 million for the six months ended June 30, 2022, compared to RMB273.2 million for the six months ended June 30, 2021. The SaaS and related business was the largest contributor to the increased cost of sales, with the IMS business being the second largest contributor.

## Gross Profit and Margin

Our gross profit decreased by 5.5% to RMB503.4 million for the six months ended June 30, 2022 from RMB532.8 million for the six months ended June 30, 2021. Our gross margin decreased to 51.8% for the first half of 2022, from 66.1% for the same period last year, as there was an increase in revenue contribution from our main business sectors such as cosmetic supply chain business of SaaS related services.

## Research and Development Expenses

Research and development expenses increased by 2.3% to RMB265.5 million for the six months ended June 30, 2022 from RMB259.5 million for the same period last year, primarily due to an increase in research and development employee expenses.

## Selling and Marketing Expenses

Selling and marketing expenses decreased by 2.9% to RMB182.7 million for the six months ended June 30, 2022, from RMB188.2 million for the six months ended June 30, 2021, primarily due to a decrease in the staff costs.

## Administrative Expenses

Administrative expenses increased by 8.0% to RMB136.3 million for the six months ended June 30, 2022 from RMB126.2 million for the same period last year, primarily due to an increase in staff costs.

## Impairment on Cryptocurrencies

As of June 30, 2022, the fair values of the units of Ether (the “**Acquired Ether**”) and the units of Bitcoin (the “**Acquired Bitcoin**”) acquired by the Group determined based on the then prevailing market prices were approximately US\$32.0 million and US\$18.0 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement. Consequently, an impairment loss of approximately RMB124.1 million and RMB181.4 million were recognised by the Group for the six months ended June 30, 2022 in relation to the Acquired Ether and the Acquired Bitcoin, respectively.

Notwithstanding the foregoing, the impairment in relation to the Acquired Bitcoin and Acquired Ether as of June 30, 2022 is reversible (whether in whole or in part) in the Group’s upcoming annual results for the year ending December 31, 2022 should there be a subsequent increase in the fair value of the Acquired Bitcoin and Acquired Ether as of the end date of the financial year.

Further details of the acquired cryptocurrencies are set out in the announcements of the Company dated March 7, 2021, March 17, 2021, April 8, 2021, July 6, 2021 and July 1, 2022.

# Management Discussion and Analysis

## Other Income

Other income for the six months ended June 30, 2022 increased to RMB78.5 million from RMB47.1 million for the six months ended June 30, 2021, primarily due to an increase in government grants.

## Other Gains, Net

Other gains, net were RMB62.5 million for the six months ended June 30, 2022, compared to a net gain of RMB5.2 million for the six months ended June 30, 2021, primarily attributable to an increase in profit from fair value changes on financial assets at fair value through profit or loss.

## Finance Income, Net

Finance income, net mainly comprised of bank interest income and foreign exchange gains. Our net finance income increased by 236.2% to RMB4.1 million for the six months ended June 30, 2022, from RMB1.2 million for the six months ended June 30, 2021, primarily due to foreign exchange gains.

## Income Tax Expense

Income tax expenses for the six months ended June 30, 2022 were RMB23.9 million, compared to RMB22.5 million for the six months ended June 30, 2021. Although the Group was loss-making on a consolidated level for the six months ended June 30, 2022, some of our entities generated positive net profits.

## Loss for the Period and Non-IFRS Measure: Adjusted Net Profit/(Loss)

Net loss for the six months ended June 30, 2022 significantly increased to RMB281.6 million from RMB137.7 million for the six months ended June 30, 2021, primarily due to the decrease in fair value of the acquired cryptocurrencies which was recognized as impairment in accordance with the relevant accounting standards under IFRSs.

To supplement our consolidated financial statements which are presented in accordance with the IFRSs, we also use a non-IFRS financial measure, “Adjusted Net Profit/(Loss)”, as an additional financial measure, which is not required by, or presented in accordance with IFRSs. For the purpose of this interim report, “Adjusted Net Profit/(Loss)” will be used interchangeably with “Non-GAAP Net Profit/(Loss)”. We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of “Adjusted Net Profit/(Loss)” may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

## Management Discussion and Analysis

Adjusted Net Profit attributable to the Owners of the Company was RMB36.0 million for the six months ended June 30, 2022, compared to RMB33.4 million for the six months ended June 30, 2021, mainly due to the growth in revenue from main businesses such as VIP subscription business, as well as the slight decrease in sales expenses. From the fourth quarter of 2019, we started to make a positive Adjusted Net Profit attributable to the Owners of the Company for consecutive fiscal reporting periods. Aiming at launching multiple solutions for both the image industries and the beauty industries, we are now devoting most of the resources to developing businesses related to our core strategy. These businesses include design solutions for the image industry, ERP and supply chain management solutions to cosmetic sales networks, and AI-based skin testing solutions etc.. We have seen some progress achieved in these businesses and we will continue to focus on maximizing the monetization opportunities on our massive users, in order to maintain a healthy profitability trend.

The following table reconciles our Adjusted Net Profit/(Loss) for the six months ended June 30, 2022 and 2021 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
<b>Loss for the period</b>	<b>(281,613)</b>	(137,679)
Excluding:		
Share-based compensation	29,183	28,801
Changes in fair value and impairment of long-term investments	(56,994)	13,491
Amortization of intangible assets and other expenses related to acquisition	10,400	12,133
Impairment losses on cryptocurrencies	305,457	111,907
Other one-off gains	–	(18,119)
Tax effects	18,974	9,761
<b>Adjusted Net Profit/(Loss) for the period</b>	<b>25,407</b>	20,295
Owners of the Company	35,988	33,358
Non-controlling interests	(10,581)	(13,063)

# Management Discussion and Analysis

## Non-controlling Interests

Non-controlling interests represent our loss after taxation that is attributable to minority shareholders of our non-wholly owned subsidiaries.

## Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources as of June 30, 2022 and December 31, 2021 were as follows:

	June 30, 2022 RMB'000	December 31, 2021 RMB'000
Cash and cash equivalents	793,065	738,732
Short-term bank deposits and current portion of long-term bank deposits	146,038	481,459
Long-term bank deposits	70,000	30,000
Short-term investments placed with banks	81,390	8,000
Cash and other liquid financial resources	<b>1,090,493</b>	1,258,191

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Long-term bank deposits and short-term bank deposits are bank deposits with original maturities over three months and redeemable on maturity. Short-term investments placed with banks are redeemable at any time and held with the primary objective to generate income at a yield higher than current deposit bank interest rates.

Most of our cash and cash equivalents, short-term bank deposits, long-term bank deposits and short-term investments placed with banks are denominated in Renminbi, United States dollar and Hong Kong dollar.

## Treasury Policy

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the six months ended June 30, 2022. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## Management Discussion and Analysis

### Capital Expenditure

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Purchase of property and equipment	37,552	16,448
Purchase of intangible assets	500	651,139
Total	38,052	667,587

Our capital expenditures primarily included expenditures for refurbishment of our main office building and purchases of property and equipment such as servers and computers and intangible assets such as cryptocurrencies and computer software.

### Long-term Investment Activities

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Investment in financial assets at fair value through profit or loss	33,321	77,903
Total	33,321	77,903

We have made minority investments that we believe have technologies or businesses that complement and benefit our business. None of these individual investments is regarded as material. Some of the investments we made were early-stage companies that do not generate meaningful revenues and profits. It is therefore difficult to determine the success of these investments at such early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written-off.

### Foreign Exchange Risk

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency for the six months ended June 30, 2022 and 2021.

# Management Discussion and Analysis

## Pledge of Assets

As of June 30, 2022, we pledged a restricted deposit of RMB10,300,000 (as of December 31, 2021: RMB500,000) to guarantee payment of certain operating and office building refurbishment expenses.

## Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities (as of December 31, 2021: nil).

## Borrowings and Gearing Ratio

As of June 30, 2022, we pledged a bank borrowing of RMB10.0 million at an annualized interest rate of 4.15% (as of December 31, 2021: RMB10.0 million at an annualized interest rate of 4.15%). Therefore, the gearing ratio of the Group was 0.3% as of June 30, 2022 (as of December 31, 2021: 0.3%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group's gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group's operations.

## Employee and Remuneration Policy

The Group had a total of 2,056 full-time employees as of June 30, 2022 (as of June 30, 2021: 1,909), a majority of whom were based in various cities in the PRC, including Xiamen (headquarters), Beijing, Shenzhen and Shanghai. Remuneration is determined with reference to market conditions and individual employees' performance, qualifications and experience.

In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). Employees of the Group are the eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme, and Post-IPO Share Award Scheme. During the six months ended June 30, 2022, the relationship between the Group and our employees have been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

## Significant Investments Held

During the six months ended June 30, 2022, the Group had, pursuant to the Cryptocurrency Investment Plan, continued to hold approximately 31,000 units of Ether (the "**Acquired Ether**") and approximately 940.4970 units of Bitcoin ("**Acquired Bitcoin**"). As at June 30, 2022, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US\$32.0 million and US\$18.0 million, respectively.

Further details of the acquired cryptocurrencies are set out in the announcements of the Company dated March 7, 2021, March 17, 2021, April 8, 2021, July 6, 2021 and July 1, 2022.

During the six months ended June 30, 2022, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

### Future Plans for Material Investments and Capital Assets

The Group will continue to explore potential strategic investment opportunities with its existing internal resources and/or other sources of funding with the aim of creating synergies for the Group in relation to aspects such as technological development, product research and development, product portfolio, channel expansion and/or cost control. Appropriate disclosures will be made by the Company when it becomes necessary under the Listing Rules.

Save as disclosed in this interim report, the Group did not have any other plans for material investments and capital assets as of June 30, 2022.

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On December 17, 2021, Meitu Networks, Mr. Wen Min (the chief executive officer, a director and a founder of Meidd), Mr. Huang Zhifeng (a deputy general manager, a director and a founder of Meidd), Mr. Tan Jiaxian (a professional investor and holder of equity interest in Meidd) and Mr. Yang Xiangyang (a professional investor and holder of equity interest in Meidd) (collectively the “**Meidd Sellers**”) and Meidd entered into a sale and purchase agreement, pursuant to which Meitu Networks purchased, and the Meidd Sellers sold, approximately 20.67% equity interest in Meidd at an aggregate consideration of approximately RMB79,742,000. The consideration was satisfied (i) as to HK\$48,891,000 (equivalent to approximately RMB39,871,000) by the allotment and issue of 29,452,667 consideration shares at the issue price of HK\$1.66 per share and (ii) as to RMB39,871,000 in cash.

The sale and purchase was completed on January 7, 2022, whereby the Group became interested in approximately 63.35% equity interest in Meidd and Meidd became a subsidiary of the Group.

Further details of the Meidd Acquisition and the aforementioned sale and purchase can be found in the announcement of the Company dated December 17, 2021. Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries, associates and/or joint ventures during the six months ended June 30, 2022.

## Other Information

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding <sup>(4)</sup>
Mr. Cai Wensheng <sup>(1)</sup>	Interest in a controlled corporation/Beneficiary of a trust	1,126,600,000	25.53%
Mr. Wu Zeyuan <sup>(2)</sup>	Beneficial owner/Beneficiary of a trust	571,946,670	12.96%
Mr. Chen Jiarong <sup>(3)</sup>	Beneficial owner/Interest in a controlled corporation	517,740,180	11.73%
Dr. Lee Kai-fu	Interest in a controlled corporation	32,994,151	0.75%

Notes:

- (1) The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which is in turn held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai.
- (2) The entire interest of Xinhong Capital is held by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu.
- (3) Mr. Chen's interest in these Shares includes the interest in 435,024,180 Shares held by Kingkey Enterprise Holdings Limited, the 50% interest of which is held by Mr. Chen.
- (4) The percentage are calculated on the basis of 4,412,276,060 Shares in issue as at June 30, 2022.

Save as disclosed above, as at June 30, 2022, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code.

## SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2022, the persons other than the Directors, whose interests have been disclosed in this interim report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding <sup>(4)</sup>
Easy Prestige <sup>(1)</sup>	Interest in a controlled corporation	566,666,670	12.84%
Xinhong Capital <sup>(1)</sup>	Beneficial owner	566,666,670	12.84%
Baolink Capital <sup>(2)</sup>	Beneficial owner	506,600,000	11.48%
Longlink Limited <sup>(2)</sup>	Interest in a controlled corporation	620,000,000	14.05%
Longlink Capital <sup>(2)</sup>	Beneficial owner	620,000,000	14.05%
Lion Trust (Singapore) Limited <sup>(3)</sup>	Trustee of a discretionary trust	1,398,366,670	31.69%
Kingkey Enterprise Holdings Limited	Beneficial owner	435,024,180	9.86%
Chen Jiajun	Interest in a controlled corporation	435,024,180	9.86%

Notes:

- (1) The entire interest of Xinhong Capital is held by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu.
- (2) The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai.
- (3) The entire interest of Easy Prestige Limited and Longlink Limited is held by Lion Trust (Singapore) Limited and is deemed to be interested in these Shares.
- (4) The percentage are calculated on the basis of 4,412,276,060 Shares in issue as at June 30, 2022.

Save as disclosed herein, as at June 30, 2022, no person, other than the Directors whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### SHARE OPTION SCHEMES

#### 1. Employee Share Option Plan

The Pre-IPO ESOP was approved and adopted by the Company on February 15, 2014 and amended by resolution of the Board on November 18, 2015.

The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company, by linking the personal interests of the members of the Board, employees, consultants and other individuals to those of the Shareholders and, by providing such individuals with an incentive for outstanding performance, to generate superior returns to the Shareholders. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

The overall limit on the number of options granted pursuant to the Pre-IPO ESOP represents 116,959,070 underlying Shares, subject to any adjustments for share subdivision or other dilutive issuances.

As at June 30, 2022, outstanding options representing 18,272,770 underlying Shares were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 19 to the interim condensed consolidated financial information.

#### 2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 25, 2016.

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to the eligible participants, which may include any employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Directors determine, as an incentive or a reward for their contribution to the Group.

As at June 30, 2022, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 422,729,455 Shares, representing 9.58% of the issued share capital of the Company.

## SHARE AWARD SCHEMES

### 1. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders passed on November 25, 2016.

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons, which may include any employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Directors may determine, with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and regain eligible persons to make contributions to the long-term growth and profits of the Group.

As at June 30, 2022, 118,365,224 Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme). Details of the Post-IPO Share Award Scheme are set out in Note 19 to the condensed consolidated financial statements.

### 2. EveLab Insight Share Award Scheme

As disclosed in the Company's announcement dated July 30, 2021, in order to facilitate fundraising activities for the Smart Hardware Business, the Group transferred the Smart Hardware Business to a separate holding structure at the offshore and onshore levels, where EveLab Insight (a subsidiary of the Company) became the holding company of the Group's Smart Hardware Business.

On June 2, 2021, the board of directors of EveLab Insight (the "**EveLab Insight Board**") and its shareholder (namely, the Company) adopted the EveLab Insight Share Award Scheme under which 20% of EveLab Insight's shares (the "**EveLab Insight Shares**") has been reserved for granting to employees, consultants, and all other eligible participants of the Group who have contributed or will contribute to the Smart Hardware Business. Certain amendments to the rules of the EveLab Insight Share Award Scheme were approved by the EveLab Insight Board on September 30, 2021.

The purpose of the EveLab Insight Share Award Scheme is to align the interests of eligible persons, which may include any employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the EveLab Insight Board may determine, and for this purpose shall include any trust, company or other entity or form of business vehicle which such individual or his/her family member is a beneficiary of or holds beneficial interest in ("**Eligible Vehicle**"), with those of the Group through ownership of the EveLab Insight Shares, dividends and other distributions paid on the EveLab Insight Shares and/or the increase in value of the EveLab Insight Shares, and to encourage and regain eligible persons to make contributions to the long-term growth and profits of the Group.

## Other Information

As at June 30, 2022, 67,500,000 EveLab Insight Shares had been granted or agreed to be granted under the EveLab Insight Share Award Scheme (excluding EveLab Insight Shares granted which have been forfeited in accordance with the EveLab Insight Share Award Scheme).

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders of the Company.

During the six months ended June 30, 2022, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2022 regarding their dealings in the securities of the Company.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the six months ended June 30, 2022 after making reasonable enquiry.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended June 30, 2022, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's Shares.

## USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on December 15, 2016. The net proceeds from the Listing amounted to approximately RMB4,179.9 million<sup>(1)</sup>. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at June 30, 2022, the Group had utilized the net proceeds as set out in the table below:

	Net proceeds from the Listing <sup>(1)</sup> (RMB million)	Unutilized amount as at December 31, 2021 <sup>(1)</sup> (RMB million)	Utilization for the six months ended June 30, 2022 (RMB million)	Unutilized amount as at June 30, 2022 (RMB million)
Component and raw material sourcing to produce smartphones	1,221.3	–	–	–
Investment in or acquisition of businesses that are complementary to our business	936.5	86.5	44.0	42.5
Implementation of sales and marketing initiatives in both China and overseas market	816.0	–	–	–
Expansion of Internet services business	543.5	23.9	23.9	–
Expansion of research and development capabilities	287.8	–	–	–
General working capital	374.8	–	–	–

Note:

(1) The figures were based on an average of the prevailing exchange rates of RMB against a foreign currency in the first half of 2022.

The remaining balance of the net proceeds was placed with banks. There is a delay to the timeline on the application of the net proceeds from the Listing as previously disclosed in the Prospectus. As the remaining unutilized net proceeds were earmarked for investment in or acquisition of businesses that are complementary to the Group's business, there is inherent uncertainty as to the timing of acquisitions exacerbated by the prolonged COVID-19 pandemic, as travelling restrictions and social distancing measures in different regions make identifying, conducting diligence on, and negotiating agreements to acquire, suitable targets especially difficult.

As it is impossible to accurately predict the development of the COVID-19 pandemic, the Company now expects to fully utilize the remaining net proceeds by the end of 2024.

## Other Information

### AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this interim report, the Audit Committee comprises three members, namely Mr. ZHOU Hao, Dr. GUO Yihong and Mr. LAI Xiaoling. Mr. ZHOU Hao is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended June 30, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Company’s auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group’s unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended June 30, 2022.

### FOREIGN INVESTMENTS IN VALUE-ADDED TELECOMMUNICATIONS BUSINESSES IN THE PRC

#### Updates in Relation to the FITE Regulations

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and March 29, 2022, respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including provision of Internet content services. In addition, prior to May 1, 2022, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a good proven track record of business operations overseas (the “**Qualification Requirements**”). Under the latest amendments to the FITE Regulations which became effective on May 1, 2022, the foreign investors’ equity ownership in a company providing value-added telecommunications services in the PRC is still prohibited from exceeding 50%, unless otherwise provided in the PRC laws, regulations or rules. In addition, the latest FITE Regulations have abolished the Qualification Requirements such that it is no longer a pre-requisite for establishing foreign-invested value-added telecommunications enterprises in the PRC. Based on the Notice regarding the Strengthening of Ongoing and Post Supervision of Foreign Invested Telecommunication Enterprises issued by the MIIT in October 2020, foreign invested telecommunications enterprises are also no longer required to obtain the prior MIIT approval letter on foreign investment in telecommunications businesses. Nonetheless, these enterprises still need to submit the relevant materials to the MIIT to apply for telecommunications operating permits, and the other requirements provided by the FITE Regulations still apply. Essentially, the corresponding foreign investment will also be considered by the MIIT in its approval process for the telecommunications operating permits (the “**MIIT Approval Process**”). However, as of June 30, 2022, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation to clarify the MIIT Approval Process and in practice there are still uncertainties as to whether foreign investors without a satisfactory proven track record and operational experiences in operating value-added telecommunications businesses may affect the approval result.

### **Efforts and Actions Undertaken in Preparation of Application for Telecommunications Operating Permit**

Despite the lack of clear guidance and unpredictability of the MIIT Approval Process, we are currently in process of consulting with our PRC legal advisors to explore and determine the most viable way for the Company to hold Meitu Networks and its subsidiaries, the Onshore Target Company and its subsidiaries, and MeituEve Networks and its subsidiaries, directly through equity ownership. We will also consult with competent authorities on the feasibility and procedures for the foreign-invested enterprise to apply for the ICP License. As of June 30, 2022, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company currently gains effective control over, and receive all the economic benefits generated by the businesses currently operated by (i) Meitu Networks and its subsidiaries through the Contractual Arrangements between Meitu Home, the Company's subsidiary in the PRC, on the one hand, and Meitu Networks and its respective shareholders, on the other hand, (ii) MeituEve Networks and its subsidiaries through the MeituEve Contractual Arrangements between MeituEve Technology, the Company's subsidiary in the PRC, on the one hand, and MeituEve Networks and its shareholder, on the other hand, and (iii) the Onshore Target Company and its subsidiaries through the Dajie VIE Agreements between the Dajie WFOE, the Company's subsidiary in the PRC, on the one hand, and the Onshore Target Company and its respective shareholders, on the other hand. The Contractual Arrangements, the MeituEve Contractual Arrangements and the Dajie VIE Agreements allow the results of operations and assets and liabilities of (i) Meitu Networks and its subsidiaries, (ii) MeituEve Networks and its subsidiaries, and (iii) the Onshore Target Company and its subsidiaries, to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were wholly-owned subsidiaries of our Group.

Further details of (i) the Contractual Arrangements and the Dajie VIE Agreements are set out in the Prospectus, the Company's announcement dated March 17, 2021 and the Company's 2021 annual report published on April 28, 2022; and (ii) the MeituEve Contractual Arrangements are set out in the Company's announcement dated July 30, 2021 and the Company's 2021 annual report published on April 28, 2022.

### **CHANGE IN SUBSIDIARY NAME**

On July 18, 2022, MeituEve, Inc. (formerly known as Meipai Ltd), a company incorporated in the Cayman Islands with limited liability on June 2, 2015 and a subsidiary of the Company, passed a special resolution at an extraordinary general meeting of its shareholder to change its company name from "MeituEve, Inc." to "EveLab Insight, Inc.". The Registrar of Companies in the Cayman Islands has approved the change of name and issued the Certificate of Incorporation on Change of Name on July 21, 2022.

### **IMPORTANT EVENTS AFTER THE REPORTING DATE**

There were no important events affecting the Company which occurred after June 30, 2022 and up to the date of this interim report.

# Report on Review of Interim Financial Information

To the Board of Directors of Meitu, Inc.

*(incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 31 to 74, which comprises the interim condensed consolidated balance sheet of Meitu, Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of June 30, 2022 and the interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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 31, 2022

# Interim Condensed Consolidated Statement of Income

	Note	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Revenue	5	971,188	806,004
Cost of sales	6	(467,803)	(273,248)
<b>Gross profit</b>		<b>503,385</b>	<b>532,756</b>
Selling and marketing expenses	6	(182,736)	(188,246)
Administrative expenses	6	(136,341)	(126,215)
Research and development expenses	6	(265,487)	(259,456)
Net impairment losses on financial assets		(10,527)	(14,715)
Impairment losses on cryptocurrencies	13	(305,457)	(111,907)
Other income		78,477	47,073
Other gains, net	7	62,548	5,152
Finance income, net	8	4,145	1,233
Share of losses of investments accounted for using the equity method	9(a)	(5,720)	(877)
<b>Loss before income tax</b>		<b>(257,713)</b>	<b>(115,202)</b>
Income tax expense	10	(23,900)	(22,477)
<b>Loss for the period</b>		<b>(281,613)</b>	<b>(137,679)</b>
<b>Loss attributable to:</b>			
– Owners of the Company		(266,245)	(128,666)
– Non-controlling interests		(15,368)	(9,013)
		(281,613)	(137,679)
<b>Loss per share for loss attributable to owners of the Company for the period (expressed in RMB per share)</b>	11		
– Basic		(0.06)	(0.03)
– Diluted		(0.06)	(0.03)

The above condensed consolidated statement of income should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
<b>Loss for the period</b>		<b>(281,613)</b>	(137,679)
<b>Other comprehensive income/(loss), net of tax</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		52,363	(13,841)
<i>Items that will not be reclassified to profit or loss</i>			
Change in fair value of financial assets at fair value through other comprehensive income	18	(6,618)	–
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>45,745</b>	(13,841)
<b>Total comprehensive loss for the period, net of tax</b>		<b>(235,868)</b>	(151,520)
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		(223,619)	(142,507)
– Non-controlling interests		(12,249)	(9,013)
		<b>(235,868)</b>	(151,520)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2022 RMB'000	Audited December 31, 2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	417,437	383,183
Right-of-use assets		32,696	41,390
Term deposits	16	80,000	30,000
Intangible assets	13	755,265	777,402
Long-term investments			
– Investments in associates and a joint venture	9(a)	116,785	118,133
– Financial assets at fair value through profit or loss	9(b)	679,901	801,005
– Financial assets at fair value through other comprehensive income	9(c)	32,309	37,156
Prepayments and other receivables	15	2,694	19,504
Deferred tax assets		8,329	7,018
		<b>2,125,416</b>	<b>2,214,791</b>
<b>Current assets</b>			
Inventories		45,091	4,889
Trade receivables	14	310,050	356,783
Prepayments and other receivables	15	915,681	912,280
Contract costs		32,367	29,880
Short-term investments placed with banks		81,390	8,000
Term deposits	16	146,038	481,459
Restricted cash		300	500
Cash and cash equivalents		793,065	738,732
		<b>2,323,982</b>	<b>2,532,523</b>
<b>Total assets</b>		<b>4,449,398</b>	<b>4,747,314</b>

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited June 30, 2022 RMB'000	Audited December 31, 2021 RMB'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	300	281
Share premium	17	7,174,011	7,136,647
Reserves	18	(21,845)	(91,642)
Accumulated losses		(3,795,172)	(3,528,927)
<b>Non-controlling interests</b>		479	(557)
<b>Total equity</b>		<b>3,357,773</b>	<b>3,515,802</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	20	–	84,432
Lease liabilities		15,736	17,911
Deferred tax liabilities		105,606	80,280
		121,342	182,623
<b>Current liabilities</b>			
Borrowings		10,000	10,000
Trade and other payables	20	714,657	803,915
Lease liabilities		16,295	20,631
Income tax liabilities		48,573	55,960
Contract liabilities		180,758	158,383
		970,283	1,048,889
<b>Total liabilities</b>		<b>1,091,625</b>	<b>1,231,512</b>
<b>Total equity and liabilities</b>		<b>4,449,398</b>	<b>4,747,314</b>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

On behalf of the Board

\_\_\_\_\_  
Cai Wensheng  
Director

\_\_\_\_\_  
Wu Zeyuan  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to owners of the Company					Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
<b>Balance as of January 1, 2022</b>		281	7,136,647	(91,642)	(3,528,927)	3,516,359	(557)	3,515,802
<b>Comprehensive loss</b>								
Loss for the period		-	-	-	(266,245)	(266,245)	(15,368)	(281,613)
<b>Other comprehensive income/(loss)</b>								
Change in value of financial assets at fair value through other comprehensive income	9(c)	-	-	(6,618)	-	(6,618)	-	(6,618)
Currency translation differences	18	-	-	49,244	-	49,244	3,119	52,363
<b>Total comprehensive income/(loss) for the six months ended June 30, 2022</b>		-	-	42,626	(266,245)	(223,619)	(12,249)	(235,868)
<b>Transactions with owners in their capacity as owners</b>								
Value of employee services:								
- Post-IPO Share Award Scheme	19(b)	-	-	21,258	-	21,258	-	21,258
- Share incentive to senior management of subsidiaries	19(d)	-	-	5,913	-	5,913	2,012	7,925
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	25	19	37,282	-	-	37,301	-	37,301
Non-controlling interests on acquisition of a subsidiary	25	-	-	-	-	-	11,273	11,273
Shares issued upon exercise of employee share options	17	-	82	-	-	82	-	82
<b>Total transactions with owners in their capacity as owners</b>		19	37,364	27,171	-	64,554	13,285	77,839
<b>Balance as of June 30, 2022</b>		300	7,174,011	(21,845)	(3,795,172)	3,357,294	479	3,357,773

## Interim Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to owners of the Company					Non- controlling interest RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000		
<b>Balance as of January 1, 2021</b>		280	7,135,115	(107,910)	(3,473,555)	3,553,930	13,905	3,567,835
<b>Comprehensive loss</b>								
Loss for the period		-	-	-	(128,666)	(128,666)	(9,013)	(137,679)
<b>Other comprehensive loss</b>								
Currency translation differences	18	-	-	(13,841)	-	(13,841)	-	(13,841)
<b>Total comprehensive loss for the six months ended June 30, 2021</b>		-	-	(13,841)	(128,666)	(142,507)	(9,013)	(151,520)
<b>Transactions with owners in their capacity as owners</b>								
Value of employee services:								
- Post-IPO Share Award Scheme	19(b)	-	-	26,013	-	26,013	-	26,013
- Share incentive to senior management of subsidiaries	19(d)	-	-	2,236	-	2,236	552	2,788
Shares issued upon exercise of employee share options	17	1	1,435	-	-	1,436	-	1,436
<b>Total transactions with owners in their capacity as owners</b>		1	1,435	28,249	-	29,685	552	30,237
<b>Balance as of June 30, 2021</b>		281	7,136,550	(93,502)	(3,602,221)	3,441,108	5,444	3,446,552

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(106,645)	(336,269)
Interest received		1,744	1,237
Income tax paid		(13,272)	(13,317)
<b>Net cash used in operating activities</b>		<b>(118,173)</b>	<b>(348,349)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(24,015)	(16,448)
Purchase of intangible assets		(500)	(651,139)
Proceeds from disposal of property and equipment and intangible assets		45	1,405
Acquisition in associates in the form of ordinary shares	9(a)	(2,000)	–
Acquisition in financial assets at fair value through profit or loss	9(b)	(33,321)	(77,903)
Proceeds from disposal of financial assets at fair value through profit or loss		3,527	20,000
Purchase of short-term investments placed with banks, net		(72,000)	(20,800)
Investment income received from short-term investments placed with banks and term bank deposits		5,307	17,657
Placement of term bank deposits		(120,873)	(68,229)
Receipt from maturity of term bank deposits		408,450	772,305
Loans to a third party		(20,000)	–
Repayments received from an investee company		35,650	–
Payment for acquisition of a subsidiary, net of cash acquired	25	(8,641)	–
<b>Net cash generated from/(used in) investing activities</b>		<b>171,629</b>	<b>(23,152)</b>

## Interim Condensed Consolidated Statement of Cash Flows

Note	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	5,000	5,000
Repayment of short-term borrowings	(5,000)	–
Proceeds from disposal of interests in a non-wholly owned subsidiary for share incentive, net	–	1,557
Payments for lease liabilities	(16,874)	(19,823)
Proceeds from shares issued under employee share option scheme	131	1,803
<b>Net cash used in financing activities</b>	<b>(16,743)</b>	<b>(11,463)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36,713</b>	<b>(382,964)</b>
Cash and cash equivalents at the beginning of the period	738,732	1,158,117
Effects of exchange rate changes on cash and cash equivalents	17,620	(2,898)
<b>Cash and cash equivalents at the end of the period</b>	<b>793,065</b>	<b>772,255</b>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Interim Condensed Consolidated Financial Information

## 1 GENERAL INFORMATION

Meitu, Inc. (the “**Company**”), was incorporated in the Cayman Islands under the name of “Meitu, Inc. 美图公司” on July 25, 2013 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and carries on a business in Hong Kong as “美圖之家” as approved by and registered with the Registrar of Companies in Hong Kong on October 28, 2016 and November 7, 2016, respectively. The address of the Company’s registered office is the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together with Xiamen Meitu Networks Technology Co., Ltd. (“**Meitu Networks**”) and its subsidiaries, Xiamen MeituEve Networks Services Co., Ltd. (“**MeituEve Networks**”) and Beijing Dajie Zhiyuan Information Technology Co., Ltd. (“**Dajie Zhiyuan**”) and its subsidiaries, collectively, the “**Group**”) are principally engaged in the provision of online advertising and other Internet value added services in the People’s Republic of China (the “**PRC**”) and other countries or regions.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since December 15, 2016 by way of its initial public offering (“**IPO**”).

The interim condensed consolidated balance sheet as of June 30, 2022, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and notes, comprising significant accounting policies and other explanatory information (collectively defined as the “**Interim Financial Information**”) of the Group have been approved for issue by the Board of Directors (“**Board**”) on August 31, 2022.

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

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

# Notes to the Interim Condensed Consolidated Financial Information

## 2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2021, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2022:

Amendments to annual improvements project	Annual improvements 2018-2020 cycle
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
IFRS 3 (Amendments)	Reference to the Conceptual Framework

The adoption of these new and amended standards does not have significant impact on the Interim Financial Information of the Group.

- (b) The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2022 and have not been early adopted:

New standards, amendments, improvement and interpretation		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 (Amendments) and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a single Transaction	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

## 2 BASIS OF PREPARATION (CONTINUED)

### (c) Accounting policy of new revenue stream due to business combination

#### *Cosmetic stores enterprise resource planning (“ERP”) Software as a Service (“SaaS”) and Supply Chain business*

The Group generates revenues of SaaS and related businesses primarily through selling cosmetic products to distributors and retailers. Sales of cosmetic products are recognized when control of the products have transferred, being when the products are delivered and accepted by the distributors and retailers.

The Group also provides ERP SaaS system to cosmetic stores. The revenue is collected upfront and recognized over the subscription period.

## 3 ESTIMATES

The preparation of the Interim Financial Information requires management to make judgements, 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 significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2021.

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2021.

There have been no changes in the risk management policies since year end.

### 4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

### 4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 4.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as of June 30, 2022 and December 31, 2021.

As of June 30, 2022	Unaudited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Assets:</b>				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 9(b))	–	–	679,901	679,901
– Financial assets at fair value through other comprehensive income	22,406	–	9,903	32,309
Short-term investments placed with banks	–	–	81,390	81,390
	22,406	–	771,194	793,600

  

As of December 31, 2021	Audited			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Assets:</b>				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 9(b))	–	–	801,005	801,005
– Financial assets at fair value through other comprehensive income	27,749	–	9,407	37,156
Short-term investments placed with banks	–	–	8,000	8,000
	27,749	–	818,412	846,161

There were no transfers among Levels 1, 2 and 3 during the period.

There were no other changes in valuation techniques during the period.

## Notes to the Interim Condensed Consolidated Financial Information

### 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 4.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the six months ended June 30, 2022.

	Unaudited			Total RMB'000
	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Short-term investments placed with banks RMB'000	
Opening balance as of December 31, 2021	801,005	9,407	8,000	818,412
Additions	33,321	–	1,276,738	1,310,059
Changes in fair value (Note 9)	56,994	–	4,032	61,026
Converted from a financial asset to a subsidiary (Note 25)	(210,321)	–	–	(210,321)
Disposals	(3,527)	–	(1,207,380)	(1,210,907)
Currency translation differences	2,429	496	–	2,925
Closing balance as of June 30, 2022	<b>679,901</b>	<b>9,903</b>	<b>81,390</b>	<b>771,194</b>
Total unrealized gains and change in fair value for the period included in "other gains/(losses), net"	<b>56,994</b>	<b>–</b>	<b>1,390</b>	<b>58,384</b>

## 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### 4.5 Group's valuation processes

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

The valuation of the level 3 instruments mainly included investments in private companies (Note 9(b)) and short-term investments placed with banks. As the investments in private companies are not traded in an active market, their fair value has been determined using various applicable valuation methodologies, including discounted cash flows, equity allocation model etc. Major assumptions used in the valuation include historical financial results, long-term revenue growth rate, long-term pre-tax operating margin, estimate of weighted average cost of capital (WACC), recent market transactions, marketability discount, expected volatility of shares under liquidation and redemption scenario and other exposure etc.

Except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, the carrying amounts of financial assets including cash and cash equivalents, short-term investments placed with banks, short-term bank deposits, restricted cash, trade receivables and other receivables; and financial liabilities including trade and other payables, approximate their respective fair values due to their short maturity at the reporting date.

## 5 REVENUE AND 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 executive directors of the Company that make strategic decisions. The Group does not distinguish between markets or segments for the purpose of internal reporting.

## Notes to the Interim Condensed Consolidated Financial Information

### 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The results of the revenue for the six months ended June 30, 2022 and 2021 are as follows:

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
VIP Subscription business	339,180	210,148
Online Advertising	254,713	392,622
SaaS and related businesses	226,551	13,795
Internet Value-added Services	41,724	37,348
Influencer Marketing Solutions Business and Others	109,020	152,091
<b>Total revenue</b>	<b>971,188</b>	<b>806,004</b>

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
<b>Timing of revenue recognition</b>		
Over time	604,006	611,532
At a point in time	367,182	194,472
	<b>971,188</b>	<b>806,004</b>

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2022 and 2021.

Substantially all of the Group's revenues are derived from incorporations registered in the PRC. Therefore, no geographical segments for revenue are presented.

As of June 30, 2022, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB1,556,113,000 (December 31, 2021: RMB1,429,547,000) and RMB480,974,000 (December 31, 2021: RMB748,226,000), respectively.

## Notes to the Interim Condensed Consolidated Financial Information

### 6 EXPENSES BY NATURE

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Employee benefit expenses	417,961	415,276
Inventories consumed and recognized as cost of sales	199,558	4,136
Service fees sharing to influencers	113,673	145,002
Promotion and advertising expenses	88,746	83,858
Revenue sharing fee to payment channels	78,915	55,450
Bandwidth and storage related costs	44,567	36,662
Depreciation of right-of-use assets	17,895	18,299
Tax and levies	17,565	10,484
Amortization of intangible assets (Note 13)	9,981	11,681
Operating lease expenses	8,880	4,548
Utilities and office expenses	5,351	4,660
Travelling and entertainment expenses	4,821	7,165
Video content monitoring fee	4,199	6,192
Others	40,255	43,752
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	<b>1,052,367</b>	847,165

## Notes to the Interim Condensed Consolidated Financial Information

### 7 OTHER GAINS, NET

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Fair value changes on financial assets at fair value through profit or loss (Note 9(b))	56,994	(13,491)
Fair value changes on short-term investments placed with banks (Note 4)	4,032	5,024
Others	1,522	13,619
	<b>62,548</b>	<b>5,152</b>

### 8 FINANCE INCOME, NET

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Interest income	4,491	7,655
Foreign exchange gains/(losses), net	3,957	(1,986)
Others	(4,303)	(4,436)
	<b>4,145</b>	<b>1,233</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 9(A) INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
At the beginning of the period	118,133	83,737
Addition	2,000	–
Share of losses of the associates and the joint venture	(5,720)	(877)
Currency translation differences	2,372	(884)
At the end of the period	116,785	81,976

### 9(B) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
At the beginning of the period	801,005	559,494
Additions (Note (i))	33,321	77,903
Changes in fair value (Note (ii))	56,994	(13,491)
Converted from a financial asset to a subsidiary (Note 25)	(210,321)	–
Disposals and others	(3,527)	(22,707)
Currency translation differences	2,429	(1,358)
At the end of the period	679,901	599,841

### 9(B) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Group made investments in redeemable convertible preferred shares and ordinary shares with preferred rights (collectively as “**preferred shares**”) of certain private companies, and these investments held by the Company contain certain embedded derivatives. Additionally, in connection with certain investments in the preferred shares, the Group also holds board seats in certain investees, in which it can participate in the investees’ financial and operating activities. These investee companies are accounted for as associates of the Group. After an assessment performed on the Group’s business model adopted for managing financial assets and a test on whether the contractual cash flows represent SPPI, the Group recognized these investments as financial assets at fair value through profit or loss.

- (i) During the six months ended June 30, 2022, the Group made some investments in certain preferred shares of certain private companies. These companies are principally engaged in Internet-related service.
- (ii) The Group performs assessment on the fair value of these financial assets periodically. Management reviews the investees’ financial/operating performances and forecasts, and applies the appropriate valuation techniques, where applicable, in order to determine their respective fair values. During the six months ended June 30, 2022, change in fair value amounting to RMB56,994,000 was recognized as other gains, net in the consolidated income statement (Note 7).

## Notes to the Interim Condensed Consolidated Financial Information

### 9(C) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
At the beginning of the period	37,156	9,050
Changes in fair value	(6,618)	–
Currency translation differences	1,771	(90)
	<b>32,309</b>	8,960

The Group made investments in some ordinary shares and of a private company and a listed company, and these investments are not held for trading. The Group has made an irrevocable election at the time of initial recognition of these instruments to account them as equity investments at fair value through other comprehensive income.

During the six months ended June 30, 2022, change in fair value amounting to RMB6,618,000 was recognized as other comprehensive income in the consolidated balance sheet (Note 18).

### 10 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended June 30, 2022 and 2021 are analyzed as follows:

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Current income tax:		
– PRC and overseas enterprise income tax	5,885	15,243
Deferred income tax	18,015	7,234
	<b>23,900</b>	22,477

## 10 INCOME TAX EXPENSE (CONTINUED)

### (i) Cayman Islands and BVI Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of the British Virgin Islands (the “BVI”) are exempted from BVI income taxes.

### (ii) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No provision for Hong Kong profits tax has been made as the Group utilised previous unrecognized tax losses.

### (iii) Corporate income tax in other countries

Income tax rate for subsidiaries in other jurisdictions, including the United States, Japan and Singapore were ranging from 17% to 21%. No provision for profits tax has been made as the Group did not have any assessable profits subject to these jurisdictions for the period.

### (iv) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

Beijing Dajie Zhiyuan Information Technology Co., Ltd. (“Zhiyuan”) and Meidd Technology (Shenzhen) Co., Ltd. (“Meidd”) have been qualified as “High and New Technology Enterprise” (“HNTE”) under the EIT Law and are entitled to a preferential income tax rate of 15% for three years till the end of the year of 2021 and 2024 respectively. Management is in the process of applying for the renewal of HNTE status for Zhiyuan and assess that it is very likely to continue to enjoy the preferential income tax rate as a HNTE.

According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities were entitled to claim 175% or 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

## Notes to the Interim Condensed Consolidated Financial Information

### 11 LOSS PER SHARE

#### (a) Basic

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

	<b>Unaudited Six months ended June 30, 2022</b>	Unaudited Six months ended June 30, 2021
Loss attributable to owners of the Company (RMB'000)	<b>(266,245)</b>	(128,666)
Weighted average number of ordinary shares in issue (thousand)	<b>4,366,019</b>	4,315,416
Basic and diluted loss per share (in RMB/share)	<b>(0.06)</b>	(0.03)

#### (b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2022 and 2021, the Company had three categories of potential ordinary shares, the shares options awarded under Pre-IPO ESOP and the restricted stock unit under the Post-IPO Share Award Scheme (Note 19). As the Group incurred losses for the six months ended June 30, 2022 and 2021, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended June 30, 2022 and 2021 were the same as basic loss per share.

### 12 DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

## Notes to the Interim Condensed Consolidated Financial Information

### 13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

#### (a) Property and equipment

	Construction in progress RMB'000	Other property and equipment RMB'000	Total RMB'000
<b>As of December 31, 2021</b>			
Cost	365,792	115,582	481,374
Accumulated depreciation and impairment	–	(98,191)	(98,191)
<b>Net book amount</b>	<b>365,792</b>	<b>17,391</b>	<b>383,183</b>
<b>Unaudited</b>			
<b>Six months ended June 30, 2022</b>			
Opening net book amount	365,792	17,391	383,183
Acquisition of a subsidiary	–	248	248
Additions	36,072	1,480	37,552
Depreciation charges	–	(3,554)	(3,554)
Currency translation differences	–	50	50
Disposals	–	(42)	(42)
<b>Closing net book amount</b>	<b>401,864</b>	<b>15,573</b>	<b>417,437</b>
<b>As of June 30, 2022</b>			
Cost	401,864	93,814	495,678
Accumulated depreciation and impairment	–	(78,241)	(78,241)
<b>Net book amount</b>	<b>401,864</b>	<b>15,573</b>	<b>417,437</b>

## 13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

### (b) Intangible assets

	Crypto- currencies RMB'000	Goodwill (Note (ii)) RMB'000	Others RMB'000	Total RMB'000
<b>As of December 31, 2021</b>				
Cost	637,570	211,779	271,892	1,121,241
Accumulated amortization and impairment	(27,891)	(195,375)	(120,573)	(343,839)
Net book amount	609,679	16,404	151,319	777,402
<b>Unaudited</b>				
<b>Six months ended June 30, 2022</b>				
Opening net book amount	609,679	16,404	151,319	777,402
Additions	-	-	500	500
Acquisition of a subsidiary (Note 25)	-	221,532	40,000	261,532
Amortization charges	-	-	(9,981)	(9,981)
Impairment loss (Note (i))	(305,457)	-	-	(305,457)
Currency translation differences	30,944	-	325	31,269
Closing net book amount	335,166	237,936	182,163	755,265
<b>As of June 30, 2022</b>				
Cost	671,140	433,311	313,150	1,417,601
Accumulated amortization and impairment	(335,974)	(195,375)	(130,987)	(662,336)
Net book amount	335,166	237,936	182,163	755,265

## 13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

### (b) Intangible assets (Continued)

#### (i) Impairment tests for cryptocurrencies

Cryptocurrencies purchased and held by the Group have been assessed based on each type of cryptocurrencies for impairment testing. The Group carries out their impairment testing by comparing the recoverable amounts of cryptocurrencies to their carrying amounts. An impairment loss will be recognized when the recoverable amount is lower than the carrying amount, while a gain will not be recognized even when the recoverable amount is higher than the carrying amount.

The carrying amounts of cryptocurrencies of the Group are presented below:

	As of June 30, 2022 RMB'000
Ethers	339,034
Bitcoins	332,106
	<b>671,140</b>

The recoverable amount of each type of cryptocurrencies is determined based on fair value less costs of disposal. In determining the fair values, the relevant available markets are identified by the Group, and the Group consider accessibility to, and activity within those markets in order to identify the principal cryptocurrency markets for the Group. The fair value of Ethers and Bitcoins traded in active markets (such as trading and exchange platforms) is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. Therefore, the fair value used for assessment of recoverable amount in impairment tests is determined as quoted prices (unadjusted) in active markets for Ethers and Bitcoins (Level 1).

As of June 30, 2022, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests, the recoverable amount was lower than carrying amount and therefore an impairment loss of RMB305,457,000 in total was recognized in profit or loss by the Group for the six months ended June 30, 2022 (for the six months ended June 30, 2021: RMB111,907,000).

## 13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

### (b) Intangible assets (Continued)

#### (ii) Impairment tests for goodwill

As of June 30, 2022, Goodwill was allocated to the Group's cash-generating units ("CGUs") identified as follows:

	As of June 30, 2022 RMB'000
Cosmetic stores ERP SaaS and Supply Chain business (Note 25)	221,532
Advertising agency services	16,404
	<b>237,936</b>

Goodwill of the Group is tested for impairment whenever there is any indication of impairment or annually at year-end. As there were no indicators for impairment of any of above CGUs, management has not updated any impairment calculations for the six months ended June 30, 2022.

## 14 TRADE RECEIVABLES

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2022 and December 31, 2021, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
<b>Trade receivables</b>		
Up to 6 months	223,116	301,928
6 months to 1 year	86,310	54,187
Over 1 year	624	668
	<b>310,050</b>	356,783

As of June 30, 2022 and December 31, 2021, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

## Notes to the Interim Condensed Consolidated Financial Information

### 15 PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
<b>Included in non-current assets</b>		
Rental and other deposits	1,543	5,770
Prepayment for share acquisition (Note 25)	–	11,961
Others	1,176	1,843
Less: loss allowance	(25)	(70)
	<b>2,694</b>	<b>19,504</b>
<b>Included in current assets</b>		
Receivables from advertising customers for advertising agency services	704,408	672,562
Prepayment to advertising platform for advertising agency services	107,504	131,662
Refundable value-added tax	37,774	39,118
Rental and other deposits	32,143	30,684
Loans to third parties and related parties	20,729	45,165
Prepayment for procurement of supply chain business	13,128	–
Others	29,202	17,508
Less: loss allowance	(29,207)	(24,419)
	<b>915,681</b>	<b>912,280</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 16 TERM DEPOSITS

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
<b>Included in non-current assets:</b>		
Long-term bank deposits (Note (b))	80,000	30,000
<b>Included in current assets:</b>		
Short-term bank deposits	136,038	351,459
Current portion of long-term bank deposits	10,000	130,000
	<b>146,038</b>	481,459
	<b>226,038</b>	511,459

- (a) As of June 30, 2022, short-term bank deposits amounting RMB136,038,000 (December 31, 2021: RMB351,459,000) are bank deposits with original maturities over three months but less than one year and redeemable on maturity, while long-term bank deposits amounting RMB90,000,000 (December 31, 2021: RMB160,000,000) are bank deposits with original maturities over one year and redeemable on maturity. As of June 30, 2022, the principal amount of RMB10,000,000 would be mature within 12 months and accordingly, presented as current assets in the consolidated balance sheet. These bank deposits are denominated in US\$ and HK\$, and the weighted average effective interest rate was 2.92% per annum for the six months ended June 30, 2022 (six months ended June 30, 2021: 2.36%).
- (b) As of June 30, 2022, long-term bank deposit amounting to RMB10,000,000 was restricted as a guarantee for payment of construction projects (December 31, 2021: nil).

## Notes to the Interim Condensed Consolidated Financial Information

### 17 SHARE CAPITAL

As of June 30, 2022 and December 31, 2021, the authorized share capital of the Company comprises 6,000,000,000 ordinary shares with par value of US\$0.00001 per share.

	Note	Number of ordinary shares '000	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000
<b>Issued:</b>					
<b>As of January 1, 2022</b>		<b>4,352,403</b>	<b>43</b>	<b>281</b>	<b>7,136,647</b>
Employee share option scheme under Pre-IPO ESOP					
– shares issued and proceeds received	(a)	420	–	–	82
Post-IPO Share Award Scheme					
– shares issued	(b)	30,000	–	–	–
Consideration of business acquisition					
– shares issued	25	29,453	–	19	37,282
<b>As of June 30, 2022</b>		<b>4,412,276</b>	<b>43</b>	<b>300</b>	<b>7,174,011</b>
<b>As of January 1, 2021</b>					
Employee share option scheme under Pre-IPO ESOP		4,314,493	43	280	7,135,115
– shares issued and proceeds received	(a)	7,391	–	1	1,435
Post-IPO Share Award Scheme					
– shares issued	(b)	30,000	–	–	–
<b>As of June 30, 2021</b>		<b>4,351,884</b>	<b>43</b>	<b>281</b>	<b>7,136,550</b>

- (a) During the six months ended June 30, 2022, 420,000 pre-IPO share options with exercise price of US\$0.03 were exercised (six months ended June 30, 2021: 7,391,000 pre-IPO share options).
- (b) During the six months ended June 30, 2022, the Company issued 30,000,000 new shares under the Post-IPO Share Award Scheme (six months ended June 30, 2021: 30,000,000 shares).

# Notes to the Interim Condensed Consolidated Financial Information

## 18 RESERVES

	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Fair value of financial assets at fair value through other comprehensive income RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
<b>As of January 1, 2022</b>	26,827	501,455	13,031	(456,979)	(175,976)	(91,642)
Value of employee services:						
– Post-IPO Share Award Scheme (Note 19)	–	21,258	–	–	–	21,258
– Share incentive to senior management of subsidiaries (Note 19)	–	5,913	–	–	–	5,913
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	(6,618)	–	–	(6,618)
Currency translation differences (Note (a))	–	–	–	49,244	–	49,244
<b>As of June 30, 2022</b>	26,827	528,626	6,413	(407,735)	(175,976)	(21,845)
<b>As of January 1, 2021</b>	22,751	447,058	–	(428,597)	(149,122)	(107,910)
Value of employee services:						
– Post-IPO Share Award Scheme (Note 19)	–	26,013	–	–	–	26,013
– Share incentive to senior management of a non-wholly owned subsidiary (Note 19)	–	2,236	–	–	–	2,236
Currency translation differences (Note (a))	–	–	–	(13,841)	–	(13,841)
<b>As of June 30, 2021</b>	22,751	475,307	–	(442,438)	(149,122)	(93,502)

- (a) Currency translation differences represent the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

## Notes to the Interim Condensed Consolidated Financial Information

### 19 SHARE-BASED PAYMENTS

#### (a) Pre-IPO ESOP

On February 15, 2014, the Board of Directors of the Company approved the establishment of the Pre-IPO ESOP with the purpose of providing incentives for employees and persons contributing to the Group. The Pre-IPO ESOP shall be valid and effective for 10 years from the grant date. The overall limit on the number of underlying shares is 116,959,070 shares.

#### (i) *Shares options granted to employees under the Pre-IPO ESOP*

The exercise price of the granted options to employees shall be US\$0.03 per share. Except as provided otherwise in the grant letter or offer in any other form by the Board of Directors, 25% of the shares subject to the option shall vest on the first vesting date, and the remaining 75% shares shall vest over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted under Pre-IPO ESOP to employees of the Company for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

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

	Exercise price	Number of share options	
		Six months ended June 30,	
		2022	2021
At the beginning of the period		18,692,770	26,603,073
Exercised (Note (i))	US\$0.03	(420,000)	(7,390,475)
At the end of the period		18,272,770	19,212,598

- (i) As a result of the options exercised during the six months ended June 30, 2022, 420,000 ordinary shares (six months ended June 30, 2021: 7,390,475 ordinary shares) were issued by the Company (Note 17). The weighted average price of the shares immediately before the dates on which the options were exercised was HK\$1.34 per share (equivalent to RMB1.11 per share) (six months ended June 30, 2021: HK\$2.57 per share (equivalent to RMB2.15 per share)).

As of June 30, 2022, all share options granted will expire in 2026.

## 19 SHARE-BASED PAYMENTS (CONTINUED)

### (b) Post-IPO Share Award Scheme

On November 25, 2016, the Post-IPO Share Award Scheme was adopted pursuant to the written resolutions of the Shareholders.

Movements in the number of award shares for the six months ended June 30, 2022 and 2021 are as follows:

	Post-IPO Share Award Scheme	
	Number of shares	
	Six months ended June 30,	
	2022	2021
At the beginning of the period	38,799,803	45,122,220
Granted	26,045,868	20,726,776
Vested	(16,125,737)	(10,878,718)
Forfeited	(3,268,105)	(10,224,608)
At the end of the period	45,451,829	44,745,670

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

The weighted average fair value of awarded shares granted during the six months ended June 30, 2022 was HK\$0.98 per share (equivalent to approximately RMB0.71 per share) (six months ended June 30, 2021: HK\$2.61 per share (equivalent to approximately RMB2.20 per share)).

During the six months ended June 30, 2022, the Group recorded share-based compensation of RMB21,258,000 (six months ended June 30, 2021 RMB26,013,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of June 30, 2022 were divided into two to four tranches on an equal basis as of their grant dates. The first tranche can be vested after a specified period ranging from one to eighteen months from the grant date, and the remaining tranches will become vested in each subsequent year. Among these outstanding awarded shares, there were certain shares which had been granted to several senior management with the service period and the performance conditions. During the six months ended June 30, 2022, a number of award shares were forfeited due to the failure to meet certain performance conditions.

## 19 SHARE-BASED PAYMENTS (CONTINUED)

### (b) Post-IPO Share Award Scheme (Continued)

#### (i) *Expected Retention Rate under Post-IPO Share Award Scheme*

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the “**Expected Retention Rate**”) in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As of June 30, 2022, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2021: 94%). For senior management, the Group estimates the Expected Retention Rate on individual basis.

### (c) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the board on November 25, 2016 and adopted with effect from the completion of the IPO. As of June 30, 2022, no options have been granted by the Group under the Post-IPO Share Option Scheme.

### (d) Share Incentive to Senior Management of Subsidiaries

#### (i) *Shares incentive to senior management of a non-wholly owned subsidiary*

On December 25, 2020, the Group and the non-controlling shareholders of Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. (“**Ruisheng Tianhe**”, a subsidiary with 80.19% equity interest held by the Group) (who are also the senior management personnel of Ruisheng Tianhe) entered into an agreement, pursuant to which the Group has agreed to sell, and the non-controlling shareholders have agreed to purchase 14.86% equity interests in Ruisheng Tianhe (“**Equity Transaction**”) at an aggregate cash consideration of RMB7,690,000 (“**the Consideration**”). The Equity Transaction was completed on December 28, 2020.

Pursuant to the agreement, the senior management of Ruisheng Tianhe shall be required to sell back to the Group the 14.86% equity interest of Ruisheng Tianhe at the Consideration plus 5% compound interest per annum if they fail to meet certain service condition and performance condition. The Equity Transaction was deemed as share incentive offered to the senior management of Ruisheng Tianhe and accordingly, RMB7,690,000 had been recognized as a financial liability of the Group as of December 31, 2020, which was determined based on the assessment that i) the consideration of the Equity Transaction is lower than the fair value of 14.86% equity interest and ii) service condition is required to be met by the senior management of Ruisheng Tianhe.

## 19 SHARE-BASED PAYMENTS (CONTINUED)

### (d) Share Incentive to Senior Management of Subsidiaries (Continued)

#### (i) *Shares incentive to senior management of a non-wholly owned subsidiary (Continued)*

In determining the fair value of the equity interest granted to the senior management of Ruisheng Tianhe, a discounted cash flow method under the income approach is applied by the Group. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Group with best estimate.

Share-based compensation amounting to RMB22,394,000 will be amortized during the required service period of the remaining senior management of Ruisheng Tianhe, out of which RMB2,792,000 was recognized by the Group for the six months ended June 30, 2022 (six months ended June 30, 2021: RMB2,788,000).

#### (ii) *Share awards for the founding shareholders of the newly acquired subsidiary*

On December 17, 2021, the Group entered into a sales and purchase agreement (“SPA”) with Meidd and its selling shareholders. The acquisition was completed on January 7, 2022 (“Acquisition Date”) (Note 25).

Pursuant to the agreement, certain incentive was offered to the founding shareholders of Meidd, subject to requisite service conditions and the completion of certain performance conditions.

As of the Acquisition Date, the Group has assessed and measured the share-based compensation at RMB23,888,000 based on the future performance forecast, which will be amortized during the required service period of the founding shareholders of Meidd. As of June 30, 2022, the Group performed a re-assessment and concluded that there was no significant variance of the future performance forecast made by Meidd as compared to that projected on the Acquisition Date. During the six months ended June 30, 2022, the Group recorded share-based compensation of RMB3,981,000.

## 19 SHARE-BASED PAYMENTS (CONTINUED)

### (d) Share Incentive to Senior Management of Subsidiaries (Continued)

#### (iii) Other share incentive

On October 1, 2021 and May 3, 2022, certain shares of a subsidiary were granted to several senior management as share incentive with a service period determined at four and a half years starting from the date of grant. Share-based compensation amounting RMB8,614,000 would be amortized during the required service period of the senior management, out of which RMB1,152,000 was recognized by the Group for six months ended June 30, 2022.

## 20 TRADE AND OTHER PAYABLES

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
<b>Included in non-current liabilities</b>		
Payables to non-controlling shareholders of a subsidiary (Note (b))	–	84,432
<b>Included in current liabilities</b>		
Payroll and welfare payables	193,682	275,757
Payables to platforms for agency services	212,193	312,678
Trade payables	92,951	104,157
Payables to non-controlling shareholders of a subsidiary (Note (b))	86,417	–
Deposits payable	31,622	31,962
Other tax payables	37,140	32,899
Others	60,652	46,462
	<b>714,657</b>	<b>803,915</b>

## 20 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on transaction date were as follows:

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
Up to 1 year	88,945	99,951
1 to 2 years	249	904
Over 2 years	3,757	3,302
	<b>92,951</b>	104,157

- (b) On January 25, 2018, the Group acquired an aggregate 50.48% equity interests of Ruisheng Tianhe and it became the Group's subsidiary accordingly. There was a contractual undertaking in the SPA that the Group was obliged to acquire the remaining 49.52% equity interests in Ruisheng Tianhe before the end of December 31, 2021. The purchase price would be determined at the time of the future acquisition dates, through different tranches within four years, according to a formula based on the future performance of Ruisheng Tianhe, which reflect the respective fair values of the interests. The Group had initially recognized a financial liability of RMB183,704,000 in 2018 associated with such an obligation based on the then estimated outcome of the performance of Ruisheng Tianhe, with a corresponding debit recorded in the reserve of the Group under such a forward contract arrangement.

In May 2019, the Group acquired the first tranche of 14.86% additional equity interests of Ruisheng Tianhe at a cash consideration of RMB59,356,000. In May 2020, the Group acquired the second tranche of 14.86% additional equity interests of Ruisheng Tianhe at a cash consideration of RMB6,687,000.

## 20 TRADE AND OTHER PAYABLES (CONTINUED)

### (b) (Continued)

As mentioned in Note 19(d), the Group and the non-controlling shareholders of Ruisheng Tianhe entered into an agreement on the Equity Transaction in December 2020, pursuant to which the Group agreed to sell, and the non-controlling shareholders agreed to purchase 14.86% equity interests in Ruisheng Tianhe at an aggregate cash consideration of RMB7,690,000. The Equity Transaction was completed on December 28, 2020. Pursuant to the agreement, the non-controlling shareholders of Ruisheng Tianhe shall be required to sell back to the Group the 14.86% equity interest of Ruisheng Tianhe at same consideration plus 5% compound interest per annum if (1) Ruisheng Tianhe fails to file an application for an initial public offering in the PRC on or prior to December 31, 2022; or (2) Ruisheng Tianhe fails to complete a qualified initial public offering in the PRC on or prior to December 31, 2023 (unless the listing application is being processed by the relevant PRC authorities by then, that the relevant deadline will then be extended to no later than December 31, 2024) (collectively defined as “**Triggering Conditions**”).

On December 25, 2020, the Group and the non-controlling shareholders of Ruisheng Tianhe also entered into a new sales and purchase agreement (“**New SPA**”) regarding the acquisition of the remaining third trache of 19.80% equity interests. The Group will be obliged to purchase the remaining 19.80% equity interest from the non-controlling shareholders on or before June 30 of the year immediately following the year in which any of the Triggering Conditions have been triggered. The purchase price will determined, at the time of that future acquisition date, according to a formula based on future performance of the Ruisheng Tianhe for the year when the Triggering Conditions occur, which reflect the respective fair values of the underlying equity interests.

Accordingly, as of December 31, 2020, management of the Group had assessed and remeasured the financial liabilities due to the non-controlling shareholders at RMB73,282,000 for the remaining 19.80% equity interest of Ruisheng Tianhe based on the best estimate of the timing of the future acquisition date, and the corresponding performance forecast of Ruisheng Tianhe in accordance with the provisions laid down in the New SPA.

As of December 31, 2021 and June 30, 2022, the Group performed re-assessments and concluded that there was no significant variance of the future performance forecast made by Ruisheng Tianhe as compared to that prepared in 2020. Accordingly, there was no any significant gains or losses arising from remeasuring the financial liabilities due to non-controlling shareholders for the remaining 19.80% equity interests as at December 31, 2021 and June 30, 2022.

As of June 30, 2022, payables to non-controlling shareholders amounting to RMB86,417,000 was reclassified as current liabilities based on management’s assessment of the possibility of Triggering Conditions.

## 21 COMMITMENTS

### (a) Capital Commitments

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

	<b>Unaudited</b> <b>As of June 30,</b> <b>2022</b> <b>RMB'000</b>	<b>Audited</b> <b>As of December 31,</b> <b>2021</b> <b>RMB'000</b>
Property and equipment	63,493	73,745
Investment commitments	32,000	27,910
	<b>95,493</b>	<b>101,655</b>

## 22 CONTINGENCIES

The Group did not have any significant contingent liabilities as of June 30, 2022.

## Notes to the Interim Condensed Consolidated Financial Information

### 23 SUBSEQUENT EVENTS

There were no material subsequent events during the period from June 30, 2022 to the approval date of these financial statements by the Board of Directors on August 31, 2022.

### 24 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2022 and 2021.

#### (a) Significant transactions with related parties

In the opinion of the executive 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 parties.

	<b>Unaudited Six months ended June 30, 2022 RMB'000</b>	Unaudited Six months ended June 30, 2021 RMB'000
(i) Sales of goods and services:		
Associates in form of preferred shares	135	–
Others	5	483
	<b>140</b>	483
(ii) Purchases of goods and services:		
An associate	3,418	8,161
Others	869	909
	<b>4,287</b>	9,070
(iii) Repayments from investee companies:		
Associates in form of preferred shares	35,650	–

## 24 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Period/Year end balances with related parties

	Unaudited As of June 30, 2022 RMB'000	Audited As of December 31, 2021 RMB'000
(i) Receivables from: Associates in form of preferred shares	–	45,165
(ii) Payables to: Associates in form of preferred shares	26,098	26,098
Associates	1,089	1,328
	<b>27,187</b>	27,426
(iii) Prepayments to: An associate in form of preferred shares	–	239

Balances with other related parties were all unsecured, interest-free and repayable on demand.

### (c) Key management personnel compensations

Key management includes directors (executive and non-executive). The compensations paid or payable to key management for employee services are shown below:

	Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Share-based compensation expenses	5,627	2,073
Wages, salaries and bonuses	4,846	4,866
Other social security costs, housing benefits and other employee benefits	91	96
Pension costs – defined contribution plan	50	50
	<b>10,614</b>	7,085

## Notes to the Interim Condensed Consolidated Financial Information

### 25 BUSINESS COMBINATION

#### (a) Summary of acquisition

On January 7, 2022, the Group acquired an additional 20.67% equity interest in Meidd, a then investment in an associate in the form of preferred shares of the Group, at an aggregate consideration of RMB77,172,000, RMB37,301,000 of the total consideration was settled by the allotment and issue of 29,452,667 consideration shares and the remaining RMB39,871,000 was settled by cash. After the acquisition, the Group effectively obtained the right to control its business together with the previously held 42.68% equity interests transferred from preferred shares in Meidd. As a result, the Group's interest in Meidd increased to 63.35% and Meidd became a non-wholly owned subsidiary of the Group. Meidd and its subsidiaries are principally engaged in providing cosmetic stores ERP SaaS and Supply Chain business.

Details of the purchase consideration paid, the fair values of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
Ordinary shares issued (Note (i))	37,301
Cash paid	39,871
Fair value of the investment previously held with preferred shares interests (Note 9(b))	210,321
Total purchase consideration	287,493

- (i) The fair value of the 29,452,667 shares issued as part of the consideration paid for the selling shareholders of Meidd (RMB37,301,000) was based on the published share price on January 7, 2022 of HK\$1.55 per share (equivalent to RMB1.27 per share).

## 25 BUSINESS COMBINATION (CONTINUED)

### (a) Summary of acquisition (Continued)

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value RMB'000
Intangible assets	40,000
Inventories	21,785
Other assets	1,389
Prepayment and other receivables	23,371
Cash and cash equivalents	19,269
Trade and other payables	(13,572)
Lease liabilities	(1,192)
Deferred tax liabilities	(6,000)
Contract liabilities	(7,816)
Net identifiable assets acquired	77,234
Less: non-controlling interest (Note (i))	(11,273)
Add: goodwill (Note (ii))	221,532
	287,493

#### (i) *Non-controlling interest*

The Group recognizes non-controlling interests in acquired business either at fair value or at the non-controlling interest's proportionate share of the acquired business net identifiable assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Meidd, the Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

## 25 BUSINESS COMBINATION (CONTINUED)

### (a) Summary of acquisition (Continued)

#### (ii) Goodwill

The goodwill aforementioned is attributable to the strong position and synergy expected to arise after the Group's acquisition. It is not expected to be deductible for tax purposes.

#### (iii) Revenue and profit contribution

The revenue for the period included in the interim condensed consolidated financial information since the Acquisition Date contributed by Meidd was approximately RMB205,973,000. The results for the period included in the interim condensed consolidated financial information since the Acquisition Date contributed by Meidd was insignificant to the Group. The Group's revenue and results for the six months ended June 30, 2022 would not be materially different if the acquisition had occurred on January 1, 2022.

### (b) Purchase consideration – cash outflow

	RMB'000
Cash consideration	39,871
Less: prepayment for the acquisition	(11,961)
Less: cash and cash equivalents acquired	(19,269)
Net cash outflow - investing activities	8,641

## Definitions

“Adjusted Net Profit/(Loss)”	adjusted net profit/(loss) is calculated as the profit/(loss) for the period, excluding the impact from certain non-cash or non-recurring expenses including: (i) share-based compensation; (ii) fair value gains/(losses) on long-term investments, net of tax; (iii) amortization of intangible assets and other expenses related to acquisition, net of tax; and (iv) impairment losses on cryptocurrencies
“AI”	artificial intelligence
“Baolink Capital”	Baolink Capital Ltd, a company incorporated under the laws of BVI on June 29, 2007, which is wholly-owned by Mr. Cai and is deemed interested in approximately 11.48% of the issued share capital of our Company as at the Latest Practicable Date
“Board of Directors” or “Board”	our Board of Directors
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
“China”, “Mainland China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. “Chinese” shall be construed accordingly
“Company”, “our Company”, “the Company”, “Meitu”, “we” or “us”	Meitu, Inc. 美图公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 25, 2013 and carries on business in Hong Kong as “美图之家” (in Chinese) as approved and registered with the Registrar of companies in Hong Kong on October 28 and November 7, 2016, respectively. “Meitu” may also refer to the Company’s brand if the context so requires. “Meitu”, when italicized, refers to the Company’s first product, Meitu
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Contractual Arrangements”	the existing series of contractual arrangements entered into between Mr. Wu, Xiamen Hongtian (which replaced Ms. Cai as a nominee shareholder of Meitu Networks), Meitu Home and Meitu Networks (as applicable), details of which are set out in the Prospectus, the announcement of the Company dated March 17, 2021 and the 2021 annual report of the Company published on April 28, 2022

## Definitions

“Cryptocurrency Investment Plan”	the plan to make a net purchase of up to US\$100,000,000 worth of cryptocurrencies, financed by the existing cash reserves other than any remaining proceeds from the Company’s initial public offering, as more particularly set out in the announcement of the Company published on March 7, 2021
“Dajie HK”	Dajie Net Hong Kong Limited (大街網香港有限公司), a limited liability company duly incorporated under the laws of Hong Kong
“Dajie Relevant Shareholders”	Meitu Networks holding approximately 85.52% equity interest in the Onshore Target Company and the other shareholders of the Onshore Target Company as follows: (a) Beijing Ronghui Enterprise Management Partnership (Limited Partnership) (北京融薈企業管理合夥企業(有限合夥)) as to approximately 10.28%; and (b) Ms. Wang Xiujuan (王秀娟) as to approximately 4.20%
“Dajie VIE Agreements”	the existing series of contractual arrangements entered into between the Dajie WFOE, the Onshore Target Company, and the Dajie Relevant Shareholders, details of which are set out in the announcements of the Company dated August 28, 2019 and March 17, 2021 and the 2021 annual report of the Company published on April 28, 2022
“Dajie WFOE”	Tianjin Meijie Technology Co., Ltd. (天津美街科技有限公司), a wholly foreign-owned enterprise set up by Dajie HK under the laws of the PRC
“Director(s)”	the director(s) of our Company
“EveLab Insight”	EveLab Insight, Inc. (formerly known as MeituEve, Inc. and Meipai Ltd), a company incorporated in the Cayman Islands with limited liability on June 2, 2015, and a subsidiary of the Company
“EveLab Insight Share Award Scheme”	the share award scheme adopted by EveLab Insight (a subsidiary of the Company) on June 2, 2021 and amended on September 30, 2021, which is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules
“Group”, “our Group”, or “the Group”	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements) from time to time

## Definitions

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICP”	Internet content provider
“ICP License”	Value-added Telecommunications Service Operating Permit for Internet Information Service
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
“Latest Practicable Date”	September 16, 2022, being the latest practicable date prior to the bulk printing and publication of this interim report
“Listing”	the listing of our Shares 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
“Longlink Capital”	Longlink Capital Ltd, a company incorporated under the laws of the BVI on January 11, 2007, which is wholly-owned by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Cai and is deemed interested in approximately 14.05% of the issued share capital of our Company as at the Latest Practicable Date
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“MAUs”	monthly active users
“Meidd”	Meidd Technology (Shenzhen) Co., Ltd.* (美得得科技(深圳)有限公司), a non-wholly owned subsidiary of Meitu Networks as to approximately 63.35% as at the Latest Practicable Date
“Meitu HK”	Meitu (China) Limited (美圖(中國)有限公司), a limited liability company incorporated in Hong Kong on August 12, 2013, and a subsidiary of the Company

## Definitions

“Meitu Home”	Xiamen Home Meitu Technology Co., Ltd. (廈門美圖之家科技有限公司), a company established in the PRC on October 14, 2013, and a subsidiary of the Company
“Meitu Networks”	Xiamen Meitu Networks Technology Co., Ltd.* (廈門美圖網科技有限公司) (formerly known as Xiamen Shuzi Qingyuan Networks Technology Co. Ltd. (廈門數字情緣網科技有限公司) and Xiamen Networks Zhiyuan Xinxi Technology Co. Ltd (廈門網之源信息科技有限公司)), a company established in the PRC on June 18, 2003, owned by Mr. Wu and Xiamen Hongtian as to 51% and 49%, respectively, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Meitu Technology”	Meitu Technology, Inc., formerly known as MagicV, Inc., and MIXVID, Inc., a limited liability company incorporated under the laws of the State of Delaware on August 29, 2014, and a subsidiary of the Company
“Meitu Technology (US)”	Meitu Technology (US), LLC, formerly known as Commsource, LLC, a limited liability company incorporated under the laws of the State of California on April 1, 2015, and a subsidiary of the Company
“MeituEve Contractual Arrangements”	a series of contractual arrangements entered into by MeituEve WFOE, MeituEve VIE Company and Xiamen Hongtian, and the details of which are set out in the announcement of the Company dated July 30, 2021 and the 2021 annual report of the Company published on April 28, 2022
“MeituEve Networks”	Xiamen MeituEve Networks Services Co., Ltd.* (廈門美圖宜膚網絡服務有限公司), a company established in the PRC on May 19, 2021, wholly-owned by Xiamen Hongtian, and by virtue of the MeituEve Contractual Arrangements, accounted for as our subsidiary
“MeituEve PRC Operating Entities”	MeituEve Networks and its subsidiaries and branches, the financial results of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the MeituEve Contractual Arrangements
“MeituEve Technology”	Xiamen MeituEve Technology Co., Ltd.* (廈門美圖宜膚科技有限公司), a limited liability company incorporated under the laws of the PRC on February 4, 2021 and a subsidiary of the Company
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)

## Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Cai”	Mr. Cai Wensheng (蔡文胜), our founder, chairman, executive Director and an authorized representative
“Ms. Cai”	Ms. Cai Shuting, the daughter of Mr. Cai and Ms. Wang
“Mr. Chen”	Mr. CHEN Jiarong (陳家榮), our non-executive Director and a substantial shareholder of the Company
“Ms. Chen”	Ms. Chen Cuie (陳翠娥), the Group’s finance director, who has been employed by the Group for over 8 years and a director of a number of the Group’s subsidiaries
“Mr. Wu”	Mr. Wu Zeyuan (吳澤源), also known as Mr. Wu Xinhong (吳欣鴻), our founder, Chief Executive Officer and executive Director
“Ms. Wang”	Ms. Wang Baoshan, the spouse of Mr. Cai
“Onshore Target Company”	北京大杰致遠信息技術有限公司* (Beijing Dajie Zhiyuan Information Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC, owned by the Dajie Relevant Shareholders, and by virtue of the Dajie VIE Agreements, accounted for as our subsidiary
“Post-IPO Share Award Scheme”	the share award scheme adopted by the Company on November 25, 2016, which is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules
“Post-IPO Share Option Scheme”	the share option scheme adopted by the Company on November 25, 2016, which complies with the provisions of Chapter 17 of the Listing Rules
“PRC Operating Entities”	Meitu Networks and its subsidiaries and branches, the financial results of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements

## Definitions

“Pre-IPO ESOP”	the employees’ share option plan of the Company as approved by the Board on February 15, 2014 and amended by the Board on November 18, 2015
“Prospectus”	the prospectus of the Company dated December 5, 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Hardware Business”	the smart hardware business of the Group, involving the production of, among other things, MeituEve (a commercial AI skin analyser), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI smart mirror)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Xiamen Hongtian”	Xiamen Hongtian Chuangfu Technology Co., Ltd.* (廈門鴻天創富科技有限公司), a company established in the PRC on June 5, 2020 and owned by Mr. Wu as to 99% and Ms. Chen as to 1%
“Xinhong Capital”	Xinhong Capital Limited, a company incorporated under the laws of BVI on June 13, 2013, which is wholly-owned by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Wu and is deemed interested in approximately 12.84% of the issued share capital of our Company as at the Latest Practicable Date
“%”	per cent

\* for identification purpose only

