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# meitu

**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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the “**Board**”) of Meitu, Inc. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, together with (i) its subsidiaries, (ii) Xiamen Meitu Networks Technology Co., Ltd. (“**Meitu Networks**”) and its subsidiaries, and (iii) Xiamen MeituEve Networks Services Co., Ltd. (collectively, the “**Group**”) for the six months ended June 30, 2022.

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

### KEY HIGHLIGHTS

- Despite economic headwind in the first half of 2022, revenue grew 20.5% year-over-year, to RMB971.2 million and Adjusted Net Profit attributable to the Owners of the Company grew 7.9% year-over-year, to RMB36.0 million. Strong growth in the VIP subscription business has offset the reduction in online advertising revenues. SaaS (Software as a Service) and related businesses also made meaningful contribution to our revenues for the first time, driven by both organic growth and acquisition of a SaaS company, Meidd.
- Monthly Active Users (“**MAU**”) growth resumed and reached 240.9 million in June 2022, 4.5% higher than that of December 2021. Such growth was mainly due to the *Meitu app*, demonstrating its ability to drive higher user activities despite being a mature app. The rising popularity of Wink, our newly launched video-focused app, has also contributed to such growth.
- VIP subscription business became our largest revenue contributor with RMB339.2 million and 61.4% year-over-year growth in the first half of 2022. Compared to the advertising model, VIP subscription aligns our interest better with our users as we generate more revenues through providing better user experience, rather than distracting users with more ads. The high gross margin and ample room for VIP subscription penetration growth also means this business is likely to become very sizeable over the next few years, underpinning our profitability in the foreseeable future.
- We have made meaningful progress in our beauty-industry focused SaaS and related businesses in the first half this year. In particular, revenue from our Supply Chain Management SaaS\*, which focuses on enabling cosmetic retailers to discover trending cosmetic products and making timely procurement at competitive prices, had grown rapidly.

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

## KEY FINANCIAL DATA

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

## KEY OPERATIONAL DATA

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

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

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

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

# STRATEGIC HIGHLIGHT

## VIP subscription business became the Largest Revenue Contributor

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

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

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

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

## **Empowering the Beauty Industry with SaaS solutions**

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

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

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

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

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

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

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

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

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

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

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

## **BUSINESS REVIEW**

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2022 compared to six months ended June 30, 2021

	Unaudited Six months ended June 30, 2022 <i>RMB'000</i>	Unaudited Six Months ended June 30, 2021 <i>RMB'000</i>
Revenue	971,188	806,004
Cost of sales	<u>(467,803)</u>	<u>(273,248)</u>
<b>Gross profit</b>	<b>503,385</b>	532,756
Selling and marketing expenses	(182,736)	(188,246)
Administrative expenses	(136,341)	(126,215)
Research and development expenses	(265,487)	(259,456)
Net impairment losses on financial assets	(10,527)	(14,715)
Impairment losses on cryptocurrencies	(305,457)	(111,907)
Other income	78,477	47,073
Other gains, net	62,548	5,152
Finance income, net	4,145	1,233
Shares of losses of investments accounted for using the equity method	<u>(5,720)</u>	<u>(877)</u>
<b>Loss before income tax</b>	<b>(257,713)</b>	(115,202)
Income tax expense	<u>(23,900)</u>	<u>(22,477)</u>
<b>Loss for the period</b>	<b><u>(281,613)</u></b>	<b><u>(137,679)</u></b>
<b>Loss attributable to:</b>		
– Owners of the Company	(266,245)	(128,666)
– Non-controlling interests	<u>(15,368)</u>	<u>(9,013)</u>
	<b><u>(281,613)</u></b>	<b><u>(137,679)</u></b>
<b>Non-IFRS measure:</b>		
<b>Adjusted Net Profit/(Loss)<sup>(1)</sup></b>		
– Owners of the Company	35,988	33,358
– Non-controlling interests	<u>(10,581)</u>	<u>(13,063)</u>
	<b><u>25,407</u></b>	<b><u>20,295</u></b>

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

## Revenue

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

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

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

### *Online advertising*

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

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

## ***VIP subscription business***

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

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

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

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



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

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

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

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

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

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

## ***IVAS***

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

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

## ***IMS and others***

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

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

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

## **Cost of Sales**

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

## **Gross Profit and Margin**

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

## **Research and Development Expenses**

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

## **Selling and Marketing Expenses**

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

## **Administrative Expenses**

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

## **Impairment on Cryptocurrencies**

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

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

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

## **Other Income**

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

## **Other Gains, Net**

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

## **Finance Income, Net**

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

## **Income Tax Expense**

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

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

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

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

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

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

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

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

## Liquidity, Financial Resources and Gearing

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

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

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

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

### Treasury Policy

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

## Capital Expenditure

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

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

## Long-term Investment Activities

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

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

## Foreign Exchange Risk

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

## Pledge of Assets

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

## **Contingent Liabilities**

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

## **Borrowings and Gearing Ratio**

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

## **Employee and Remuneration Policy**

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

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

## **Significant Investments Held**

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

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

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



## **Future Plans for Material Investments and Capital Assets**

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

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

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

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

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

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

## **Important Events after the Reporting Date**

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

# FINANCIAL INFORMATION

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Unaudited Six months ended June 30, 2022 RMB'000	Unaudited Six months ended June 30, 2021 RMB'000
Revenue	3	971,188	806,004
Cost of sales	4	<u>(467,803)</u>	<u>(273,248)</u>
<b>Gross profit</b>		<b>503,385</b>	<b>532,756</b>
Selling and marketing expenses	4	(182,736)	(188,246)
Administrative expenses	4	(136,341)	(126,215)
Research and development expenses	4	(265,487)	(259,456)
Net impairment losses on financial assets		(10,527)	(14,715)
Impairment losses on cryptocurrencies	9	(305,457)	(111,907)
Other income		78,477	47,073
Other gains, net	5	62,548	5,152
Finance income, net		4,145	1,233
Share of losses of investments accounted for using the equity method		<u>(5,720)</u>	<u>(877)</u>
<b>Loss before income tax</b>		<b>(257,713)</b>	<b>(115,202)</b>
Income tax expense	6	<u>(23,900)</u>	<u>(22,477)</u>
<b>Loss for the period</b>		<b><u>(281,613)</u></b>	<b><u>(137,679)</u></b>
<b>Loss attributable to:</b>			
– Owners of the Company		(266,245)	(128,666)
– Non-controlling interests		<u>(15,368)</u>	<u>(9,013)</u>
		<b><u>(281,613)</u></b>	<b><u>(137,679)</u></b>
<b>Loss per share for loss attributable to owners of the Company for the period (expressed in RMB per share)</b>	7		
– Basic		<u>(0.06)</u>	<u>(0.03)</u>
– Diluted		<u>(0.06)</u>	<u>(0.03)</u>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited June 30, 2022 <i>RMB'000</i>	Audited December 31, 2021 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	417,437	383,183
Right-of-use assets		32,696	41,390
Term deposits		80,000	30,000
Intangible assets	9	755,265	777,402
Long-term investments			
– Investments in associates and a joint venture		116,785	118,133
– Financial assets at fair value through profit or loss		679,901	801,005
– Financial assets at fair value through other comprehensive income		32,309	37,156
Prepayments and other receivables		2,694	19,504
Deferred tax assets		8,329	7,018
		<u>2,125,416</u>	<u>2,214,791</u>
<b>Current assets</b>			
Inventories		45,091	4,889
Trade receivables	10	310,050	356,783
Prepayments and other receivables		915,681	912,280
Contract costs		32,367	29,880
Short-term investments placed with banks		81,390	8,000
Term deposits		146,038	481,459
Restricted cash		300	500
Cash and cash equivalents		793,065	738,732
		<u>2,323,982</u>	<u>2,532,523</u>
<b>Total assets</b>		<u><u>4,449,398</u></u>	<u><u>4,747,314</u></u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited June 30, 2022 RMB'000	Audited December 31, 2021 RMB'000
	<i>Note</i>		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		300	281
Share premium		7,174,011	7,136,647
Reserves		(21,845)	(91,642)
Accumulated losses		<u>(3,795,172)</u>	<u>(3,528,927)</u>
<b>Non-controlling interests</b>		<u>479</u>	<u>(557)</u>
<b>Total equity</b>		<b><u>3,357,773</u></b>	<b><u>3,515,802</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	<i>11</i>	–	84,432
Lease liabilities		15,736	17,911
Deferred tax liabilities		<u>105,606</u>	<u>80,280</u>
		<u>121,342</u>	<u>182,623</u>
<b>Current liabilities</b>			
Borrowings		10,000	10,000
Trade and other payables	<i>11</i>	714,657	803,915
Lease liabilities		16,295	20,631
Income tax liabilities		48,573	55,960
Contract liabilities		<u>180,758</u>	<u>158,383</u>
		<u>970,283</u>	<u>1,048,889</u>
<b>Total liabilities</b>		<b><u>1,091,625</u></b>	<b><u>1,231,512</u></b>
<b>Total equity and liabilities</b>		<b><u>4,449,398</u></b>	<b><u>4,747,314</u></b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited Six months ended June 30, 2022 RMB'000</b>	<b>Unaudited Six months ended June 30, 2021 RMB'000</b>
<b>Net cash used in operating activities</b>	<b>(118,173)</b>	<b>(348,349)</b>
<b>Net cash generated from/(used in) investing activities</b>	<b>171,629</b>	<b>(23,152)</b>
<b>Net cash used in financing activities</b>	<b><u>(16,743)</u></b>	<b><u>(11,463)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36,713</b>	<b>(382,964)</b>
Cash and cash equivalents at the beginning of the period	<b>738,732</b>	<b>1,158,117</b>
Effects of exchange rate changes on cash and cash equivalents	<b><u>17,620</u></b>	<b><u>(2,898)</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u><u>793,065</u></u></b>	<b><u><u>772,255</u></u></b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 General information

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

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

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

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

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

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

## 2 Basis of preparation

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

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

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

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

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

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

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

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

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



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

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

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

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

**3 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.

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

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

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

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

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

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

#### 4 Expenses by nature

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

#### 5 Other gains, net

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

## 6 Income tax expense

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

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

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

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

### (ii) *Hong Kong Income Tax*

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

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

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

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

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

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

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

## 7 Loss per share

### (a) Basic

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

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

### (b) Diluted

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

## 8 Dividends

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

## 9 Property and equipment and intangible assets

### (a) Property and equipment

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

**(b) Intangible assets**

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

**(i) Impairment tests for cryptocurrencies**

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

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

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

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

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



(ii) *Impairment tests for goodwill*

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

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

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

## 10 Trade receivables

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

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

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

## 11 Trade and other payables

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

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

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

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of The Company’s Listed Securities**

During the six months ended June 30, 2022, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company’s shares (the “**Shares**”).

### **Compliance With the Corporate Governance Code**

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

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

### **Compliance With the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors’ dealings in the securities of the Company. Having made specific enquiry with all the Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2022 regarding their dealings in the securities of the Company.

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

### **Audit Committee and Review of Financial Statements**

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

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

## Dividend

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2022.

## Use of Net Proceeds from Listing

The Shares were listed on the Main Board of the Stock Exchange on December 15, 2016. The net proceeds from the Listing amounted to approximately RMB4,179.9 million<sup>(1)</sup>. There was no change in the intended use of net proceeds as previously disclosed in the prospectus of the Company dated December 5, 2016 (“**Prospectus**”).

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

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

### Note:

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

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

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

## **Publication of Interim Results and Interim Report**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.meitu.com](http://www.meitu.com). The interim report of the Group for the six months ended June 30, 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders on or before September 30, 2022.

## **APPRECIATION**

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

By order of the Board  
**Meitu, Inc.**  
**Cai Wensheng**  
*Chairman*

Hong Kong, August 31, 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Cai Wensheng and Mr. Wu Zeyuan (also known as Mr. Wu Xinhong); the non-executive directors of the Company are Dr. Guo Yihong and Dr. Lee Kai-fu and Mr. Chen Jiarong; 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.*