Meitu, Inc.
美图公司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as "美圖之家")

(Stock Code: 1357)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023 AND PAYMENT OF FINAL DIVIDEND OUT OF SHARE PREMIUM ACCOUNT

The board of directors (the "**Board**") of Meitu, Inc. (the "**Company**") is pleased to announce the audited consolidated results of the Company, its subsidiaries, Xiamen Meitu Networks Technology Co., Ltd. ("**Meitu Networks**") and Xiamen MeituEve Networks Services Co., Ltd. ("**MeituEve Networks**") and their respective subsidiaries (collectively the "**Group**") for the year ended December 31, 2023.

In this announcement, "Meitu", "we", "us", and "our" refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

KEY HIGHLIGHTS

- We are pleased to report very strong annual results for the year ended December 31, 2023 with Adjusted Net Profit attributable to Owners of the Company reaching approximately RMB370 million, growing 233.2% year over year. This metric is a true reflection of the growth momentum and profitability of our underlying businesses as it excludes non-operating items such as the influences from reversal of impairment losses on cryptocurrencies, changes in fair value of long-term investments and impairment losses on intangible assets. Revenue growth was also very strong at approximately RMB2.7 billion, growing approximately 29.3% year over year.

- Monthly Active Users ("**MAU**") was approximately 250 million as of December 31, 2023, stably growing 2.6% year over year. Among these users, approximately 17.7 million was attributable to our productivity apps, which grew significantly by 74.3%. Paying subscribers as of December 31, 2023 was 9.11 million, growing significantly by 62.3% year over year.

- Meitu is an Artificial Intelligence ("**AI**") company. Everyday, our users process hundreds of million images and videos using our apps, and approximately 83% of these are enhanced by our broad range of AI features. We have invested significantly in AI throughout 2023 and we expect more generative AI features to be launched in 2024, for both images and video use cases.

- In addition, we are excited about the strategic opportunity to work with Zcool, the largest visual designer online community in Mainland China. We will jointly advance in increasing the market influence of the visual designers on Zcool, and we will also build ecosystem around generative AI from which visual designers can benefit, both professionally and financially.

KEY FINANCIAL DATA

	Year ended December 31		Year on year
	2023	2022	**change**
	RMB'000	*RMB'000*	*(%)*
Revenue	**2,695,738**	2,085,329	29.3%
– Photo, video and design products[1]	**1,327,384**	868,763	52.8%
– Solutions for beauty industry[2]	**569,158**	441,007	29.1%
– Advertising[3]	**758,790**	629,902	20.5%
– Others	**40,406**	145,657	-72.3%
Gross Profit	**1,655,876**	1,187,272	39.5%
Gross Margin	**61.4%**	56.9%	4.5p.p.
Profit for the year	**366,418**	18,891	1,839.6%
Adjusted Net Profit attributable to Owners of the Company[4]	**368,297**	110,543	233.2%

(1) Certain revenue streams under "VIP Subscription business", "Internet value-added services" and "SaaS and related businesses" reported for the year ended December 31, 2022 had been redefined and reclassified as "Photo, video and design products" for the year ended December 31, 2023.

(2) Certain revenue stream under "SaaS and related businesses" reported for the year ended December 31, 2022 had been redefined and reclassified as "Solutions for beauty industry" for the year ended December 31, 2023.

(3) Certain revenue streams under "Online Advertising" and "Internet value-added services" reported for the year ended December 31, 2022 had been redefined and reclassified as "Advertising" for the year ended December 31, 2023.

(4) For details of Adjusted Net Profit attributable to Owners of the Company, please refer to the section headed "Management Discussion and Analysis – Profit/(Loss) for the year and Non-IFRSs Measure: Adjusted Net Profit/(Loss)".

KEY OPERATIONAL DATA

	As of December 31		Year on year
	2023	2022	**change**
	'000	*'000*	*(%)*
Total MAU	**249,155**	242,880	2.6%
Breakdown by application use case(1):			
– Life(2) (4)	**231,493**	232,745	-0.5%
– Productivity(3) (5) (6)	**17,662**	10,135	74.3%
Breakdown by geography:			
– Mainland China	**171,474**	163,121	5.1%
– Countries and regions outside Mainland China	**77,681**	79,759	-2.6%

(1) With "Productivity" as one of our core strategies, we cultivate our business in image, video, and design products. Under such strategy, certain products need to be reclassified into "Life" or "Productivity" based on their use cases.

(2) "Life" refers to users from products focusing on casual use cases such as photography, image and video editing, etc.

(3) "Productivity" refers to users from products focused on productivity use cases such as commercial photography, commercial design, professional video editing, etc.

(4) MAU under "*BeautyCam*" and "*BeautyPlus*" and certain MAU under "*Meitu*" and "*Others*" reported for the year ended December 31, 2022 had been reclassified and included in "Life" for the year ended December 31, 2023.

(5) Certain MAU under "*Others*" reported for the year ended December 31, 2022 had been reclassified and included in "Productivity" based on the product use cases for the year ended December 31, 2023.

(6) Certain MAU under "*Meitu*" reported for the year ended December 31, 2022, originated from an in-app embedded module called "*X-Design*", which is associated with productivity use cases, and thus were included in "Productivity" for the year ended December 31, 2023.

CHAIRMAN STATEMENT

Dear Shareholders,

2023 was another record year for Meitu. We achieved Adjusted Net Profit attributable to Owners of the Company of approximately RMB368.3 million, growing approximately 233.2% year over year. Revenue growth was also very strong at approximately RMB2,695.7 million, growing approximately 29.3% year over year. Our strong performance reflects the important role that our AI-driven products play in the digital world and rapidly growing creator economy, strong product innovation and successful implementation of our "Productivity and Globalization" strategy.

We believe every significant technology advancement offers massive opportunities to deliver products and solutions to capture more customers as well as serving them better. AI, including generative AI, is clearly one such advancement and we are fortunate that we have started investing in AI when Meitu Lab ("**MT Lab**") was founded in 2010 with the sole purpose of advancing our capabilities in computer vision and AI.

Meitu is an AI company. Everyday, our users process hundreds of millions of images and videos using our apps, and approximately 83% of these are enhanced by our broad range of AI features. In June 2023, we have launched our proprietary generative AI model "MiracleVision" to power features such as text-to-image, image-to-image and image-to-video. In addition, the vast majority of our apps' image and video editing features, such as facial adjustments and virtual makeup, are also powered by AI technologies such as facial recognition, image segmentation and video enhancement to provide our users the power and precision they need in their image and video editing workflow.

Today, foundation models for general use in the market for image and video generation are rapidly developing globally. However, we believe we can still create significant value for our users, particularly the ones within the creator economy. Firstly, our large vision model, MiracleVision, was trained with an emphasis on both aesthetics and technology. Images generated by MiracleVision uphold high equal aesthetic standards. In a blind testing of vision models participated by over 600 designers and image app users in Mainland China, MiracleVision was ranked #1 among popular generative AI models launched globally in terms of the aesthetic quality of the image. Secondly, many of Meitu's photo, video and design products are optimized to serve specific use cases, such as creation of digital content for e-commerce. We do not just limit ourselves to providing generative AI capabilities, we further provide all necessary features within the same app that can address the pain points of that particular use case. We believe the productivity efficiency that the users can get from this use case-specific approach will be much higher than if they work with a general foundation model.

In fact, this approach has already paid off significantly in 2023. *X-Design*, our cross-platform app, has reached over RMB100 million in revenue in 2023, growing over 229.8% compared to a year ago. With a wide range of AI features, *X-Design* empowers communicators to generate high quality digital contents such as product posters in very simple steps, while also offering tools to give them the precision they need to perfect the contents. Apart from individual communicators, marketers and designers working at large e-commerce platforms, advertising agencies, Fast Moving Consumer Goods (FMCG) groups have also incorporated *X-Design* in their workflows. In 2024, we will continue to strengthen *X-Design*'s capability in video content through MiracleVision as well as enhanced collaboration features that will further increase its efficiency and broaden its target user base. We are very proud that *X-Design* is well-received by its users, as it had won several awards such as the only championship for both "FMCG & Cosmetic" and "Furniture & Home Appliance" categories in the "2023 Taobao T-Mall open platform AIGC competition".

Apart from building our own AI capabilities through research and development, in 2023 we have also started to invest in the ecosystem around generative AI through minority investments and acquisitions, to further our AI capabilities in the next decade. A few notable minority investments include investing in: a) a company that offers AI chips and related software solutions for AI training and inference; b) a multimodal large-scale model company founded by a professor at The Chinese University of Hong Kong who has led the development of one of the best large language models in Mainland China before he founded such company; and c) an AI-native marketing technology firm offering end-to-end solutions for enterprise clients, which include marketing strategy insights, AI content creation, advertising distribution and digital asset management (DAM) services.

In terms of acquisition, we have announced the acquisition of Zcool Network Technology Limited ("**Zcool Network**") and its subsidiaries and their respective contractually controlled entities and its subsidiaries ("**Zcool**") in February 2024. Zcool is the largest online community for visual designers in Mainland China with over 17 million registered users, as well as operating the largest trading platforms for licensed stock photos and videos under the brand "ZCool Hellorf" (that is also in cooperation with Shutterstock, Inc.). We are very excited about the opportunity to work with Zcool, as we see tremendous synergies between the two companies, from leveraging Zcool's community and education platform to broaden the usage of MiracleVision among visual designers and design students in Mainland China, to expand our training data using high-quality, fully commercially usable data from ZCool Hellorf, as well as offering quality stock photos and videos to our users in *X-Designs* and other productivity apps. We believe these investment will ultimately raise our AI capability in the long run as well as solidify our leadership position in the generative AI market for images and videos.

Last but not least, our ambition does not stop within Mainland China. The rapid development of the creator economy is clearly a global phenomenon and we believe we are in a position to capture that opportunity. 2023 was already the 10th year that Meitu's apps have served global users. Revenues from photo, video and design products generated in countries and regions outside Mainland China also grew meaningfully, which accounted for over 50% of that revenue line in 2023. We will continue to build image and video apps localized to the aesthetic standards of global market, and ultimately aim to become a global company.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2023 compared to year ended December 31, 2022

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**2,695,738**	2,085,329
Cost of sales	**(1,039,862)**	(898,057)
Gross profit	**1,655,876**	1,187,272
Selling and marketing expenses	**(428,188)**	(403,115)
Administrative expenses	**(300,915)**	(271,850)
Research and development expenses	**(635,484)**	(586,365)
Net impairment losses on financial assets	**(18,852)**	(22,310)
Other income	**68,642**	130,275
Other (losses)/gains, net	**(41,106)**	542,950
Reversal of impairment losses/(impairment losses) on cryptocurrencies(1)	**268,069**	(284,848)
Impairment losses on intangible assets(1)	**(155,266)**	(118,542)
Finance income, net	**44,366**	14,921
Shares of losses of investments accounted for using the equity method	**(19,057)**	(13,158)
Profit before income tax	**438,085**	175,230
Income tax expense	**(71,667)**	(156,339)
Profit for the year	**366,418**	18,891
Profit/(Loss) attributable to:		
– Owners of the Company	**378,293**	94,142
– Non-controlling interests	**(11,875)**	(75,251)
Non-IFRSs measure:		
Adjusted Net Profit/(Loss) attributable to(2)		
– Owners of the Company	**368,297**	110,543
– Non-controlling interests	**(13,364)**	(28,594)
	354,933	81,949

(1) Reversal of impairment losses/(impairment losses) on cryptocurrencies and impairment losses on intangible assets were consolidated in the 2022 Annual Report as "Impairment Losses on Intangible Assets".

(2) For details of Adjusted Net Profit attributable to Owners of the Company, please refer to the section headed "Management Discussion and Analysis – Profit/(loss) for the year and Non-IFRSs Measure: Adjusted Net Profit/(Loss)".

Revenue

Centring on the core strategies of "Productivity and Globalisation", we focus on the photo and video industry to provide our numerous individual customers and business users with a series of products and services. In respect of the photo and video products, we generate revenue mainly through offering subscription and in-app single purchase. In addition, we can also generate revenue through advertisements and marketing within photo and video applications. Meanwhile, we also engage in beauty industry services, which generates revenue through skin analysis services as well as Enterprise Resource Planning ("**ERP**") solutions and cosmetic supply chain management services for cosmetic retail outlets. Therefore, our revenue can be categorized into (i) photo, video and design products; (ii) solutions for beauty industry; (iii) advertising; and (iv) others.

The following table presents our revenue lines and their respective contribution to our total revenues for the periods presented. For the year ended December 31, 2023, our total revenue increased by approximately 29.3% to approximately RMB2,695.7 million from approximately RMB2,085.3 million for the year ended December 31, 2022. Such increase in operating results was mainly driven by the sustained rapid development of our core business, namely photo, video and design products, under the support of our strategic focus.

	Year ended December 31			
	2023		2022	
	Amount *RMB'000*	**% of total revenues**	Amount *RMB'000*	% of total revenues
Photo, video and design products	**1,327,384**	**49.2%**	868,763	41.7%
Solutions for beauty industry	**569,158**	**21.1%**	441,007	21.1%
Advertising	**758,790**	**28.2%**	629,902	30.2%
Others	**40,406**	**1.5%**	145,657	7.0%
Total	**2,695,738**	**100%**	2,085,329	100.0%

Photo, video and design products

Our photo, video and design products maintained a high growth momentum, with revenue increasing by approximately 52.8% year-over-year to approximately RMB1,327.4 million for the year ended December 31, 2023 (year ended December 31, 2022: revenue of approximately RMB868.8 million (redefined)). As of December 31, 2023, our apps had more than 9.11 million paying subscribers, representing a paying penetration rate of approximately 3.7%, an increase of approximately 62.3% over the closing rate of 2022. Driven by generative AI technology, the penetration rate of paying subscribers of photo and video product portfolios continued to rise rapidly, especially for the products that meet the needs for photo and video production, such as *X-Design* and *Action（開拍）*. These products have achieved satisfactory performance in user base expansion and conversion of subscriptions. In addition, daily entertainment use cases products, such as *Meitu（美圖秀秀）*, also continued to bring in paying subscribers, driving the overall growth of paying subscribers.

Over the past year, we have swiftly integrated ourselves into the rapidly developing creator economy, and under the leadership of our core image business strategy, we have completed the evolution from the single "life use cases" to "life+productivity use cases". Focusing on the needs of communicators, the mainstay of creator economy, we have launched several image products driven by generative AI technologies at their core. By virtue of their easy-to-use features and satisfactory results delivered through generative AI, these products have greatly enhanced the production efficiency of communicators in creating digital content, and have therefore received extensive positive feedback. For example, "AI commercial product photos", one of the core features of the application *X-Design* that is characterized as a "magic AI-empowered commodity marketing design tool", helps e-commerce users to reduce costs and improve efficiency in the production process of commodity marketing materials. As of the end of February 2024, this feature has accumulatively generated over 130 million AI commercial product photos. In addition to AI efficiency enhancement, our productivity products are also committed to digging deep into the needs of users throughout their workflow chain. For example, after AI generates initial result, we enable users to edit and modify the generated images to further enhance the controllability. Moreover, we further provide templates of poster materials suiting different marketing purposes, so as to facilitate users to further fulfil their marketing design needs. Over the past year, *X-Design* achieved growth in both user base and revenue, and in particular, revenue performance exceeded our expectations, with actual achievement nearly doubling our original target.

In our pursuit of enhancing ecosystem for image productivity, we declared the acquisition of Zcool on February 2, 2024. Recognized as the most influential community in Mainland China's design and creative community, Zcool serves as a hub for showcasing creativity and sharing knowledge, and supporting creative practitioners with career opportunities, copyright trading and other professional services. Our strategic alliance with Zcool is set to bolster our photo, video and design business. The unique styles of professional designers, for instance, help to feed the training of our large vision models, while the extensive library of commercial copyrighted materials provides high-quality materials for Meitu's productivity tools, thereby boosting their market competitiveness.

In addition to productivity tools, we have also extensively incorporated generative AI technology into beauty and beautification apps designed to meet daily entertainment demands. This integration offers users a more engaging experience and a wider array of visual effects. For instance, the "AI Portraits" feature allows users to instantly create a playful and customized AI avatar with a single click; the "AI Removal" tool effortlessly eliminates "unwanted individuals" from images; and the "Image Quality Restoration" function rejuvenates the appeal of vintage photographs. These AI features, tailored to daily life use cases, significantly contribute to user base expansion and the conversion of subscriptions into revenue.

Meanwhile, we are dedicated to refining our product operations by adopting a variety of methods, including personalized algorithmic recommendation, user lifecycle management and multidimensional user analysis. These efforts help us to improve efficiency in re-engaging lapsed users and converting new prospects into members.

In 2023, beyond our emphasis on productivity, we defined a more distinct and aggressive globalisation strategy. To date, we have rolled out our image products in 195 countries and regions. Users and paying subscribers from outside Mainland China represent over 30% of our total base, yet they generate more than half of our image revenue. This success is attributable to our strategic placement of high Average Revenue Per User (ARPU) products in countries with a strong willingness to pay, such as Europe, America and East Asia, which have been well-received by our users.

Back in 2018, we introduced image products tailored to the English-speaking market. Through years of product power innovation and localised operations, these products have all generated impressive revenues and became the essential source of revenue among the markets outside Mainland China. Based on our past experience, we are now vigorously creating additional lightweight products catering to the English-speaking markets. These new products are in the accumulation stage of establishing a strong reputation and gathering user feedback, and we will develop features that appeal to a wider range of aesthetic preferences and employ localised marketing tactics to further expand our market share.

Furthermore, generative AI features are also instrumental in expediting our global market penetration. By the end of 2022, our "AI Smart Board" feature became a global hit once it was launched, significantly boosting Meitu app's visibility across countries and regions. By the end of April 2023, we launched "AI Anime" to stimulate the growth of users in Japan, securing *WINK* the top position on the Japanese iOS category chart. Moving forward, we will focus on developing more differentiated AI features tailored to cultures and aesthetic tastes of different countries, aiming to accelerate the growth of our global user base and revenue.

Solutions for beauty industry

Our revenue from solutions for beauty industry grew by 29.1% year-over-year to approximately RMB569.2 million for the year ended December 31, 2023 (year ended December 31, 2022: revenue of approximately RMB441.0 million (redefined)), mainly due to the increase in cosmetic supply chain management services.

With the market insight, we provide ERP services to over 10,000 offline cosmetic stores, overseeing business changes such as pricing, sales trend and inventory status of offline cosmetic stores. Based on this service, we further help our customers to optimize their cosmetic purchasing decisions. Currently, a majority of the revenues of this business are generated from our cosmetic supply chain management services. With the expansion of business volume of our cosmetics supply chain services, as well as the elevation of our industry position and the extension of our influence in the industry, we have increased the number of cooperation with cosmetics brands and reduced the proportion of low-margin items in our product selection. The gross profit and net profit of our supply chain business increased year-over-year in 2023. In the future, we will continue to introduce high-margin products to improve our gross profit structure.

We also provide AI skin analysis solutions for beauty industry to skincare brands, medical aesthetic clinics and beauty salons under the brand EveLab Insight (and MeituEve within the People's Republic of China (the "**PRC**")). Using our skin analyzer hardware and related AI skin analysis solutions, our clients can effectively evaluate skin conditions of their customers, as well as recommend tailored skincare treatments and products for their users. This process will also help our clients to increase sales conversion as well as customer retention.

During the year, revenue from our AI skin analysis business increased as compared to the same period last year, mainly due to the fact that we have been focusing more of our resources on serving major global brand owners, with revenue from high-value major clients outside Mainland China more than doubling as compared to the same period last year. We will continue to pursue this strategy in the future, which is expected to bring higher return on investment to the business.

Advertising

Our revenue from advertising increased by approximately 20.5% year-over-year to approximately RMB758.8 million for the year ended December 31, 2023 (year ended December 31, 2022: revenue of approximately RMB629.9 million (redefined)). Our advertising business is gradually recovering. Yet, the overall advertising business is expected to grow steadily going forward as we shift our key monetization model to subscription model and tilt our resource allocation towards photo, video and design products. However, we will also explore a variety of creative marketing means to bring advertisers higher communication value and conversion capabilities. For instance, during the Spring Festival of 2024, we delivered more diversified creative marketing solutions for our brand-owner client Feihe Milk Powder through the themed play of "AI Portrait – Smart Babies Celebrating the Year of Dragon（AI寫真-聰明寶寶鬧龍年）".

Others

For the year ended December 31, 2023, other revenues from the Group decreased by approximately 72.3% year-over-year to approximately RMB40.4 million from approximately RMB145.7 million (redefined) for the year ended December 31, 2022. Our strategy focused on "Productivity and Globalisation", and the relevance of the influencer marketing solutions (IMS) business to this strategy was relatively weak. We have sold this business in 2023.

Cost of sales

Our cost of sales increased by approximately 15.8% to approximately RMB1,039.9 million for the year ended December 31, 2023, compared to approximately RMB898.1 million for the year ended December 31, 2022, mainly due to the increased corresponding cloud computing service fees as a result of the increase in the usage of generative artificial intelligence ("**Generative AI**") related services by users, combined with increased costs from the expansion of cosmetic supply chain services from the solutions for beauty industry, which was partially offset by the shrinking costs of the IMS business.

Gross Profit and Margin

Our gross profit increased by approximately 39.5% to approximately RMB1,655.9 million for the year ended December 31, 2023 from approximately RMB1,187.3 million for the year ended December 31, 2022. Our gross margin increased to approximately 61.4% for the year ended December 31, 2023, from approximately 56.9% for the year ended December 31, 2022, mainly due to an increase in revenue from our high-margin businesses like photo, video and design products and the rebound in advertising business.

Research and Development Expenses

Research and development expenses increased by approximately 8.4% to approximately RMB635.5 million for the year ended December 31, 2023 from approximately RMB586.4 million for the same period last year, primarily attributable to the increased expenditures for employees on research and development and arithmetic power due to our increased investment in artificial intelligence-related activities.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately 6.2% to approximately RMB428.2 million for the year ended December 31, 2023, from approximately RMB403.1 million for the year ended December 31, 2022, primarily due to the increase in promotional channel expenses arising from the overseas business expansion of the image subscription business.

Administrative Expenses

Administrative expenses increased by approximately 10.7% to approximately RMB300.9 million for the year ended December 31, 2023 from approximately RMB271.9 million for the year ended December 31, 2022, primarily due to an increase in staff costs and professional service fees.

Reversal of Impairment Losses on Cryptocurrencies

As of December 31, 2023, the fair values of Ether (the "**Acquired Ether**") and Bitcoin (the "**Acquired Bitcoin**") acquired by the Group determined based on the then prevailing market prices were approximately US$71.23 million and US$39.91 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.

As the market prices of the acquired cryptocurrencies as of December 31, 2023 were higher than those of December 31, 2022, a reversal of impairment losses on the acquired cryptocurrencies of approximately RMB270 million was recognised. Consequently, reversal of impairment losses of approximately RMB170 million and RMB94.8 million were recognised by the Group for the year ended December 31, 2023 in relation to the Acquired Bitcoin and the Acquired Ether, respectively.

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

Impairment Loss on Intangible Assets

Impairment losses on intangible assets arose from the Group's acquisition of subsidiaries. As of December 31, 2023, we partially impaired the goodwill arising from the related acquirees' cash generating unit which engaged in solutions for beauty industry. As a result, the impairment loss on goodwill was approximately RMB155.3 million.

Other Income

Other income for the year ended December 31, 2023 decreased to approximately RMB68.6 million from approximately RMB130.3 million for the year ended December 31, 2022, primarily due to a decrease in government grants and value-added tax refund.

Other (Losses)/Gains, Net

Other losses, net were approximately RMB41.1 million for the year ended December 31, 2023, compared to a net gain of approximately RMB543.0 million for the year ended December 31, 2022, primarily attributable to: (i) a gain of approximately RMB67.3 million on disposal of a subsidiary; (ii) an approximately RMB73.5 million decrease in fair value of the Group's long-term investment; and (iii) remeasurement losses of approximately RMB41.0 million on consideration to non-controlling shareholders of a subsidiary.

Finance Income, Net

Finance income, net mainly comprised of bank interest income and foreign exchange gains. Our finance income, net increased by approximately 197.3% to approximately RMB44.4 million for the year ended December 31, 2023, from approximately RMB14.9 million for the year ended December 31, 2022, primarily due to the increase in bank interest income.

Income Tax Expense

Income tax expenses for the year ended December 31, 2023 were approximately RMB71.7 million, representing a decrease of approximately 54.1% compared to approximately RMB156.3 million for the year ended December 31, 2022, mainly due to the decrease in changes in fair value of long-term investments.

Profit/(Loss) for the year and Non-IFRSs Measure: Adjusted Net Profit/(Loss)

Net profit for the year ended December 31, 2023 significantly increased to approximately RMB366.4 million from approximately RMB18.9 million for the year ended December 31, 2022, primarily due to: (i) the business revenue arising from the photo, video and design products driven by the generative AI technologies maintaining a significant growth, reflecting the outstanding business performance, and (ii) positive influence from the overall changes in non-operating items.

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 announcement, "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 does not consider to be indicative of our operating performance. We believe that this measure provides useful information to the shareholders of the Company ("**Shareholders**") and others in understanding and evaluating our consolidated results of operations in a manner as if they were helping our management in doing so. 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-IFRSs 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.

Adjusted Net Profit attributable to Owners of the Company was approximately RMB368.3 million for the year ended December 31, 2023, compared to approximately RMB110.5 million for the year ended December 31, 2022, mainly due to the growth in revenue from our main businesses such as the photo, video and design products operated relying on generative artificial intelligence ("**Generative AI**") technologies. 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.

The following table reconciles our adjusted net profit/(loss) for the year ended December 31, 2023 and 2022 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended December 31					
	2023			2022		
	Total *RMB'000*	**Owners of the Company** *RMB'000*	**Non-controlling interests** *RMB'000*	Total *RMB'000*	Owners of the Company *RMB'000*	Non-controlling interests *RMB'000*
Profit/(Loss) for the year	**366,418**	**378,293**	**(11,875)**	18,891	94,142	(75,251)
Excluding:						
Share-based compensation	**51,079**	**53,935**	**(2,856)**	47,324	45,060	2,264
Changes in fair value of long-term investments	**72,652**	**72,652**	**–**	(519,821)	(519,821)	–
Remeasurement (losses)/gains on consideration payable to non-controlling shareholders of a subsidiary	**40,970**	**40,970**	**–**	(17,017)	(17,017)	–
Amortization of intangible assets and other expenses related to acquisition	**13,844**	**12,235**	**1,609**	20,843	15,294	5,549
(Reversal of impairment losses)/impairment losses on cryptocurrencies	**(268,069)**	**(268,069)**	**–**	284,848	284,848	–
Impairment losses on intangible assets	**155,266**	**155,266**	**–**	118,542	71,692	46,850
Tax effects	**(9,927)**	**(9,685)**	**(242)**	128,339	136,345	(8,006)
Other one-off gains	**(67,300)**	**(67,300)**	**–**	–	–	–
Adjusted Net Profit/(Loss) attributable to	**354,933**	**368,297**	**(13,364)**	81,949	110,543	(28,594)

Note: Other one-off gains represent mainly gains on disposal of IMS business.

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 December 31, 2023 and 2022 were as follows:

	December 31, 2023 *RMB'000*	December 31, 2022 *RMB'000*
Cash and cash equivalents	**640,629**	946,602
Short-term bank deposits and current portion of long-term bank deposits	**532,959**	352,908
Long-term bank deposits	**90,000**	50,000
Short-term investments	**140,850**	40,521
Cash and other liquid financial resources	**1,404,438**	1,390,031

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 are redeemable at any time and held with the primary objective to generate income at a yield higher than current bank deposit rates.

Most of our cash and cash equivalents, short-term bank deposits, long-term bank deposits and short-term investments are denominated in United States dollar, Renminbi 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 year ended December 31, 2023. 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.

Capital Expenditure

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 domain name and computer software.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Purchase of property and equipment	**47,363**	65,231
Purchase of intangible assets	**4,640**	530
Total	**52,003**	65,761

Long-term Investment Activities

We have made minority investments that we believe have technologies or businesses that complement and benefit our business. Save as disclosed in the section headed "Significant Investments Held", none of these individual investments are 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 an early stage, among which, successful investments could generate substantial returns, while unsuccessful ones may need to be impaired or written-off.

	Year ended December31,	
	2023	2022
	RMB'000	*RMB'000*
Investment in financial assets at fair value through profit or loss	**328,067**	84,321
Investment in associates in the form of ordinary shares	**6,875**	14,000
Investment in a joint venture	**10,000**	–
Total	**344,942**	98,321

Foreign Exchange Risk

Our Group's subsidiaries were primarily incorporated in the PRC and Hong Kong, which considered RMB and US$ as their functional currencies, respectively. The Group is primarily exposed to foreign exchange risk arising from foreign currency transactions. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group's PRC and Hong Kong 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 years ended December 31, 2023 and 2022.

Pledge of Assets

As of December 31, 2023, we pledged a restricted deposit of RMB300,000 (as of December 31, 2022: RMB300,000) to guarantee payment of certain operating expenses.

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities (as of December 31, 2022: nil).

Dividends

The Board has decided to recommend the payment of an aggregate final dividend of HK$0.036 per ordinary share (the "**Final Dividend**") out of the share premium account of the Company (the "**Share Premium Account**") for the year ended December 31, 2023 (2022: HK$0.02 per ordinary share), totaling approximately HK$161.2 million (equivalent to approximately RMB146.3 million) as at the date of this announcement. A circular containing, inter alia, further information about the Final Dividend out of the Share Premium Account will be dispatched as soon as possible.

As no interim dividend has been paid, the total dividend for the year ended December 31, 2023 will amount to HK$0.036 per ordinary share (2022: HK$0.02 per ordinary share), reflecting a dividend payout ratio of approximately 40.2% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2023.

As at the date of this announcement, the Company has an aggregate of 4,477,763,686 ordinary shares of par value US$0.00001 each ("**Share(s)**") in issue. Based on the number of issued Shares as at the date of this announcement, the Final Dividend, if declared and paid, will amount to an aggregate amount of approximately HK$161.2 million (equivalent to approximately RMB146.3 million). Subject to the fulfilment of the conditions set out in the paragraph headed "Conditions of the Payment of Final Dividend out of Share Premium Account" below, the Final Dividend is intended to be paid out of the Share Premium Account pursuant to Articles 133 and 134 of the current Articles of Association of the Company (the "**Articles**") and in accordance with the Companies Act (as revised) of the Cayman Islands (the "**Cayman Companies Act**").

As of December 31, 2023, based on the audited consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account was approximately RMB7,093.8 million (equivalent to approximately HK$7,818.6 million). Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB6,947.5 million (equivalent to approximately HK$7,657.4 million) standing to the credit of the Share Premium Account.

Conditions of the Payment of Final Dividend out of Share Premium Account

The payment of the Final Dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

(a) the passing of an ordinary resolution by the Shareholders at the forthcoming annual general meeting of the Company declaring and approving the payment of the Final Dividend out of the Share Premium Account pursuant to Articles 133 and 134 of the Articles; and

(b) the Directors being satisfied that the Company will, immediately following the date on which the Final Dividend is paid, be able to pay its debts as they fall due in the ordinary course of business.

Subject to the fulfilment of the above conditions, it is expected that the Final Dividend will be paid in cash on June 26, 2024 to those Shareholders whose names appear on the register of members at close of business on June 14, 2024.

The conditions set out above cannot be waived. If any of the conditions set out above is not satisfied, the Final Dividend will not be paid.

Borrowings and Gearing Ratio

As of December 31, 2023, we made bank borrowings of RMB14.98 million at an annualized interest rate of 3.77% (as of December 31, 2022: RMB10.0 million at an annualized interest rate of 3.68%). Therefore, the gearing ratio of the Group was 0.36% as of December 31, 2023 (as of December 31, 2022: 0.30%). 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 operation.

Employee and Remuneration Policy

The Group had a total of 1,968 full-time employees as of December 31, 2023 (as of December 31, 2022: 2,057), 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, qualification 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 Employee Share Option Plan ("**Pre-IPO ESOP**") of the Company, Post-IPO Share Option Scheme of the Company, Post-IPO Share Award Scheme of the Company, the EveLab Insight Inc. Share Award Scheme and the Pixocial Holdings Ltd Share Option Scheme. During the year ended December 31, 2023, the relationship between the Group and its employees has been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

Significant Investments Held

Investments in Cryptocurrency

During the year ended December 31, 2023, 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 (the "**Acquired Bitcoin**"). As of December 31, 2023, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US$71.23 million and US$39.91 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, July 1, 2022 and July 14, 2023.

Save as disclosed above, during the year ended December 31, 2023, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

Minority Investments

Meitu Networks owns approximately RMB1.4 million registered capital of Shenzhen Hujia Technology Co., Ltd. (深圳市護家科技有限公司)(the "**Investee Company**"), representing approximately 23.81% equity interest (with preferential rights) on a fully diluted basis in the Investee Company, which is accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss.

Details of this investment will be disclosed in the annual report of the Company for the year ended December 31, 2023 to be published in April 2024.

Save as disclosed above, there were no other significant investments held during the year ended December 31, 2023.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Save as disclosed in this announcement, the Group did not have any other plans for material investments and capital assets as of December 31, 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and/or Joint Ventures

Clawback and Acquisition of Equity Interest in Ruisheng Tianhe

On December 25, 2020, Meitu Networks and the minority shareholders of Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd.（睿晟天和（北京）傳媒科技有限公司）("**Ruisheng Tianhe**") at the relevant time (being Ms. Liu Na, Ms. Chen Xi, Ms. Luo Huifang and Ms. Liu Renying) entered into a disposal agreement (which was amended and supplemented on April 30, 2021, details of which are disclosed in the announcements of the Company dated December 25, 2020, February 9, 2021, April 30, 2021, November 30, 2022 and January 1, 2023) ("**Disposal Agreement**"), which included a Clawback Provision (as defined in the announcement of the Company dated December 25, 2020), and an acquisition agreement (which was amended and supplemented on April 30, 2021, details of which are disclosed in the announcements of the Company dated December 25, 2020, February 9, 2021, April 30, 2021, November 30, 2022 and January 1, 2023) ("**Acquisition Agreement**").

Since Ruisheng Tianhe did not file any application for a listing of its shares on a domestic PRC stock exchange with the relevant securities regulatory authority on or before December 31, 2022, the Clawback Provision under the Disposal Agreement was triggered and the remaining minority shareholders of Ruisheng Tianhe (being Ms. Liu Na, Ms. Chen Xi and Ms. Luo Huifang) ("**Remaining Minority Shareholders**") were required to sell back to Meitu Networks their respective equity interests in Ruisheng Tianhe purchased in accordance with the Disposal Agreement (an aggregate of approximately 14.86% equity interest in Ruisheng Tianhe) at the same respective portion of the disposal consideration previously paid by the Remaining Minority Shareholders plus 5% compound interest per annum ("**Clawback Transaction**").

Further, as the Clawback Provision was triggered, Meitu Networks was required to purchase, and the Remaining Minority Shareholders were required to sell, the remaining 19.81% equity interest in Ruisheng Tianhe collectively held by them at an aggregate cash consideration equivalent to the Acquisition Consideration (as defined in the announcements of the Company dated December 25, 2020 and February 9, 2021), on or before June 30, 2023 pursuant to the Acquisition Agreement ("**Acquisition Transaction**").

The relevant transfer documents for the Clawback Transaction and the Acquisition Transaction were processed by the relevant PRC authorities in June 2023, after which Ruisheng Tianhe became a wholly-owned subsidiary of Meitu Networks with its financials continued to be consolidated into the Group's financial statements.

Further details of the Clawback Transaction and Acquisition Transaction can be found in the announcements of the Company dated December 25, 2020, February 9, 2021, April 30, 2021, November 30, 2022 and January 1, 2023.

Disposal of Approximately 20% Equity Interest in Dajie Net

On August 4, 2023, the Company and Rapid Recruitment Limited ("**RRL**") entered into a share sale and purchase agreement (the "**Dajie SPA**") pursuant to which the Company had conditionally agreed to sell, and RRL had conditionally agreed to purchase, 90,276,751 shares ("**Dajie Sale Shares**") representing approximately 20% of the issued share capital of Dajie Net Investment Holdings Ltd. ("**Dajie Net**") at a consideration of US$1.00 ("**Disposal**").

It was agreed in the Dajie SPA that in order to maximise the chance of fundraising for Dajie Net, Beijing Dajie Zhiyuan Information Technology Co., Ltd. (北京大杰致遠信息技術有限公司) and their respective subsidiaries (collectively, "**Dajie Group**"), particularly in the PRC, the Dajie Group may be restructured after completion of the sale and purchase of the Dajie Sale Shares ("**Completion**") (including but not limited to the dismantling of any variable-interest-entities structure) such that the entire or a substantial part of the Dajie Group will be held by a new holding entity (the "**New Dajie Holding Entity**") which shall be a PRC entity (the "**Restructuring**"). The Restructuring will be completed within 3 months from the receipt by the Company of a notice of Restructuring issued by Dajie Net. The Restructuring shall not under any circumstances result in a decrease in, or in any way prejudice, the effective shareholding of the Company and/or any of its affiliated companies after Completion as a whole (i.e. approximately 38.98%).

In addition, the Company will have Claw-back Rights (as defined in the announcement of the Company dated August 4, 2023) in respect of either all or part of the Dajie Sale Shares or such number of shares or equity interests representing the corresponding percentage shareholding to the percentage shareholding of the Dajie Sale Shares in Dajie Net (which upon completion of the Restructuring, the initial percentage shareholding shall be 20%) in the New Dajie Holding Entity, if at any time after the Completion: (a) the net assets of the Dajie Group on a consolidated basis (calculated based on the consolidated financial statements of the Dajie Group) turns positive; or (b) the monthly net profits of the Dajie Group on a consolidated basis (calculated based on the consolidated financial statements of the Dajie Group) exceeds RMB5 million in any three consecutive months, whichever is earlier.

Completion took place in August 2023 and the Company's shareholding in Dajie Net was reduced from approximately 58.98% to approximately 38.98%, and the Company is no longer a majority shareholder of, and no longer has control over, Dajie Net. Therefore, the Dajie Group had ceased to be subsidiaries of the Company, its financial results will cease to be consolidated into the Group's financial statements, and the Company's remaining shareholding in Dajie Net will be recognized as investment in associate.

Further details of the Dajie SPA and the Disposal are set out in the announcement of the Company dated August 4, 2023.

Equity Financing of Pixocial

On October 12, 2023, (i) Pixocial Holdings Ltd (a direct wholly-owned subsidiary of the Company) ("**Pixocial**"), (ii) Pixocial Technology (Singapore) Pte. Ltd. (a direct wholly-owned subsidiary of Pixocial) ("**Pixocial Singapore**"), (iii) Mr. Zeyuan Wu(吳澤源) (also known as Xinhong Wu (吳欣鴻)) (the chairman of the Board, the executive Director and the chief executive officer of the Company) ("**Mr. Wu**"), (iv) Mr. Mingyang Song(宋明陽)(the chief executive officer of Pixocial) ("**Mr. Song**", together with Mr. Wu, the "**Management Holders**"), (v) the Company, (vi) ERVC Technology V L.P. ("**Eight Roads**"), (vii) FutureX A7 Limited ("**FutureX A7**") and (viii) FutureX ICT Opportunity Fund II LP ("**FutureX ICT**", together with FutureX A7, **"FutureX"**) entered into a share subscription agreement ("**Pixocial SSA**") pursuant to which, each of Eight Roads, FutureX A7, FutureX ICT and the Company (collectively, the "**Investors**") agreed to conditionally subscribe for (I) 8,970,219, (II) 4,485,110, (III) 3,588,088 and (IV) 2,691,066 series A preference shares in Pixocial ("**Series A Preference Shares**") respectively (i.e. 19,734,483 Series A Preference Shares in aggregate), for a consideration of US$10,000,000, US$5,000,000, US$4,000,000 and US$3,000,000, respectively (i.e. US$22,000,000 in aggregate) (the "**Equity Financing**").

Pursuant to the Pixocial SSA, upon completion of the Equity Financing ("**Pixocial Completion**"), each party to the Pixocial SSA will enter into a shareholders' agreement ("**Pixocial SHA**") to regulate the rights and obligations among the parties, as well as the business and management of Pixocial and its subsidiaries. The Pixocial SHA provides for, among other things, customary information and inspection rights, veto rights, pre-emption rights, co-sale rights, rights of first refusal, liquidation preference, and certain transfer restrictions, including restrictions on the Company's ability to transfer shares in Pixocial prior to a qualified initial public offering of Pixocial that would result in the Company holding less than 50% of the shares in Pixocial (calculated on an as-converted basis), and restrictions on Pixocial's shareholders' ability to transfer Pixocial's shares to Pixocial's competitors.

In addition, each holder of Series A Preference Shares was also granted redemption rights whereby subject to applicable laws, upon the occurrence of any redemption event specified in the Pixocial SHA, any holder of the Series A Preference Shares may at its option require Pixocial to redeem such number of the issued and outstanding Series A Preference Shares held by such requesting holder at the redemption price per share specified in the Pixocial SHA.

The Pixocial Completion took place on December 1, 2023 and the Investor's consideration was paid in cash by each Investor to Pixocial. After the Pixocial Completion, the equity interest in Pixocial held by the Company was reduced from 100% to approximately 80.62% (on a fully-diluted basis). As such, the Equity Financing and the transactions contemplated thereunder constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

Furthermore, Pixocial had also pursuant to the Pixocial SSA adopted a share option scheme ("**Pixocial Option Scheme**"), pursuant to which 7,642,626 ordinary shares of Pixocial was reserved for issuance to certain employees, directors and consultants of Pixocial and its subsidiaries. In addition, Pixocial had granted share options corresponding to 1,910,657 ordinary shares of Pixocial to each of Mr. Wu and Mr. Song in accordance with the terms of the Pixocial Option Scheme.

As Pixocial is not a principal subsidiary (as defined under the Listing Rules) of the Company, the Pixocial Option Scheme will not constitute a share scheme nor an arrangement analogous to a share scheme for the purpose of Chapter 17 of the Listing Rules. The aforementioned adoption of the Pixocial Option Scheme and grant of share options thereunder will constitute a deemed disposal and a connected transaction of the Company, respectively, and the Company will make further announcement(s) on the same if required under the Listing Rules.

Further details of the Equity Financing, the Pixocial SSA, the Pixocial SHA and the Pixocial Option Scheme can be found in the announcements of the Company dated October 12, 2023 and December 1, 2023.

Save as disclosed above, we did not conduct any other material acquisition or disposal of subsidiaries, associates and/or joint ventures during the year ended December 31, 2023.

Important Events after the Reporting Date

On February 2, 2024, Meitu Investment Ltd (a wholly-owned subsidiary of the Company) ("**Meitu Investment**"), Ming and Lily Design Limited ("**Liang Holdco**"), Lily Advertising Limited ("**Zhao Holdco**"), JXL Advertising Co., Ltd. ("**Ji Holdco**", together with Liang Holdco and Zhao Holdco, the "**Founder Holdcos**"), Yixuan Club Limited ("**Lu Holdco**"), TianFamilyTree Limited ("**Tian Holdco**", together with Lu Holdco, the "**Former Founder Holdcos**", and the Founder Holdcos together with the Former Founder Holdcos, the "**Ordinary Vendors**")), IDG China Media Fund II L.P. ("**IDG**"), HES Ventures II, LLC ("**Hearst**"), Shutterstock (UK) LTD ("**Shutterstock (UK)**"), VNTR V Holdings Limited ("**Hillhouse**", together with IDG, Hearst and Shutterstock (UK), the "**Investor Vendors**", and the Ordinary Vendors together with the Investor Vendors, the "**Zcool Vendors**"), Mr. Liang Yaoming(梁耀明)("**Mr. Liang**"), Ms. Zhao Lili(趙俐俐)("**Ms. Zhao**"), Mr. Ji Xiaoliang(紀曉亮)("**Mr. Ji**", together with Mr. Liang and Ms. Zhao, the "**Zcool Founders**"), Mr. Lu Wei(蘆偉)("**Mr. Lu**"), Ms. Tian Caixia(田彩霞)("**Ms. Tian**", together with Mr. Lu, the "**Former Founders**"), Zcool Network and its subsidiaries, namely, Zcool Network Technology Hong Kong Limited ("**Zcool HK**"), Beijing Zcool Creative Technology Co., Ltd. ("**Beijing Zcool**"), Beijing Zcool Network Technology Co., Ltd. (the "**Domestic Company**"), Beijing Zcool Education Technology Co., Ltd. ("**Zcool Education**"), Xi'an Zcool Fengqi Network Technology Co., Ltd. ("**Xi'an Zcool**"), and Nanjing Zcool Intellectual Property Agency Co., Ltd. ("**Nanjing Zcool**", together with Zcool Network, Zcool HK, Beijing Zcool, the Domestic Company, Zcool Education, Xi'an Zcool and Nanjing Zcool, "**Zcool Network Group**"), entered into a sale and purchase agreement (the "**Zcool SPA**"), pursuant to which the Zcool Vendors have conditionally agreed to sell and Meitu Investment has conditionally agreed to purchase, (i) 119,158,806 ordinary shares (excluding the unissued ordinary shares of Zcool Network reserved for the purpose of incentive options to purchase securities in Zcool Network ("**Zcool Network Options**") granted to certain Zcool Founders and employees of Zcool Network Group ("**Zcool ESOP Holders**") pursuant to the employee share incentive plans adopted by the Zcool Network Group companies prior to the date of the Zcool SPA ("**Zcool ESOP Plans**")), (ii) 24,590,164 series A shares preferred shares, (iii) 9,836,066 series B preferred shares, (iv) 61,475,410 series B+ preferred shares, and (v) 18,442,623 series C preferred shares of Zcool Network respectively (collectively, the "**Zcool Sale Shares**"), representing the entire issued share capital of Zcool Network ("**Zcool Acquisition**"), at an aggregate consideration of US$39,640,495 (equivalent to approximately HK$309,905,426), out of which US$17,784,171 (equivalent to approximately HK$139,034,870) will be satisfied by allotment and issue of 52,992,166 new Shares to certain Zcool Vendors and the remaining balance of approximately US$21,856,324 (equivalent to approximately HK$170,870,555) will be paid in cash.

Pursuant to the Zcool SPA and as a result of the Zcool Acquisition, all Zcool Network Options granted to the Zcool ESOP Holders pursuant to the Zcool ESOP Plans, will be cancelled at completion of the Zcool Acquisition. In consideration of the cancellation of such Zcool Network Options, an aggregate amount of US$2,142,518 (equivalent to approximately HK$16,749,991) will be payable to the Zcool ESOP Holders, out of which US$803,394 (equivalent to approximately HK$6,280,854) will be settled by payment in cash to the Zcool ESOP Holders, and the remaining balance of approximately US$1,339,124 (equivalent to approximately HK$10,469,138) will be satisfied by allotment and issuance of 3,990,232 new Shares to Beautiful Space Ltd., a limited liability company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which are beneficially owned by the Company through a professional trustee ("**Meitu Trust**") (for the benefits of the Zcool ESOP Holders).

Completion of the Zcool Acquisition shall take place on the tenth (10th) business day after the fulfilment or waiver of all conditions, except for those conditions which by their nature are to be satisfied at the completion date (or such other date as may be agreed between the Zcool Vendors and Meitu Investment in writing). If completion of the Zcool Acquisition shall not have been consummated by April 30, 2024, the Zcool SPA and the transactions contemplated thereunder can be terminated by Meitu Investment (on one hand) or the Company and the Zcool Founder Parties (on the other hand, and with the written approval of all Zcool Investor Vendors in advance).

Upon completion of the Zcool Acquisition, Zcool Network will become an indirect wholly-owned subsidiary of the Company, the financial results of which will be consolidated into the Group's financial statements. Further details of the Zcool SPA and the Zcool Acquisition are set forth in the announcement of the Company dated February 2, 2024.

Save as disclosed above, there were no important events affecting the Company which occurred after December 31, 2023 and up to the date of this announcement.

FINANCIAL INFORMATION
CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	3	**2,695,738**	2,085,329
Cost of sales	4	**(1,039,862)**	(898,057)
Gross profit		**1,655,876**	1,187,272
Selling and marketing expenses	4	**(428,188)**	(403,115)
Administrative expenses	4	**(300,915)**	(271,850)
Research and development expenses	4	**(635,484)**	(586,365)
Net impairment losses on financial assets		**(18,852)**	(22,310)
Other income		**68,642**	130,275
Other (losses)/gains, net		**(41,106)**	542,950
Reversal of impairment losses/(impairment losses) on cryptocurrencies		**268,069**	(284,848)
Impairment losses on intangible assets		**(155,266)**	(118,542)
Finance income, net		**44,366**	14,921
Share of losses of investments accounted for using the equity method		**(19,057)**	(13,158)
Profit before income tax		**438,085**	175,230
Income tax expense	5	**(71,667)**	(156,339)
Profit for the year		**366,418**	18,891
Profit/(Loss) attributable to:			
– Owners of the Company		**378,293**	94,142
– Non-controlling interests		**(11,875)**	(75,251)
		366,418	18,891
Earning per share for profit attributable to owners of the Company for the year (expressed in RMB per share)	6		
– Basic		**0.09**	0.02
– Diluted		**0.08**	0.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit for the year		**366,418**	18,891
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		**3,120**	(56,448)
Items that will not be reclassified to profit or loss			
Currency translation differences		**19,867**	139,610
Changes in fair value of financial assets at fair value through other comprehensive income		**–**	(4,412)
Other comprehensive income for the year, net of tax		**22,987**	78,750
Total comprehensive income for the year, net of tax		**389,405**	97,641
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**400,324**	170,730
– Non-controlling interests		**(10,919)**	(73,089)

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

CONSOLIDATED BALANCE SHEET

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**464,129**	441,239
Right-of-use assets		**75,513**	27,870
Intangible assets		**775,754**	659,841
Long-term investments			
– Investments in associates and joint ventures	*7(a)*	**122,306**	123,733
– Financial assets at fair value through profit or loss	*7(b)*	**1,404,424**	1,195,064
– Financial assets at fair value through other comprehensive income	*7(c)*	**36,730**	36,181
Prepayments and other receivables		**20,243**	5,643
Deferred tax assets		**9,291**	8,937
Term deposits		**90,000**	50,000
		2,998,390	2,548,508
Current assets			
Inventories		**53,838**	25,591
Trade receivables	*8*	**387,747**	350,633
Prepayments and other receivables		**919,635**	684,914
Contract costs		**92,838**	54,371
Short-term investments		**140,850**	40,521
Term deposits		**532,959**	352,908
Cash and cash equivalents	*9(a)*	**640,629**	946,602
Restricted cash	*9(b)*	**300**	300
		2,768,796	2,455,840
Total assets		**5,767,186**	5,004,348
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*10*	**283**	283
Share premium	*10*	**7,093,781**	7,174,119
Reserves		**83,911**	36,628
Accumulated losses		**(3,069,118)**	(3,441,407)
Non-controlling interests		**4,843**	(60,109)
Total equity		**4,113,700**	3,709,514

	Note	As of December 31, 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		**45,346**	11,370
Deferred tax liabilities		**209,151**	214,600
Convertible redeemable preferred shares	*13*	**134,571**	–
		389,068	225,970
Current liabilities			
Borrowings		**14,980**	10,000
Trade and other payables	*11*	**735,209**	734,098
Lease liabilities		**29,955**	16,784
Income tax liabilities		**60,689**	62,739
Contract liabilities		**423,585**	245,243
		1,264,418	1,068,864
Total liabilities		**1,653,486**	1,294,834
Total equity and liabilities		**5,767,186**	5,004,348

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Net cash generated from operating activities		**413,225**	233,990
Net cash used in investing activities		**(644,632)**	(16,768)
Net cash used in financing activities		**(81,161)**	(37,029)
Net (decrease)/increase in cash and cash equivalents		**(312,568)**	180,193
Cash and cash equivalents at the beginning of the year	*9*	**946,602**	738,732
Effects of exchange rate changes on cash and cash equivalents		**6,595**	27,677
Cash and cash equivalents at the end of the year	*9*	**640,629**	946,602
Analysis of balances of cash and cash equivalents:			
Cash at bank and in hand	*9*	**355,638**	528,193
Short-term bank deposits with initial terms within three months	*9*	**284,991**	418,409
		640,629	946,602

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

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, Xiamen Meitu Networks Technology Co., Ltd. ("**Meitu Networks**") and Xiamen MeituEve Networks Services Co., Ltd. ("**MeituEve Networks**") and their respective subsidiaries (collectively the "**Group**") are principally engaged in the provision of photo, video and design products and advertising services in the People's Republic of China (the "**PRC**") and other countries or regions.

Certain of the Group's business are subject to foreign investment restrictions. To comply with the relevant PRC laws, the wholly-owned subsidiary of the Company, Xiamen Home Meitu Technology Co., Ltd. ("**Meitu Home**"), has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with Meitu Networks and its equity holders, which enable Meitu Home and the Group to:

- govern the financial and operating policies of Meitu Networks;
- exercise equity holders' voting rights of Meitu Networks;
- receive substantially all of the economic interest returns generated by Meitu Networks in consideration for the business support, technical and consulting services provided by Meitu Home;
- obtain an irrevocable and exclusive right with an initial period of 10 years to purchase all or part of the equity interests in Meitu Networks from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Meitu Home may exercise such options at any time until it has acquired all equity interests of Meitu Networks. The right is automatically renewable upon expiry unless it is superseded by a new term confirmed by Meitu Home; and
- obtain a pledge over the entire equity interests of Meitu Networks from its respective equity holders as collateral security for all of Meitu Networks' payments due to Meitu Home and to secure performance of Meitu Networks' obligation under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Group is able to have effective control over Meitu Networks and its subsidiaries, receive variable returns from its involvement with Meitu Networks and its subsidiaries, have the ability to affect those returns through its power over Meitu Networks and its subsidiaries and it is considered to control Meitu Networks and its subsidiaries. Consequently, the Company regards Meitu Networks and its subsidiaries as the controlled entities and consolidates the financial position and results of operations of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Meitu Networks and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Meitu Networks and its subsidiaries. The directors of the Company ("**Directors**"), based on the advice of its PRC legal counsel, consider that the Contractual Arrangements among Meitu Home, Meitu Networks and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

Similar to Meitu Networks, a series of contractual arrangements were also executed for MeituEve Networks. All these PRC operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company.

In January 2021, contractual arrangements were rearranged for Meitu Networks due to the change of one of the nominee shareholders of Meitu Networks. As a result, Meitu Networks continues to be a controlled structured entity of the Company.

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**").

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 Basis of preparation and changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.2 *Changes in accounting policies*

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

Amendments to IFRS 17	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

As of December 31, 2023, the following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2023 and have not been early adopted:

New standards, amendments, improvement and interpretation		**Effective for accounting periods beginning on or after**
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Leases liability in a sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

3 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. As of December 31, 2023, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB686,934,000 (December 31, 2022: RMB766,420,000) and RMB648,706,000 (December 31, 2022: RMB368,173,000), respectively.

The results of the revenue for the year ended December 31, 2023 and 2022 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Photo, video and design products *(Note (i))*	**1,327,384**	868,763
Advertising *(Note (ii))*	**758,790**	629,902
Solutions for beauty industry *(Note (iii))*	**569,158**	441,007
Others	**40,406**	145,657
Total revenue	**2,695,738**	2,085,329

(i) Certain revenue streams under "VIP Subscription business", "Internet value-added services" and "SaaS and related businesses" reported for the year ended December 31, 2022 had been redefined and reclassified as "Photo, video and design products" for the year ended ended December 31, 2023.

(ii) Certain revenue streams under "Online Advertising" and "Internet value-added services" reported for the year ended ended December 31, 2022 had been redefined and reclassified as "Advertising" for the year ended ended December 31, 2023.

(iii) Certain revenue stream under "SaaS and related businesses" reported the year ended December 31, 2022 had been redefined and reclassified as "Solutions for beauty industry" year ended December 31, 2023. Solutions for beauty industry was mainly generated from sales of cosmetic and smart hardware products amounting to RMB544,002,000 for the year ended December 31, 2023 (2022: RMB411,848,000).

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time	**1,992,316**	1,415,695
At a point in time	**703,422**	669,634
	2,695,738	2,085,329

No revenue from any customer exceeded 10% or more of the Group's revenue for the year ended December 31, 2023 and 2022.

4 Expenses by nature

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Employee benefit expenses	**909,516**	911,949
Inventories consumed and recognized as cost of sales	**513,059**	402,058
Revenue sharing fee to payment channels	**294,103**	184,722
Promotion and advertising expenses	**235,669**	187,985
Bandwidth and storage related costs	**182,821**	97,644
Depreciation of property and equipment and right-of-use assets	**42,825**	42,701
Professional service fees	**39,152**	18,646
Remuneration paid to influencers	**31,372**	146,640
Tax and levies	**28,592**	32,860
Travelling and entertainment expenses	**27,366**	15,235
Utilities and office expenses	**14,593**	12,228
Amortisation of intangible assets	**7,993**	20,082
Auditors' remuneration		
– Annual audit services	**5,650**	5,740
– Non-audit services	**932**	50
Others	**70,806**	80,847
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**2,404,449**	2,159,387

5 Income tax expense

The income tax expense of the Group for the year ended December 31, 2023 and 2022 are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current income tax	**77,470**	29,938
Deferred income tax	**(5,803)**	126,401
	71,667	156,339

(a) 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.

(b) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax under the two-tiered profits tax regime, which the tax rate is 8.25% for assessable profits in the first HK$2 million and 16.5% for any assessable profits in excess. However, for two or more connected entities, only one of them may elect the two-tiered profits tax rates.

(c) 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 30%. No provision for profits tax has been made as the Group did not have any assessable profits subject to these jurisdictions for the year.

(d) 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.

Meitu Home has been qualified as an "High and New Technology Enterprise" ("**HNTE**") in December 2023 under the EIT Law and was entitled to a preferential income tax rate of 15% for the years 2023 through 2025.

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 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**").

6 Earning per share

(a) Basic

	Year ended December 31, 2023	2022
Earning attributable to owners of the Company for the calculation of basic EPS *(RMB'000)*	**378,293**	94,142
Weighted average number of ordinary shares in issue *(thousand)*	**4,414,966**	4,376,469
Basic earning per share *(in RMB/share)*	**0.09**	0.02

(b) Diluted

The shares options awarded under Pre-IPO ESOP, awarded shares under the Post-IPO Share Award Scheme, shares options awarded under Share Option Scheme adopted by a subsidiary, awarded shares under Share Incentive to Senior Management of Subsidiaries, and convertible redeemable preferred shares have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options, awarded shares granted by the Company and convertible redeemable preferred shares (collectively forming the denominator for computing the diluted EPS).

The calculation of diluted EPS for the year ended December 31, 2023 is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Earning attributable to owners of the Company for the calculation of diluted EPS *(RMB'000)*	**378,293**	94,142
Weighted average number of ordinary shares in issue *(thousand)*	**4,414,966**	4,376,469
Adjustments for share options and awarded shares *(thousand)*	**50,483**	73,646
Weighted average number of ordinary shares for the calculation of diluted EPS *(thousand)*	**4,465,449**	4,450,115
Diluted EPS *(RMB per share)*	**0.08**	0.02

The convertible redeemable preferred shares are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended December 31, 2023. These convertible redeemable preferred shares could potentially dilute basic earnings per share in the future.

7(a) Investments in associates and joint ventures

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
As of January 1	**123,733**	118,133
Additions	**16,875**	14,000
Share of losses of the associates and the joint ventures	**(19,057)**	(13,158)
Currency translation differences	**755**	4,758
As of December 31	**122,306**	123,733

For the year ended December 31, 2023, none of the Group's investments in associates or the joint ventures is individually material to the Group.

7(b) Financial assets at fair value through profit or loss

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
As of January 1	**1,195,064**	801,005
Additions	**328,067**	84,321
Converted from a financial asset to a subsidiary *(Note (i))*	**–**	(210,321)
Disposals	**(44,620)**	(3,527)
Changes in fair value	**(73,531)**	519,821
Currency translation differences	**(556)**	3,765
As of December 31	**1,404,424**	1,195,064

(i) On January 7, 2022, the Group acquired an additional 20.67% equity interest in Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**"), a then investment in an associate in the form of preferred shares of the Group. 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, which was recognized as financial assets at fair value through profit or loss.

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 solely payment of principal and interest ("**SPPI**"), the Group recognized these investments as financial assets at fair value through profit or loss.

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 year ended December 31, 2023, change in fair value amounting to RMB73,531,000 was recognized as other losses in the consolidated income statement (2022: other gain RMB519,821,000).

7(c) Financial assets at fair value through other comprehensive income

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
As of January 1	**36,181**	37,156
Changes in fair value	**–**	(4,412)
Currency translation differences	**549**	3,437
As of December 31	**36,730**	36,181

The Group made investments in some ordinary shares of a certain private company and of 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 year ended December 31, 2023, no change in fair value was recognized as other comprehensive income in the consolidated statement of comprehensive income (2022: RMB4,412,000).

8 Trade receivables

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**406,520**	364,503
Less: loss allowance	**(18,773)**	(13,870)
	387,747	350,633

The Group grants credit periods of 30 to 120 days to its customers. As of December 31, 2023 and 2022, the aging analysis of trade receivables based on transaction dates was as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**382,382**	286,798
6 months to 1 year	**6,308**	68,122
Over 1 year	**17,830**	9,583
	406,520	364,503

As of December 31, 2023 and 2022, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values.

9 Cash and bank balances

(a) Cash and cash equivalents

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and in hand	**355,638**	528,193
Short-term bank deposits with initial terms within three months	**284,991**	418,409
	640,629	946,602

(b) Restricted cash

As of December 31, 2023, RMB300,000 (2022: RMB300,000) of restricted deposits were held in a bank to guarantee payments of certain operating expenses.

10 Share capital and premium

On November 25, 2016, the Company's shareholders resolved, among other things that, subject to the completion of initial public offering and fulfilment of certain other conditions, all the issued and unissued preferred shares will be re-classified and re-designated as ordinary shares of US$0.0001 par value each, following which each issued and unissued ordinary share of US$0.0001 par value each of the Company will be subdivided into 10 Shares of US$0.00001 par value each such that the authorized share capital of the Company shall be US$60,000 divided into 6,000,000,000 shares of par value US$0.00001 each ("**Share Subdivision**"). The share information stated as follows is after sub-division.

As of December 31, 2023 and 2022, 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*
Issued:					
As of January 1, 2023		**4,442,705**	**43**	**283**	**7,174,119**
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	*(a)*	**4,974**	*	**	**1,057**
Post-IPO Share Award Scheme					
– Shares issued	*(b)*	**30,000**	**–**	**–**	**–**
Dividends	*12*	**–**	**–**	**–**	**(81,395)**
As of December 31, 2023		**4,477,679**	**43**	**283**	**7,093,781**

	Note	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium
		'000	*US$'000*	*RMB'000*	*RMB'000*
As of January 1, 2022		4,352,403	43	281	7,136,647
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	*(a)*	849	*	**	173
Post-IPO Share Award Scheme:					
– Shares issued	*(b)*	60,000	–	–	–
Consideration of business acquisition					
– Shares issued	*(c)*	29,453	*	2	37,299
As of December 31, 2022		4,442,705	43	283	7,174,119

* The amount is less than US$1,000.

** The amount is less than RMB1,000.

(a) During the year ended December 31, 2023, 4,973,520 pre-IPO share options with exercise price of US$0.03 were exercised (2022:849,250 pre-IPO share options).

(b) During the year ended December 31, 2023, the Company issued 30,000,000 new shares under the Post-IPO Share Award Scheme (2022: 60,000,000 shares).

(c) 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 approximately 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.

11 Trade and other payables

These amounts are unsecured and are usually paid within 60 days of recognition.

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Included in current liabilities		
Payroll and welfare payables	**265,952**	311,455
Payables to platforms for agency services	**244,876**	80,984
Trade payables	**140,604**	135,315
Deposits payable	**30,377**	33,650
Other tax payables	**12,082**	48,729
Payables to non-controlling shareholders of a subsidiary	**–**	71,427
Others	**41,318**	52,538
	735,209	734,098

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

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**98,990**	96,170
Over 6 months	**41,614**	39,145
	140,604	135,315

12 Dividends

The final dividends amounting to RMB81,395,000 were paid by the Company during the year ended December 31, 2023 (2022: nil).

A final dividend in respect of the year ended December 31, 2022 of Hong Kong dollars ("**HK$**") 0.02 per share in cash out of the share premium account of the Company was proposed pursuant to a resolution passed by the Board on March 30, 2023 and approved by the shareholders of the Company at the 2023 annual general meeting of the Company held on June 1, 2023.

The Board of Directors proposed a final dividend of RMB146,256,300 or HK$0.036 per ordinary share out of the share premium account of the Company for the year ended December 31, 2023. Such dividend is to be approved by the shareholders at the Annual General Meeting on June 5, 2024. These consolidated financial statements do not reflect this dividend payable.

13 Convertible redeemable preferred shares

On 12 October 2023, a wholly owned subsidiary of the Company, Pixocial Holdings Ltd ("**Pixocial**"), entered into a share subscription agreement with certain third party investors to issue 17,043,417 shares of Series A redeemable convertible preferred shares ("**Series A preferred shares**") at a price of US$1.1148 per share with total consideration of US$19,000,000 (equivalent to approximately RMB134,571,000). The issuance of the Series A Preferred Shares was completed on December 1, 2023.

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

The board of directors of Pixocial shall determine in good faith whether the net profit threshold, defined in the shareholders' agreement, of such fiscal year has been satisfied with reference to the audited annual consolidated financial statements of the Group (the "**Annual Financials**") as delivered by Pixocial to major investors. If the board of directors of Pixocial determines that the relevant net profit threshold, defined in the shareholders' agreement, of such fiscal year has been met, the board of directors of Pixocial shall declare and authorize Pixocial to pay to each Series A preference shareholder a dividend in the amount equal to the special dividend amount, defined in the shareholders' agreement. If the board of directors of Pixocial determines that the relevant net profit threshold of such fiscal year has not been met, no special dividend amount shall be declared and paid to any Series A preference shareholders.

(b) Conversion feature

Each Series A Preference Share shall automatically be converted, based on the then-effective Series A conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (x) the closing of a (i) Qualified Initial Public Offering ("**QIPO**"); or (ii) an Initial Public Offering ("**IPO**") that is otherwise duly approved by the board of Pixocial pursuant to articles and shareholders' agreement, and (y) the date specified by written consent or agreement of the super majority Series A preferred shares' holders (voting as a single class on an as-converted basis), which are holders of more than fifty-nine percent (59%) of the voting power attaching to the then issued and outstanding Series A Preference Shares.

QIPO means an underwritten public offering of ordinary shares of Pixocial or of any listing vehicle formed to hold all or substantially all of the target business on Shenzhen Stock Exchange, Shanghai Stock Exchange, the main board of the Hong Kong Stock Exchange, New York Stock Exchange, NASDAQ or (subject to the affirmative vote or written consent of the director of the board of Pixocial) such other internationally recognized stock exchange as may be approved by the board of Pixocial ("**Qualified Exchange**").

(c) Redemption feature

For Series A preferred shares' holders, they may redeem the preferred shares upon the request, at any time after the earlier of (i) the failure to consummate a QIPO or a trade sale before the fourth (4th) anniversary of the initial completion date, (ii) the occurrence of any breach of the transaction documents by any member of Pixocial and its subsidiaries or the management holders as defined in the shareholders' agreement, any fraud of any member of Pixocial and its subsidiaries or the management holders, which in each case, is reasonably expected to have a material adverse effect on Pixocial and its subsidiaries (taken as a whole) and which are not rectified within sixty (60) days upon receipt of notice from any holder of the Series A Preference Shares; (iii) the occurrence of any blocking event (other than in respect of the special redemption event defined in the shareholders' agreement); and (iv) both of the management holders cease their employment relationship or services with Pixocial and all of the material subsidiaries of Pixocial (other than due to removal by the board of directors of Pixocial without cause or due to reasons of disability).

The redemption price shall be paid by Pixocial to the preferred shares holders in an amount equal to: (i) one hundred percent (100%) of the original issue price, plus (ii) an simple interest of eight percent (8%) per annum of the original issue price calculated from the original issue date until the date of its payment in full, and minus (iii) all dividends and distributions previously received by Series A preferred shares' holders.

(d) Liquidation preferences

In the event of any liquidation, dissolution or winding up of Pixocial, either voluntary or involuntary, the preferred shareholders shall be entitled to receive prior and in preference to any distribution of any proceeds to the holders of the ordinary shares, an amount per Series A Preference Share held by such holder equal to the sum of one hundred percent (100%) of the Series A Preference Share original issue price, plus the higher of (i) a simple interest of eight percent (8%) per annum of the Series A Preference Share original issue price calculated from the Series A Preference Share original issue date until the date of the the amount of Series A Preference Share is paid in full, or (ii) all declared but unpaid accrued dividends on such Series A Preference Share, minus any special dividend amount, dividends and other distributions previously received by such holder of the Series A Preference Shares.

The Group measures the convertible redeemable preferred shares on a fair value basis and does not bifurcate any embedded derivatives from the host instruments and designates the entire instrument as financial liabilities at fair value through profit or loss with the changes in the fair value recognized in the consolidated income statement.

The movement of the convertible redeemable preferred shares is set out as below:

	RMB'000
As of January 1, 2023	–
Issuance of Series A preferred shares	134,571
As of December 31, 2023	134,571
Change in fair value of the convertible redeemable preferred shares for the year included in profit or loss	–

The convertible redeemable preferred shares are classified as non-current liabilities as at December 31, 2023 because the Group has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Changes in fair value of convertible redeemable preferred shares were recorded in "fair value changes of convertible redeemable preferred shares". Management considered that fair value change in the convertible redeemable preferred shares that are attributable to changes of credit risk of this liability being not significant.

14 Subsequent Events

On February 2, 2024, the Group, founders and investors of Zcool Network Technology Limited ("**Zcool Network**"), and Zcool Network and its subsidiaries ("**Zcool Network Group**") entered into a sale and purchase agreement, pursuant to which the Group has conditionally agreed to purchase shares of Zcool Network, representing the entire issued share capital of Zcool Network, at an aggregate consideration of US$39,640,000 (equivalent to approximately RMB281,410,000), out of which US$17,784,000 (equivalent to approximately RMB126,251,000) will be satisfied by allotment and issue of 52,992,000 consideration shares of the Company and the remaining balance of approximately US$21,856,000 (equivalent to approximately RMB155,159,000) will be paid in cash.

Upon completion, Zcool Network will become an wholly-owned subsidiary of the Group, and its financial results will be thereafter consolidated with the Group's financial statements.

15 Disposal of a subsidiary

On August 11, 2023, the Group disposed 20% equity interests of a subsidiary, Dajie Net Investment Holdings Ltd. ("**Dajie Net**"), to Rapid Recruitment Limited at a cash consideration of US$1 (equivalent to approximately RMB7). After the completion of the disposal transaction, the Group's shareholding in Dajie Net reduced from 58.98% to 38.98% and the Group lost the control over Dajie Net and only maintains significant influence in Dajie Net. Accordingly, Dajie Net started to be recognized as an investment in associate. Details of the disposal are as follows:

	RMB'000
Disposal considerations	
– Cash received	*
– Fair value of investment in associate held after disposal	*
	*
Less:	
– Total net liabilities of Dajie Net disposed of *(Note (a))*	111,340
– Non-controlling interests disposed of	(44,040)
Gains on disposal	67,300
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	*
– Less: cash and cash equivalents in Dajie Net disposed of	5,486
Net cash outflow on disposal	5,486

* The amount is less than RMB1,000.

(a) Before the disposal, the Group waived its debt to Dajie Net and accordingly its net liabilities increased to RMB111,340,000. As Dajie Net was in a loss position, the waiver resulted in the dilution of the Group's interest by debiting the other reserves amounting to RMB74,157,000 and increasing the non-controlling interests by the same amount.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities.

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.

Except for code provision C.2.1 ("**Code Provision C.2.1**") in Part 2 in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules, during the year ended December 31, 2023, the Company has complied with the applicable code provisions of the CG Code for the time being in force. The reasons for deviation from Code Provision C.2.1 are set forth under the heading "Compliance with the Corporate Governance Code" in the 2023 interim report.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry with all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended December 31, 2023.

The Board has also adopted the Model Code and have established internal written guidelines pursuant thereto 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 year ended December 31, 2023 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. Dr. GUO Yihong resigned as a member of the Audit Committee with effect from June 1, 2023 in order to devote more time to focus on his other business commitments. Mr. HONG Yupeng was appointed as a member of the Audit Committee effective on June 1, 2023. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. ZHOU Hao, Mr. LAI Xiaoling and Mr. HONG Yupeng. Mr. HONG Yupeng is a non-executive Director, and Mr. LAI Xiaoling and Mr. ZHOU Hao are independent non-executive Directors. Mr. ZHOU Hao is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results announcement and the audited financial statements of the Group for the year ended December 31, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of the senior management and the Company's auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2023.

The consolidated financial statements of the Group have been audited by the Company's auditor, in accordance with International Standards on Auditing.

Scope of Work of the Company's Auditor

The figures contained in this announcement of our Group's consolidated results for the year ended December 31, 2023 have been agreed by the Company's auditor, to the figures set out in the audited consolidated financial statements of our Group for the year ended December 31, 2023. The Company's auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

Use of Net Proceeds from Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on December 15, 2016 ("**Listing**"). The net proceeds from the Listing which amounted to approximately HK$4,988 million have been fully utilised and there was no change in the intended use of net proceeds as previously disclosed in the prospectus of the Company dated December 5, 2016. For further details on the use of net proceeds from Listing (including the breakdown of the same), please refer to the section headed "USE OF NET PROCEEDS FROM LISTING" in the 2022 annual report of the Company published on April 26, 2023.

Annual General Meeting

The annual general meeting is scheduled to be held on June 5, 2024 (the "**AGM**"). A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from May 30, 2024 to June 5, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM to be held on June 5, 2024. All transfers of shares of the Company accompanied by the relevant share certificates and transfer forms (together the "**Share Transfer Documents**") must be lodged for registration before 4:30 p.m. on May 29, 2024.

The register of members of the Company will be closed from June 12, 2024 to June 14, 2024, both days inclusive, in order to ascertain the Shareholders entitled to the Final Dividend to be approved at the AGM. In order to qualify for Final Dividend, all Share Transfer Documents must be lodged for registration before 4:30 p.m. on June 11, 2024.

The Share Transfer Documents shall be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.meitu.com. The annual report of the Group for the year ended December 31, 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

APPRECIATION

On June 1, 2023, Mr. CAI Wensheng tendered his resignation as executive director and chairman of the Company in order to devote more time to focus on his other business commitments. We would like to once again thank Mr. Cai for his dedication and contribution to the Company throughout the years and wish him every success in his future endeavors.

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 our employees and management team for embodying Meitu's core values in their daily work and for executing the Group's strategy with professionalism, integrity, and dedication. To "let art and technology converge elegantly", Meitu is developing outstanding image production and design tools that streamline the production of photo, video, design and virtual humans, while striving to advance industry digitalization through beauty-related solutions.

By order of the Board
Meitu, Inc.
Wu Zeyuan
Chairman

Hong Kong, March 15, 2024

As at the date of this announcement, the executive director of the Company is Mr. Wu Zeyuan (also known as Mr. Wu Xinhong); the non-executive directors of the Company are Dr. Guo Yihong, Dr. Lee Kai-fu, Mr. Chen Jiarong and Mr. Hong Yupeng; the independent non-executive directors of the Company are Mr. Zhou Hao, Mr. Lai Xiaoling, and Ms. Kui Yingchun.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Shareholders and potential investors should therefore not place undue reliance on such statements.