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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 “美图之家”)*

(Stock code: 1357)

**INSIDE INFORMATION
POSITIVE PROFIT ALERT**

This announcement is issued by Meitu, Inc. (the “**Company**” and, together with its subsidiaries and Xiamen Meitu Networks Technology Co., Ltd., Xiamen MeituEve Network Services Co., Ltd., and their respective subsidiaries, collectively the “**Group**” for the purpose of this announcement) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the announcement of the Company dated July 1, 2022.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (“**Shareholders**”) and potential investors that, based on a preliminary assessment of the Group’s unaudited consolidated management accounts for the year ended December 31, 2022 (the “**Management Accounts**”), as well as other relevant information currently available to the Board, it is expected that the Group may record a net profit attributable to the owners of the Company of between approximately RMB85 million and RMB130 million for the year ended December 31, 2022 (compared to the Group’s net loss attributable to the owners of the Company of approximately RMB44.5 million for the year ended December 31, 2021).

The expected year over year turn to profitability is primarily attributable to the fair value gain on financial assets at fair value through profit and loss (“**FVTPL**”) of between approximately RMB485 million and approximately RMB565 million in relation to the Group’s unlisted minority investments as at December 31, 2022 (compared to approximately RMB184 million as at December 31, 2021). Such increase in the fair value gain on FVTPL is mainly due to the strong business performance of an investee (the “**Investee**”) in 2022 and is arrived at after taking into account, among other things, the preliminary draft valuation report prepared by a professional valuer in respect of the Group’s unlisted minority investment in the Investee as at December 31, 2022 (the “**Draft Valuation Report**”). The Investee operates an online and offline skincare products business in the People’s Republic of China primarily under a popular domestic skincare brand. Since the Cryptocurrencies Acquisitions, the Group has neither acquired nor sold any of the cryptocurrencies pursuant to the Cryptocurrency Investment Plan. Based on the International Financial Reporting Standards (“**IFRSs**”), the Group expects to recognize impairment losses of approximately RMB285 million in relation to the Acquired Cryptocurrencies in the Group’s upcoming annual results for the year ended December 31, 2022 (the “**Annual Results**”). The impact of the Group’s increase in fair value gain on financial assets at FVTPL on the Group’s net profit was partially offset by the impairment losses of the Acquired Cryptocurrencies.

In addition, on a non-IFRSs basis, the Group expects to record an adjusted net profit attributable to the owners of the Company¹ of between approximately RMB90 million and RMB120 million for the year ended December 31, 2022 (compared to approximately RMB85.1 million for the year ended December 31, 2021), mainly attributable to the over 50% year over year revenue growth of the Group's VIP subscription business related to our image apps which are powered by AIGC (Artificial Intelligence Generated Content).

Such expected operating results are broadly in line with what the Company disclosed in its interim report for the six months ended June 30, 2022, as extracted below:

- (i) *“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”*; and
- (ii) *“[l]ooking ahead, we expect our revenues to continue to grow, driven mostly by our VIP subscription business... We are cautiously optimistic about remaining profitable in terms of Adjusted Net Profit for the full year of 2022”*.

It should be noted that the Company is still in the course of finalising its Annual Results, and the Draft Valuation Report has yet to be finalised. The information contained in this announcement is only based on information currently available to the Group and the Board's preliminary assessment of the Management Accounts, which have not been reviewed by the Company's auditors or audit committee. As such, the actual Annual Results of the Group may be different from what is disclosed in this announcement. Shareholders and investors are therefore advised to read carefully the annual results announcement of the Company for the year ended December 31, 2022 to be published in around March 2023.

Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, February 20, 2023

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, 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.

¹ The term 'adjusted net profit attributable to the owners of the Company' is defined as the net profit attributable to the owners of the Company for the reporting period excluding certain non-cash items, such as share-based compensation, impairment losses on goodwill and other intangible assets, long term investments related fair value changes and etc.. Please see the Company's 2021 annual report for a more detailed definition. The Board considers this to be the general metric used in the industry to measure the Group's operating performance.