2022
ANNUAL REPORT

meitu

Stock Code: 1357

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

meitu美图

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CAI Wensheng *(Chairman of the Board)*
Mr. WU Zeyuan *(also known as: Mr. WU Xinhong)*

Non-Executive Directors

Dr. GUO Yihong
Dr. LEE Kai-fu
Mr. CHEN Jiarong

Independent Non-Executive Directors

Mr. ZHOU Hao
Mr. LAI Xiaoling
Ms. KUI Yingchun

AUDIT COMMITTEE

Mr. ZHOU Hao *(Chairman)*
Dr. GUO Yihong
Mr. LAI Xiaoling

REMUNERATION COMMITTEE

Mr. LAI Xiaoling *(Chairman)*
Dr. LEE Kai-fu
Ms. KUI Yingchun

NOMINATION COMMITTEE

Mr. CAI Wensheng *(Chairman)*
Mr. ZHOU Hao
Ms. KUI Yingchun

COMPANY SECRETARY

Mr. NGAN King Leung Gary

AUTHORIZED REPRESENTATIVES

Mr. CAI Wensheng
Mr. NGAN King Leung Gary

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

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

HEADQUARTERS

Meitu Tower, Building 2,
Meifeng Innovation Valley,
No. 2557 Binhai West Avenue,
Tong'an District, Xiamen, Fujian,
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 8106B, Level 81
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

LEGAL ADVISORS

As to Hong Kong law *(in alphabetical order)*
Skadden, Arps, Slate, Meagher & Flom
Woo Kwan Lee & Lo

As to PRC law (in alphabetical order)
Jingtian & Gongcheng
Tian Yuan Law Firm

As to Cayman Islands law (in alphabetical order)
Appleby
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

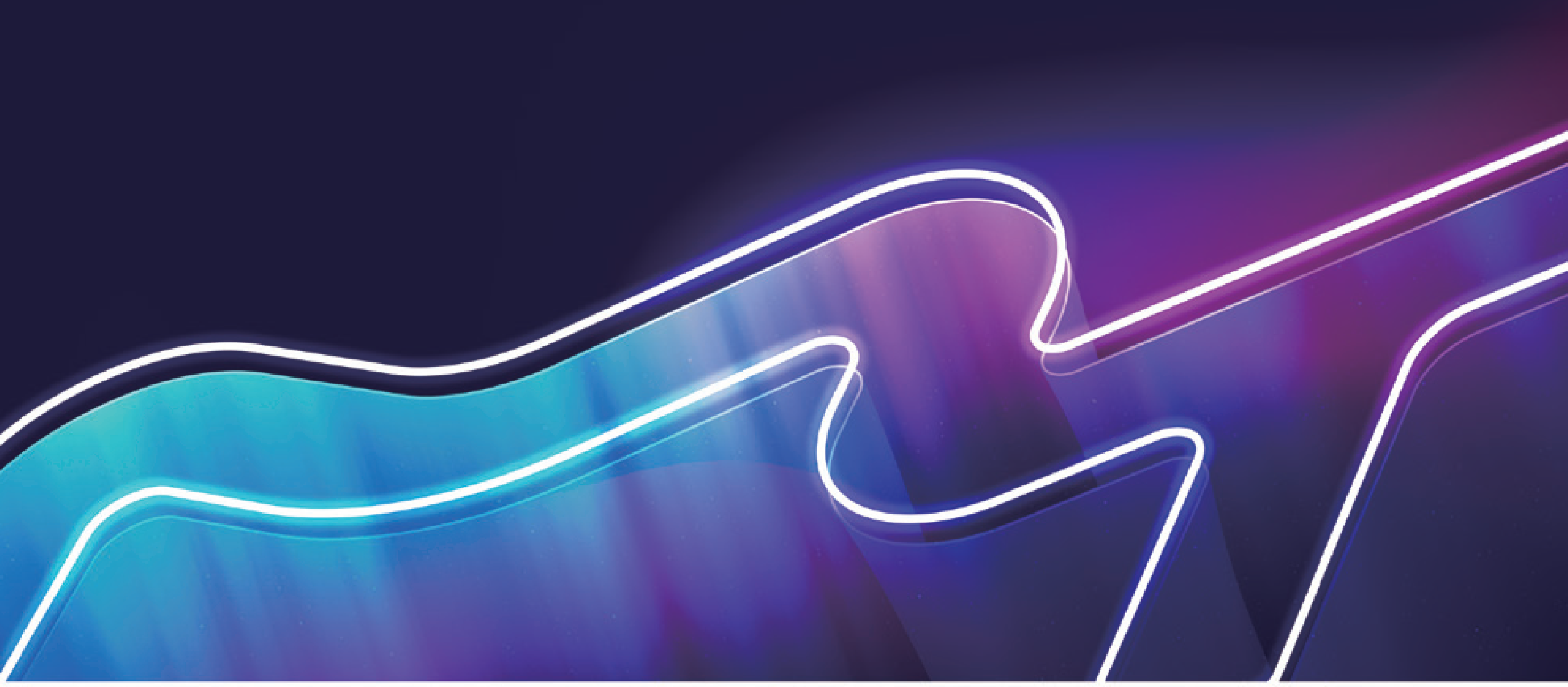
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank (Offshore Banking)

STOCK CODE

1357

COMPANY WEBSITE

www.meitu.com



2022 Highlights

2022 Highlights

We are pleased to announce the first full-year profitability. For the year ended December 31, 2022, we generated a Net Profit attributable to Owners of the Company of RMB94.1 million, compared to a Net Loss attributable to Owners of the Company of RMB44.5 million in 2021. Such encouraging results were driven by both underlying businesses' profitability and net gains from fair value measurements of our various investments. Adjusted Net Profit attributable to Owners of the Company was RMB110.5 million, increased 29.9% year-over-year.

Revenue grew 25.2% year-over-year, to RMB2,085.3 million. VIP Subscription business was the largest revenue contributor with RMB782.2 million, up 57.4% year-over-year. Software as a Service ("**SaaS**") revenue also grew strongly due to the acquisition of a business focusing on providing ERP and Supply Chain Management SaaS to over 11,000 cosmetic stores in the People's Republic of China ("**PRC**"). Growth from these two revenue lines had offset the reduction in revenues from Online Advertising and Influencer marketing solutions ("**IMS**") business due to poor economic environment during the pandemic.

Monthly Active Users ("**MAU**") growth resumed to 5.3% year-over-year, reaching 242.9 million in December 2022. Our flagship app *Meitu* contributed most of the MAU growth, as a number of AIGC-powered (Artificial Intelligence Generated Content) features in the *Meitu* App, had become very popular during the fourth quarter in 2022. In addition, our AIGC-powered video editing app, *Wink*, has also grown meaningfully in MAU during 2022.

Going forward, we will continue to invest in AI and apply AI-powered features to our image and video products. Also, we will expand our productivity app offerings from addressing social/entertainment needs to work-related needs. We believe these strategies will help us to continue to drive higher MAU, paying penetration as well as average revenue per user, all of which are key variables that make our VIP Subscription business model scalable and sustainable.

The Board has recommended the payment of an aggregate final dividend of HK$0.02 per Share out of the share premium account of the Company for the year ended December 31, 2022, reflecting a dividend payout ratio of approximately 70.6% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2022. Such high dividend payout ratio as a percentage of the amount of Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2022 was determined primarily because of our achievement of the milestone of first full-year profitability since our initial public offering ("**IPO**").

Key Financial Data

	Year ended December 31		Year on year
	2022	2021	**change**
	RMB'000	RMB'000	**(%)**
Revenue	**2,085,329**	1,666,029	25.2%
– VIP Subscription business[1]	**782,165**	496,787	57.4%
– Online Advertising	**596,045**	765,849	-22.2%
– SaaS and related businesses	**462,907**	38,797	1,093.2%
– Internet value-added services ("**IVAS**")	**95,603**	94,268	1.4%
– IMS and Others[1]	**148,609**	270,328	-45.0%
Gross Profit	**1,187,272**	1,125,087	5.5%
Gross Margin	**56.9%**	67.5%	-10.6p.p.
Profit/(Loss) for the year	**18,891**	(77,430)	-124.4%
Adjusted Net Profit attributable to Owners of the Company[2]	**110,543**	85,073	29.9%

(1) Certain revenue streams under VIP Subscription business had been redefined and reclassified to IVAS, and certain revenue streams under IMS and Others had been redefined and reclassified to SaaS and related businesses.

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

Key Operational Data

	As of December 31,		Year on year
	2022	2021	**Change**
	’000	’000	**(%)**
Total MAU	**242,880**	230,644	5.3%
MAU breakdown by product:			
– *Meitu*	**129,616**	114,718	13.0%
– *BeautyCam*	**49,009**	56,870	-13.8%
– *BeautyPlus*	**32,520**	37,116	-12.4%
– Others	**31,735**	21,940	44.6%
MAU breakdown by geography:			
– Mainland China	**163,121**	153,882	6.0%
– Overseas	**79,759**	76,762	3.9%

Chairman’s Statement

Dear Shareholders,

We are pleased to report the first full-year profitability since our IPO.

For the year ended December 31, 2022, we generated a Net Profit attributable to Owners of the Company of RMB94.1 million. In addition to better financial performance, our total MAU grew 5.3% year-over-year as well.

STRATEGIC HIGHLIGHTS

We aim to become the world's largest subscription service provider in image and video productivity software and applications. In addition, facilitating the digitalization of the beauty industry is a long-term goal for us, which we are currently building the foundation through providing SaaS solutions.

For Image: addressing scenario-specific user demand related to images through a subscription-based product portfolio driven by AI-generated content ("AIGC") technologies

2022 is a milestone year for the development of AIGC technologies, as the general public has for the first time realized the extent of its capabilities and entertainment value. As an AI-driven technology company, Meitu has stayed at the forefront, launching a number of interesting and useful AIGC-based features on its app. For example, the "AI Art" feature that we launched on the *Meitu* App that allows users to transform a photograph of a real-life person into an anime character, has gained significant popularity around the globe, making the *Meitu* App as #1 ranked image app in the iOS AppStore in several countries and regions. We estimate that, according to the data provided by QuestMobile, the *Meitu* App commands approximately 53% of the market share in terms of MAU within the mobile image editing market in December 2022, up from 47% in 2021.

In fact, Meitu has always been investing in AI since 2010 when we established the Meitu Imaging and Vision Lab to develop our capabilities in AI and computer vision. Many existing features of our apps, both free and paid, are driven by AIGC technologies, such as "hairstyle modification" and "teeth realignment", etc.. We will continue to invest in and launch more AIGC-powered features and apps to further drive our business.

Another successful strategy that drove the encouraging results in 2022 was "addressing scenario-specific image and video needs through a dedicated app or a standalone feature". *Wink*, our new video editing app, was a prime example. While certain video editing features were already in the *Meitu* App and *BeautyCam* App, we took those features, augmented them with AIGC-related technologies and streamlined them into the *Wink* App, which is highly efficient and effective in addressing video-editing needs specifically. *Wink* has already become the #3 video editing app in the PRC, in terms of active users. More importantly, we have already integrated the VIP Subscription business model into *Wink* since the very beginning and therefore it has also contributed to our growth financially.

Growing VIP Subscription revenue

Revenue from VIP Subscription business has become our largest revenue contributor this year, and we expect such business (which has a high gross margin profile) to continue to grow. If we breakdown the growth drivers of this monetization model, there are basically two components: the number of paying subscribers and the average revenue per paying subscriber ("**ARPPU**").

1. Number of paying subscribers

The growth of the number of paying subscribers mainly involves converting free users to paid subscribers (i.e. increasing paying penetration). We employ a number of strategies to convert free users into paying subscribers, such as launching targeted in-app promotions and social media campaigns for the VIP features. Launching new features, especially AIGC-powered ones, are also an increasingly effective strategy for converting free users to paying subscribers.

As our monetization model has shifted away from the "internet model" which centers around traffic redirection, our perspective towards our overall MAU has also changed accordingly. Instead of maximizing MAU growth through aggressive user acquisition, we aim to maintain a stable growth for our MAU base since VIP Subscription business model (also known as Consumer Subscription Service, or CSS model) is more akin to a SaaS model. To a certain extent, our MAU base is analogous to the "opportunities" of a typical SaaS sales funnel, as these users are using the free version of our app which we have a direct channel to reach them (such as through in-app marketing or push notification etc.). Our 242.9 million MAU are already a massive enough base of "opportunities" to support our growth in the near term. In fact, for the year ended December 31, 2022, our MAU growth rate resumed to 5.3% year-over-year. As mentioned previously, AIGC-powered features were key contributors to the rebound of our MAU growth, especially for the *Meitu* App. On top of launching more AIGC-powered features, the new apps that we launch to address scenario-specific user demands in image and video are another integral part of our strategy to grow our MAU base.

2. Average revenue per paying subscribers

We believe there is ample room to grow our ARPPU in the future. However, we are not relying on driving ARPPU growth mainly through the increase in subscription price. Instead, we aim to drive our ARPPU through subscription services in our apps and/or features that address work-related image and video demands. The use case of our main apps is primarily centered around social and/or entertainment. For example, a lot of our users create/edit images using our *Meitu* App or *BeautyCam* to share with their friends on social media networks such as WeChat Moments. Given such nature, the subscription price points are quite low. However, we discovered that a number of our users are using our apps to increase their productivity at work, such as making better product posters to drive sales etc.. Our survey revealed that users are willing to accept a higher price point as long as these subscription services can enhance their productivity or quality of their output. Therefore, in 2022, we started to experiment with work-related products such as the *Meitu Design Room*, which generated an ARPPU that is 60-70% higher than our social-focused apps. The *Meitu Design Room* enables users to easily create professional-looking posters with high-quality templates. We intend to enhance this product further as we move to AIGC-powered poster creation in 2023, which we believe will generate even better user experience.

For Beauty: facilitate the digitization of the Beauty Industry through innovative SaaS solutions

We believe digitization of the beauty industry presents a significant opportunity that is currently underserved. For instance, users have been regularly spending hundreds if not thousands of RMB on skincare products and treatments, yet unlike fitness or nutrition, they do not have quantifiable and objective standards to track the progress of their skin. At the same time, cosmetic brands are increasingly keen to promote personalized skincare products and treatments targeting high-end customers, thereby creating a demand for technological solutions that increase their conversion and retention of these high-end customers.

Customer Insight SaaS based on AI Skin Analysis

One of our long-term goals is to empower the beauty industry. We provide enterprise solutions that leverage our established brand image for beauty and technological capabilities in AI and computer vision:

i. **Customer Insight SaaS based on AI Skin Analysis**

Our strategy for beauty centers around our AI skin analysis SaaS under the brand of *EveLab Insight* (and *MeituEve（美圖宜膚）* in Mainland China). We empower skincare brands, medical aesthetic institutes, and beauty spas across the globe with the ability to provide AI-based skin analysis for their customers through our hardware and SaaS solutions. Our solutions are flexible and scalable, enabling our clients to integrate with their own customer relationship management systems for better customer retention, as well as optimizing operational efficiency at multiple storefronts.

Currently, our skin analysis solutions have served over 130 beauty brands and have been deployed in over 2,900 stores globally. We have always valued science and precision as two of the most important factors for product innovation. Apart from investing in our AI technology, we also work very closely with world-leading research institutes and renowned dermatologists to enhance the accuracy and capabilities of our skin analysis solutions. Our lead in this technology can be reflected by the fact that several globally-leading skincare brands have chosen us as their preferred partner for skin analysis.

ii. **Enterprise Resource Planning ("ERP") and Supply Chain Management SaaS for cosmetic retailers**

We believe having an in-depth insight of the cosmetic retail market, such as pricing and sales trend of various cosmetic products, is also a key foundation to drive digitization of the beauty industry. To this end, we have completed the acquisition of Meidd in 2022 that possesses such insight through providing ERP SaaS to over 11,000 cosmetic retailers in mainland China.

During 2022, we have also started to capitalize on the cosmetic retail market insight and launch Supply Chain Management SaaS that enable our clients to discover trending products and procure those products in a timely manner at very competitive prices. This provides a strong value proposition to our clients given the high fragmentation and information asymmetry of the cosmetic retail market. Although we have seen sizeable revenue from and rapid growth in our Supply Chain Management SaaS, the gross margin on this business is low as we are mainly working with mainstream products. But as both the number of our customers and average procurement per customer continue to grow, we expect to introduce more niche products that carry higher gross margins to drive the growth of this business in the medium term.

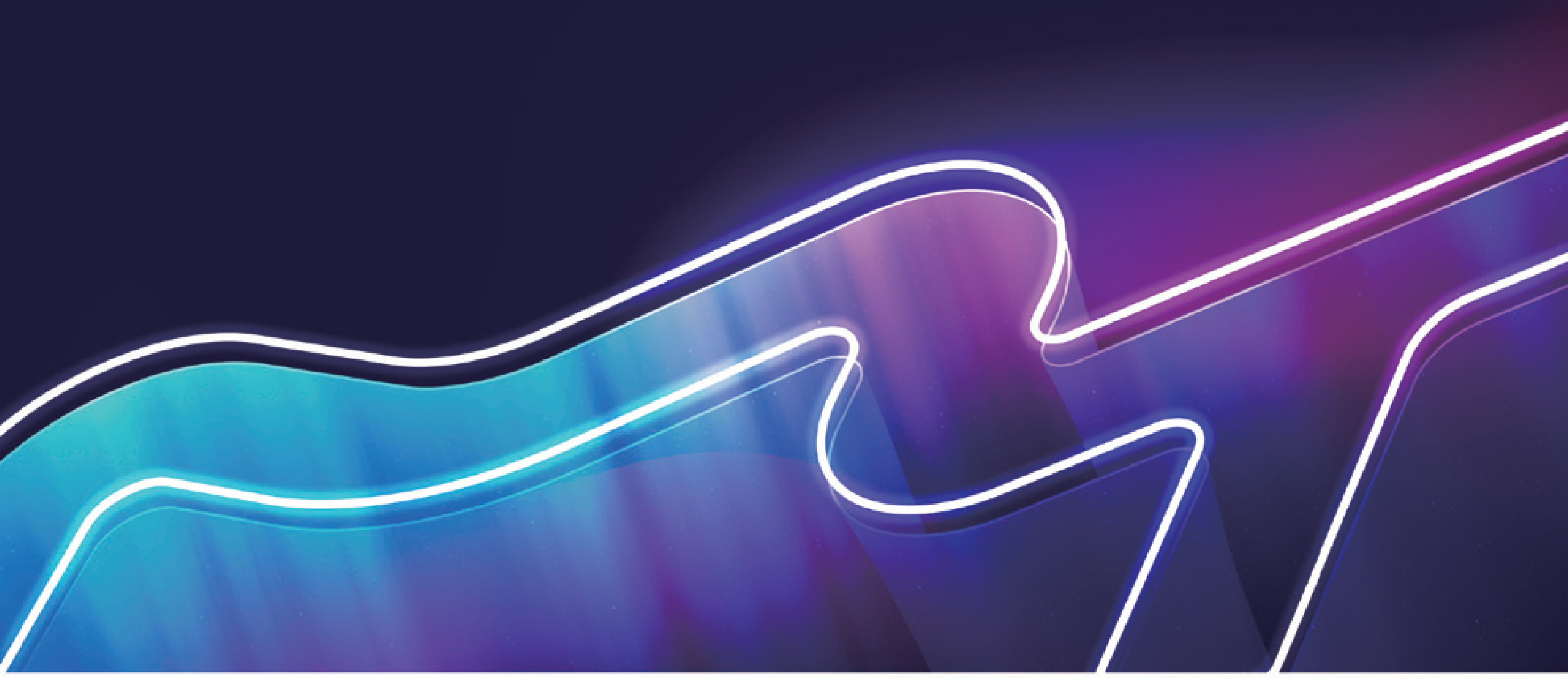
BUSINESS REVIEW

The year 2022 was the first year we see an impact on the profitability from our high-margin VIP Subscription business. We expect our business to continue to grow in 2023, mainly driven by the rapid growth of our VIP Subscription business and our SaaS and related businesses.

APPRECIATION

Finally, on behalf of everyone at Meitu, I would like to express our sincere gratitude to all 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. We will strive to "make beauty accessible through technology", helping our users to become more beautiful and assisting with the digital transformation of the beauty industry.

Cai Wensheng
Chairman



Management Discussion and Analysis

YEAR ENDED DECEMBER 31, 2022 COMPARED TO YEAR ENDED DECEMBER 31, 2021

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue	**2,085,329**	1,666,029
Cost of sales	**(898,057)**	(540,942)
Gross profit	**1,187,272**	1,125,087
Selling and marketing expenses	**(403,115)**	(390,980)
Administrative expenses	**(271,850)**	(264,993)
Research and development expenses	**(586,365)**	(545,490)
Net impairment losses on financial assets	**(22,310)**	(21,132)
Other income	**130,275**	101,473
Other gains, net	**542,950**	211,960
Impairment losses on intangible assets	**(403,390)**	(227,623)
Finance income, net	**14,921**	2,401
Shares of losses of investments accounted for using the equity method	**(13,158)**	(1,638)
Profit/(Loss) before income tax	**175,230**	(10,935)
Income tax expense	**(156,339)**	(66,495)
Profit/(Loss) for the year	**18,891**	(77,430)
Profit/(Loss) attributable to:		
– Owners of the Company	**94,142**	(44,514)
– Non-controlling interests	**(75,251)**	(32,916)
Non-IFRSs measure:		
Adjusted Net Profit/(Loss) attributable to[1]		
– Owners of the Company	**110,543**	85,073
– Non-controlling interests	**(28,594)**	(20,856)
	81,949	64,217

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

Revenue

We generate 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 year ended December 31, 2022, total revenue increased 25.2% to RMB2.09 billion from RMB1.67 billion for the year ended December 31, 2021. This increase was mainly driven by the solid growth in VIP Subscription business and SaaS and related businesses.

	Year ended December 31,			
	2022		2021	
	Amount RMB'000	% of total revenues	Amount RMB'000	% of total revenues
VIP Subscription business[1]	**782,165**	**37.5%**	496,787	29.8%
Online Advertising	**596,045**	**28.6%**	765,849	46.0%
SaaS and related businesses	**462,907**	**22.2%**	38,797	2.3%
IVAS	**95,603**	**4.6%**	94,268	5.7%
IMS and Others[1]	**148,609**	**7.1%**	270,328	16.2%
Total	**2,085,329**	**100.0%**	1,666,029	100.0%

(1) Certain revenue streams under VIP Subscription business had been redefined and reclassified to IVAS, and certain revenue streams under IMS and Others had been redefined and reclassified to SaaS and related businesses.

VIP Subscription business

Growth momentum of our VIP Subscription business remains strong, with revenue increasing 57.4% year-over-year to RMB782.2 million. In December 2022, our apps had more than 5.6 million VIP subscribers, representing a paying penetration rate of approximately 2.3%. We are confident that this paying penetration has ample room to grow, because we have proven our ability to drive paying penetration rate in one image app overseas that achieved approximately 10% paying penetration. We intend to apply what we learnt from our overseas operations to our apps operating in mainland China. In addition, as discussed in the strategy section, we intend to launch new apps that will monetize through the VIP Subscription business model from the get go, as well as integrating AIGC-related function to drive paying penetration. We note that in mainland China, the VIP Subscription business is still in a nascent stage as reflected by the lower paying penetration (relative to some overseas app), therefore we are unlikely to spend significantly in promotion or traffic acquisition to drive paying penetration. Instead, we will focus on product and feature innovation, as well as in-app marketing (which is free) to convert users into subscribers.

Online Advertising

Our revenue from Online Advertising decreased by 22.2% year-over-year to RMB596.0 million for the year ended December 31, 2022, primarily due to the impact from the lackluster economic conditions related to the COVID-19 pandemic. Such impact was more prominent during the first half of 2022. Although the pandemic was largely over towards the end of 2022, the macroeconomic outlook remained uncertain. Coupled with the strategy to shift more towards the VIP Subscription business, we do not expect much growth from Online Advertising going forward.

SaaS and related businesses

For the year ended December 31, 2022, revenue from our SaaS and related businesses grew by 1,093.2% year-over-year to RMB462.9 million from RMB38.8 million for the year ended December 31, 2021, mainly due to acquisition of Meidd.

Majority of the revenues within this segment is generated from our Supply Chain Management SaaS. With the market insight, such as pricing, sales trend and inventory status generated from the ERP SaaS that we provide to over 11,000 cosmetic retail stores, we are able to help our customers to optimize their purchasing decisions through our Supply Chain Management SaaS. Gross margin for this business is currently low as we are focusing on driving client adoption and market share with products from well-known brands, and not so much on profitability. However, in the longer-term we would strive to raise the margin profile through introducing niche products.

We also provide AI skin analysis SaaS to for skincare brands, medical aesthetic clinics and beauty salons under the brand *EveLab Insight* (and *MeituEve* within PRC). Using our skin analyzer hardware and related AI-powered software, our clients can effectively quantify and evaluate skin conditions of their customers, as well as recommend tailored skincare treatments and product. This process will help our clients to increase sales conversion as well as customer retention.

In addition, we launched AI-based image SaaS services to serve commercial photography studios under the brand *Meitu AI Photo Editing*, which aims at increasing their efficiency and quality of photo editing.

IVAS

For the year ended December 31, 2022, revenue from our IVAS increased by 1.4% year-over-year to RMB95.6 million from RMB94.3 million for the year ended December 31, 2021.

Historically, this revenue line primarily consists of a variety of mobile value-added services offerings such as casual mobile game which we share revenues with the operators. However, in 2022, as we continue to shift our focus to monetizing through VIP Subscription of our image and video apps, we have also started to generate revenue from single-purchase features in our apps, which is also categorized under IVAS. This type of monetization model became the major contributor under this revenue line. *Meitu ID Photo* is a great example. Instead of going to a photo studio for an ID photo, user can use *Meitu ID Photo* to turn a selfie into an ID photo. Our AI will replace the selfie's background with an appropriate color and trim it to the appropriate size, as well as give user options to retouch or even add make-up and/or change his outfit. This is also a great example of our strategy of "*addressing scenario-specific image needs through a product driven by AIGC technologies*". Going forward, we expect to see this revenue line to continue to grow, as we add more AIGC products/features that are charged by single-purchase options.

IMS and Others

For the year ended December 31, 2022, revenue from IMS and Others decreased by 45.0% year-over-year to RMB148.6 million from RMB270.3 million for the year ended December 31, 2021.

Revenues generated from the IMS business during 2022 were RMB130.3 million, as compared to RMB258.1 million for the year ended December 31, 2021. This business was materially impacted by the poor economic environment due to the pandemic. We expect revenues from this business to continue to decline as we focus more on VIP Subscription and SaaS businesses.

Cost of Sales

Our cost of sales increased by 66.0% to RMB898.1 million for the year ended December 31, 2022, compared to RMB540.9 million for the year ended December 31, 2021. The largest component within Cost of Sales is the inventory costs related to the Supply Chain Management SaaS, which amounted to RMB401.0 million. The remuneration paid to influencers related to the IMS business, which amounted to RMB146.6 million is the second largest component.

Gross Profit and Margin

Our gross profit increased by 5.5% to RMB1,187.3 million for the year ended December 31, 2022 from RMB1,125.1 million for the year ended December 31, 2021. Our gross margin decreased to 56.9% for the year ended December 31, 2022, from 67.5% for the year ended December 31, 2021. The decline in gross margin is primarily a result of a change in revenue mix, as there was an increase in revenue contribution from the Supply Chain Management SaaS, which carries a much lower gross margin compared to VIP Subscription and Online Advertising business.

Research and Development Expenses

Research and development expenses increased by 7.5% to RMB586.4 million for the year ended December 31, 2022 from RMB545.5 million for the year ended December 31, 2021, primarily due to an increase in staff costs.

Selling and Marketing Expenses

Selling and marketing expenses increased by 3.1% to RMB403.1 million for the year ended December 31, 2022, from RMB391.0 million for the year ended December 31, 2021, primarily due to an increase in staff costs.

Administrative Expenses

Administrative expenses increased by 2.6% to RMB271.9 million for the year ended December 31, 2022, from RMB265.0 million for the year ended December 31, 2021, primarily due to an increase in staff costs.

Impairment losses on Intangible Assets

Impairment losses on intangible assets arose from the Group's acquisition of subsidiaries and impairment losses on cryptocurrencies.

As of December 31, 2022, we fully impaired the intangible assets arising from the related acquirees' cash generating unit which engaged in IMS business. As a result, the impairment losses on intangible assets were RMB118.5 million.

As of December 31, 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$37.3 million and US$15.6 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, impairment losses of approximately RMB86.6 million and RMB198.2 million were recognized by the Group for the year ended December 31, 2022 in relation to the Acquired Ether and the Acquired Bitcoin, 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.

Other Income

Other income for the year ended December 31, 2022 increased to RMB130.3 million from RMB101.5 million for the year ended December 31, 2021, primarily due to an increase in government subsidies.

Other Gains, Net

Other gains, net were RMB543.0 million for the year ended December 31, 2022, compared to a net gain of RMB212.0 million for the year ended December 31, 2021, primarily attributable to an increase in profit from fair value changes of 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 521.4% to RMB14.9 million for the year ended December 31, 2022, from RMB2.4 million for the year ended December 31, 2021, primarily due to foreign exchange gains.

Income Tax Expense

Income tax expenses for the year ended December 31, 2022, were RMB156.3 million, compared to RMB66.5 million for the year ended December 31, 2021.

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

Net profit for the year ended December 31, 2022, significantly increased to RMB18.9 million from net loss of RMB77.4 million for the year ended December 31, 2021, primarily due to improved underlying profitability of our business operations, as well as the gains from fair value change of financial assets at fair value through profit or loss 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-IFRSs 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 annual report, "Adjusted Net Profit/(Loss)" will be used interchangeably with "Non-GAAP Net Profit/(Loss)". We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management do not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of "Adjusted Net Profit/(Loss)" may not be comparable to a similarly titled measure presented by other companies. The use of this non-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 the Owners of the Company was RMB110.5 million for the year ended December 31, 2022, compared to RMB85.1 million for the year ended December 31, 2021, mainly due to the gross profit growth from our VIP Subscription business. From the fourth quarter of 2019, we have consistently been making 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 years ended December 31, 2022 and 2021 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(Loss) for the year	**18,891**	(77,430)
Excluding:		
Share-based compensation	**47,324**	55,502
Changes in fair value of long-term investments	**(519,821)**	(183,641)
Remeasurement gains on consideration to non-controlling shareholders of a subsidiary	**(17,017)**	–
Gains on disposal of long-term investments	**–**	(3,268)
Amortization of intangible assets and other expenses related to acquisition	**20,843**	24,256
Impairment losses on intangible assets	**403,390**	227,623
Other one-off gains	**–**	(18,119)
Tax effects	**128,339**	39,294
Adjusted Net Profit/(Loss) attributable to	**81,949**	64,217
Owners of the Company	**110,543**	85,073
Non-controlling interests	**(28,594)**	(20,856)

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, 2022 and 2021 were as follows:

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Cash and cash equivalents	**946,602**	738,732
Short-term bank deposits and current portion of long-term bank deposits	**352,908**	481,459
Long-term bank deposits	**50,000**	30,000
Short-term investments	**40,521**	8,000
Cash and other liquid financial resources	**1,390,031**	1,258,191

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Long-term bank deposits and short-term bank deposits are bank deposits with original maturities over three months and redeemable on maturity. Short-term investments 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 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, 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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Purchase of property and equipment	**65,231**	34,657
Purchase of intangible assets	**530**	3,068
Total	**65,761**	37,725

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 computer software.

The increase in capital expenditure was mainly due to the refurbishment of our main office building.

Long-term Investment Activities

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Investment in financial assets at fair value through profit or loss	**84,321**	82,903
Investment in associates in the form of ordinary shares	**14,000**	–
Investment in a joint venture	**–**	60,000
Investment in financial assets at fair value through other comprehensive income	**–**	15,571
Total	**98,321**	158,474

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 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 years ended December 31, 2022 and 2021.

Pledge of Assets

As of December 31, 2022, we pledged a restricted deposit of RMB300,000 (as of December 31, 2021: RMB500,000) to guarantee payment of certain operating expenses.

Contingent Liabilities

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

Dividends

The Board has decided to recommend the payment of an aggregate final dividend of HK$0.02 per Share (the "**Final Dividend**") out of the share premium account of the Company (the "**Share Premium Account**") for the year ended December 31, 2022 (2021: nil), totaling approximately HK$88.9 million (equivalent to approximately RMB78.0 million). 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, 2022 will amount to HK$0.02 per Share (2021: nil), reflecting a dividend payout ratio of approximately 70.6% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2022.

Such high dividend payout ratio as a percentage of the amount of Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2022 was determined primarily because of our achievement of the milestone of first full-year profitability since our IPO. There is however, no guarantee that the Board will declare or recommend a dividend at all or at the same dividend payout ratio in future.

As at the Latest Practicable Date, the Company has an aggregate of 4,444,329,324 ordinary Shares in issue. Based on the number of issued Shares as at the Latest Practicable Date, the Final Dividend, if declared and paid, will amount to an aggregate amount of HK$88.9 million (equivalent to approximately RMB77.8 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 Articles and in accordance with the Companies Act. As of December 31, 2022, based on the audited consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account was approximately RMB7,174.1 million (equivalent to approximately HK$8,174.7 million). Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB7,096.3 million (equivalent to approximately HK$8,103.0 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 AGM 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, 2023 to those Shareholders whose names appear on the register of members of the Company at close of business on June 9, 2023.

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.

Reasons for and effect of the payment of the Final Dividend out of the Share Premium Account

The Board considers that it is unnecessary to maintain the Share Premium Account at the current level and it is appropriate to distribute the Final Dividend in recognition of Shareholders' support.

After taking into account a number of factors including cash flow and financial condition of the Company, the Board considers it is appropriate and proposes that Final Dividend be paid out of the Share Premium Account in accordance with Articles 133 and 134 of the Articles and the Companies Act. The Board considers such arrangement to be in the best interests and for the commercial benefit of the Company and its Shareholders as a whole.

The Board believes that the payment of the Final Dividend will not have any material adverse effect on the underlying assets, business, operations or financial position of the Group and does not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal or par value of the Shares or result in any change in the trading arrangements in respect of the Shares.

Borrowings and Gearing Ratio

As of December 31, 2022, we pledged a bank borrowing of RMB10.0 million at an annualized interest rate of 3.68% (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 December 31, 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 operation.

Employee and Remuneration Policy

The Group had a total of 2,057 full-time employees as of December 31, 2022 (as of December 31, 2021: 2,090), 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, Post-IPO Share Award Scheme and the EveLab Insight, Inc. Share Award Scheme. During the year ended December 31, 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.

Guarantee Agreements after the Reporting Date

On January 28, 2023, (i) Meitu Networks, (ii) its subsidiaries, Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd. ("**Ruisheng Tianhe**") and Xiamen Ruisheng Tianhe Media Technology Co., Ltd. (together with Ruisheng Tianhe, the "**Ruisheng (Beijing and Xiamen) Companies**"), and (iii) Beijing Jinri Toutiao Information Technology Co., Ltd. ("**Toutiao**") entered into a guarantee agreement (the "**First Guarantee Agreement**") pursuant to which Meitu Networks (as guarantor) agreed to guarantee, on a joint and several basis, certain obligations of the Ruisheng (Beijing and Xiamen) Companies (as debtor) to Toutiao (as creditor) under a business advertising agency cooperation agreement entered into between the Ruisheng (Beijing and Xiamen) Companies and Toutiao (the "**Toutiao Cooperation Agreement**").

The guarantee provided by Meitu Networks pursuant to the First Guarantee Agreement covers all data promotion expenses payable under the Toutiao Cooperation Agreement, as well as all reasonable expenses and losses that the Ruisheng (Beijing and Xiamen) Companies are responsible for in the event of their breach of the Toutiao Cooperation Agreement (including, but not limited to, late fees, default fees and damages).

The cooperation under the First Cooperation Agreement commenced on January 1, 2023 and will expire on December 31, 2023. The period of guarantee for Meitu Networks is one (1) year from the expiry of the cooperation period without a specific guarantee amount specified.

On March 22, 2023, Meitu Networks, Ruisheng Tainhe, Chengdu Ruisheng Tainhe Media Technology Co., Ltd. (together with Ruisheng Tainhe, the "**Ruisheng (Beijing and Chengdu) Companies**") and Wuhan Juliang Star Map Technology Co., Ltd. ("**Juliang Star**"), an affiliated entity of Toutiao, entered into a second guarantee agreement ("**Second Guarantee Agreement**") pursuant to which Meitu Networks (as guarantor) agreed to guarantee, on a joint and several basis, certain obligations of the Ruisheng (Beijing and Chengdu) Companies (as debtor) to Juliang Star (as creditor) under another business advertising agency cooperation agreement entered into between the Ruisheng (Beijing and Chengdu) Companies and Juliang Star (the "**Juliang Cooperation Agreement**").

The guarantee provided by Meitu Networks pursuant to the Second Guarantee Agreement covers all service fees payable under the Juliang Cooperation Agreement, as well as other reasonable expenses incurred.

The cooperation under the Second Cooperation Agreement commenced on January 1, 2023 and will expire on December 31, 2023. The period of guarantee for Meitu Networks is three (3) years from the expiry of the cooperation period without a specific guarantee amount specified.

The First Guarantee Agreement and the Second Guarantee Agreement have been duly approved by the board of directors and shareholders of Meitu Networks in accordance with its constitutional documents and applicable laws.

Significant Investments Held

Investments in Cryptocurrency

In the year of 2021, the Group had, pursuant to the Cryptocurrency Investment Plan, purchased in open market transactions, 31,000 units of Ether (the "**Acquired Ether**") and 940.88523 units of Bitcoin ("**Acquired Bitcoin**") at an aggregate cost of approximately US$100 million. As of December 31, 2022, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US$37.3 million and US$15.6 million, respectively, representing approximately 7% of the Group's total assets in total.

Further details of the acquired cryptocurrencies are set out in the section headed "Impairment Losses on Intangible Assets" above and the announcements of the Company dated March 7, 2021, March 17, 2021, April 8, 2021, July 6, 2021 and July 1, 2022.

Minority Investments

Since December 2018, Meitu Networks acquired RMB3.0 million registered capital of Shenzhen Hujia Biotechnology Co., Ltd. (深圳市護家生物科技有限公司) ("**Hujia Biotech**") and RMB1.4 million registered capital of Shenzhen Hujia Technology Co., Ltd. (深圳市護家科技有限公司) ("**Hujia Technology**"), representing approximately 28.21% equity interest in each of Hujia Biotech and Hujia Technology, at a total consideration of approximately RMB70.9 million.

The investments in Hujia Biotech and Hujia Technology are in the form of equity interests with preferential rights, therefore are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss. Hujia Technology and Hujia Biotech are private companies that operate (i) an online and offline skincare products business in the PRC primarily under the skincare brand of 'HBN' and (ii) the sale of personal hygiene products, respectively.

As of December 31, 2022, the Group continues to hold a total of approximately 28.21% equity interest in Hujia Biotech and Hujia Technology, respectively. The business operations of Hujia Technology in the PRC is in good condition, resulting in an upward revaluation of the Group's equity interest in Hujia Technology for the year ended December 31, 2022.

The Group hired a professional valuer to determine the fair value of its equity interests in Hujia Technology ("**Hujia Technology Equity Interests**"), and a valuation report in relation to such Hujia Technology Equity Interests as of December 31, 2022 was issued on March 28, 2023. According to such valuation report, the fair value of the Hujia Technology Equity Interests as determined by the professional valuer was approximately RMB734.0 million (equivalent to approximately 14.67% of the Group's total assets).

Accordingly, as of December 31, 2022, the Group recorded an unrealised gain of approximately RMB503.4 million in relation to its equity interests in Hujia Technology and the Group did not receive any dividends from Hujia Technology during the year ended December 31, 2022.

Since the Group's beauty-related SaaS business has the potential of developing synergies with Hujia Technology in the future, the Group believes that this investment is in line with the Group's investment strategy and intends to continue to hold the Hujia Technology Equity Interests.

Save as disclosed above and in the paragraph headed "Material Acquisitions and Disposals of Subsidiaries, Associates and/or Joint Ventures" below, during the year ended December 31, 2022, there were no other significant investments held, nor were there any material acquisitions or disposals made by the Group 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 annual report, the Group did not have any other plans for material investments and capital assets as of December 31, 2022.

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

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 RMB79,741,920 (equivalent to approximately HK$97,782,857). The consideration was satisfied (i) as to HK$48,891,428 (equivalent to approximately RMB39,870,960) 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 RMB39,870,960 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 announcements of the Company dated April 9, 2021 and December 17, 2021 respectively. Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries, associates and/or joint ventures during the year ended December 31, 2022.

Important Events after the Reporting Date

Save as disclosed above, there were no important events affecting the Company which occurred after December 31, 2022 and up to the Latest Practice Date.

Directors and Senior Management

OUR DIRECTORS

The following table presents certain information in respect of the members of our Board as at the Latest Practicable Date.

Members of our Board

Name	Age	Position/Title	Date of Appointment
Mr. CAI Wensheng	53	Executive Director and Chairman	July 2013
Mr. WU Zeyuan *(also known as Mr. WU Xinhong)*	42	Executive Director and Chief Executive Officer	July 2013
Dr. GUO Yihong	59	Non-executive Director	January 2014
Dr. LEE Kai-fu	61	Non-executive Director	August 2016
Mr. CHEN Jiarong	34	Non-executive Director	June 2020
Mr. ZHOU Hao	46	Independent non-executive Director	November 2016
Mr. LAI Xiaoling	47	Independent non-executive Director	January 2019
Ms. KUI Yingchun	43	Independent non-executive Director	June 2020

The biography of each Director is set out below:

Executive Directors

Mr. CAI Wensheng (蔡文胜), aged 53, is a founder, executive Director and the Chairman of our Group, and is the chairman of the Nomination Committee of our Company since the Listing Date. Mr. Cai also serves as a director of Pixocial Holdings, Pixocial Singapore and EveLab Insight Mr. Cai is responsible for the overall strategic planning and business direction of the Group. Mr. Cai completed his junior high education at Shi Guang High School in Shishi city (石獅市石光中學), Fujian Province, the PRC in July 1984. Mr. Cai is an entrepreneur and renowned investor in the Internet and technology industry in the PRC. In August 2004, Mr. Cai established 265.com Inc. (北京二六五科技有限公司), a company that provides site navigation services. He was the chairman of 265.com Inc. from August 2004 to 2008, and was responsible for the company's overall strategic development. 265.com Inc. was sold to Google in 2007. Since then, Mr. Cai has become an influential figure in the Internet start-up community in the PRC. Mr. Cai has invested in various technology start-ups in the PRC, including Baofeng Group Co., Ltd (暴風集團股份有限公司) (formerly listed on the Shenzhen Stock Exchange with a stock code of 300431), 58.com Inc. (NYSE: WUBA) and Feiyu Technology International Company Ltd. (Hong Kong Stock Exchange Stock Code: 1022). Mr. Cai is also the founder and chairman of Longling Capital Co., Ltd. From January 2009 to October 2013, Mr. Cai was the chairman of 4399 Network Co., Ltd (四三九九網絡股份有限公司), a software enterprise that provides Internet gaming applications and information services, and was responsible for the company's overall strategic development plan. He was also appointed as a part-time professor at the School of Management, Xiamen University in September 2015.

From May 2011 to November 2015, Mr. Cai served as a director of 58.com Inc. Mr. Cai also held directorships in Xiamen Fei Bo Network Technology Co., Ltd (廈門飛博共創網絡科技股份有限公司) (National Equities Exchange and Quotations Stock Code: 834617) between June 2015 and October 2016, and TTG Fintech Limited (Australian Securities Exchange Ticker: TUP) between September 2012 and August 2017.

Mr. WU Zeyuan (吳澤源) (also known as: Mr. Wu Xinhong (吳欣鴻)), aged 42, is a founder, executive Director and the Chief Executive Officer of our Group. Mr. Wu is responsible for the overall management of the Company. Mr. Wu is also a director of Meitu Investment, Meitu HK, MeituEve HK, MeituEve Technology, Meitu Mobile, Meitu Networks, MeituEve Networks and Meitu Home. Mr. Wu has been involved in the Internet industry in the PRC since 2000. Mr. Wu completed his undergraduate studies in business administration at Dongbei University of Finance & Economics (東北財經大學) in January 2019, and received his high school diploma from Quanzhou No. 1 High School (泉州第一中學) in the PRC in July 2001. From September 2020 onwards, Mr. Wu was involved in running domain-name registration businesses. Mr. Wu began developing and researching photo-editing software in 2008. Mr. Wu has created and launched one popular product after another, from 520.com to Martian Translator *(火星文輸入法)*, a software program for converting ordinary language into netspeak consisting of unconventional Chinese characters.

Mr. Wu has been a director of Quanzhou Haoyi Computer Networks Company (泉州好易計算機網絡有限公司), a limited liability company established in the PRC on August 14, 2001, since its establishment until the Company's voluntary deregistration in October 2017.

Non-executive Directors

Dr. GUO Yihong (過以宏), aged 59, is a non-executive Director and a member of the Audit Committee of our Company. Dr. Guo received his bachelor's degree in applied chemistry from the Shanghai Jiaotong University (上海交通大學) in July 1985, Ph.D. from the University of Massachusetts at Amherst in February 1991, and a master's degree in business administration from Columbia Business School in May 1997. In 1999, Dr. Guo was employed at Soros Fund Management LLC. Since 2006, Dr. Guo has been a partner at IDG Capital Investment Consultancy (Beijing) Co., Ltd. (IDG資本投資顧問(北京)有限公司). Dr. Guo has been a director of Internet platform and app development and operating companies, such as Xiamen Gigabit Network Technology Co., Ltd. (廈門吉比特網絡技術股份有限公司), Next Games Oy, Cassia Networks Inc. and Ripple Labs, Inc. Dr. Guo has been a board observer of Farfetch.com Limited since April 2016. Between August 2014 and January 2019, Dr. Guo has been a director of China Quanjude (Group) Co., Ltd. (中國全聚德(集團)股份有限公司) (Shenzhen Stock Exchange Stock Code: 002186), a restaurant services group.

Dr. Guo is a partner of IDG-Accel China Growth Fund III L.P., one of our pre-IPO investors and a Shareholder of our Company.

Directors and Senior Management

Dr. LEE Kai-fu (李開復), aged 61, was appointed as a non-executive Director in August 2016 and is a member of the Remuneration Committee. Dr. Lee received his bachelor of arts degree and Ph.D. in computer science from Columbia University in May 1983 and Carnegie Mellon University in May 1988, respectively. From 1988 to 1990, Dr. Lee worked at Carnegie Mellon University, where he served as an assistant professor. Between July 1990 and April 1996, Dr. Lee worked at Apple Inc. (NASDAQ: AAPL), serving his last position as vice-president from December 1995. From July 1998 to July 2005, Dr. Lee was the vice president at Microsoft Corporation (NASDAQ: MSFT), a software products and services company, where he played a key role in establishing the Microsoft research division. From July 2005 to September 2009, Dr. Lee was the president of Google China at Google Inc. (NASDAQ: GOOGL), where he helped establish Google's operations in the market and oversaw its growth. He was responsible for launching the Google China R&D Center.

Dr. Lee has been an independent non-executive director of Hon Hai Precision Industry Co., Ltd. (Taiwan Stock Exchange Stock Code: 2317) between July 2016 and June 2019, Fosun International Limited (Hong Kong Stock Exchange Stock Code: 656) since March 2017 and Qingdao AInnovation Technology Group Co., Ltd (Hong Kong Stock Exchange Stock Code: 2121) since February 2018. Dr. Lee served as an independent non-executive director of Shangri-La Asia Limited (Hong Kong Stock Exchange Stock Code: 0069) between November 2015 and June 2019.

Dr. Lee has served as chairman and chief executive officer of Innovation Works Limited, a venture capital firm, since 2009. Dr. Lee has been the chairman of Innovation Works (Beijing) Enterprise Management Co., Ltd. (delisted from the National Equities Exchange and Quotations in January 2020), a venture capital firm, since September 2015 and independent non-executive director of LightInTheBox Holding Co., Ltd., an NYSE-listed company (NYSE: LITB) between June 2013 and July 2019.

Dr. Lee is a co-founder and the managing partner of Innovation Works Development Fund L.P., one of our pre-IPO investors and a Shareholder of our Company.

Mr. CHEN Jiarong (陳家荣), aged 34, was appointed as a non-executive Director of our Company on June 3, 2020. Mr. Chen was a founder and the chief executive officer of Kingkey Enterprise Holdings Limited between July 2014 and May 2019, and was responsible for managing and overseeing a direct investment portfolio with a size of over HK$2 billion, and directing all organizational operations, policies, and objectives to maximize productivity and returns. Between July 2012 and June 2014, Mr. Chen was a business manager at Ping An Securities Limited in Shenzhen (the PRC), providing financial advice and support to clients and formulating strategic and long-term business plans.

Mr. Chen graduated from the University of British Columbia with a bachelor of arts degree in economics in 2012.

Mr. Chen served as the chairman and non-executive director of Kingkey Intelligence Culture Holdings Limited (formerly known as KK Culture Holdings Limited) (Hong Kong Stock Exchange Stock Code: 550) between January 2017 and November 2018, and also as a director of Shenzhen Kingkey Smart Agriculture Times Co., Ltd. (深圳市京基智農時代股份有限公司) (Shenzhen Stock Exchange Stock Code: 48) since November 15, 2022.

Independent Non-Executive Directors

Mr. ZHOU Hao (周浩), aged 46, was appointed as an independent non-executive Director of our Company, chairman of the Audit Committee and member of the Nomination Committee of our Company with effect from Listing. Mr. Zhou is our Director with appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through his experience listed below. Mr. Zhou received his bachelor's degree from Shanghai International Studies University (上海外國語大學) in July 1998. Mr. Zhou joined General Electric (China) Co., Ltd. (通用電氣(中國)有限公司) in January 2007 as a financial manager. From May 2009 to September 2010, Mr. Zhou was the vice president of finance and the chief financial officer at Wuxi PharmaTech (Cayman) Inc., (NYSE: WX).

In September 2010, Mr. Zhou joined CITIC Pharmaceutical Co Ltd. (中信醫藥實業有限公司), a pharmaceutical service provider that supplies medicine and related consumables to hospitals as chief financial officer. From June 2011 to September 2019, Mr. Zhou was the chief financial officer of 58.com Inc., (NYSE: WUBA), a company that operates online marketplace serving local merchants and consumers in the PRC, and was subsequently redesignated as head of international business in September 2019 and its chief strategic officer in April 2020. In November 2020, he was further redesignated as chief strategy officer of Anjuke Group Inc., the housing subsidiary of 58.com Inc., and has served such role until March 2023.

Mr. Zhou has also been an independent non-executive director of (i) Bairong Inc. (Hong Kong Stock Exchange Stock Code: 6608) since March 2021 and (ii) Angelalign Technology Inc. (Hong Kong Stock Exchange Stock Code: 6699) since April 2023.

Mr. LAI Xiaoling (賴曉凌), aged 47, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee since January 1, 2019. Mr. Lai has over 15 years of experience in investment and business management. Between January 2018 and May 2021, Mr. Lai has been a partner of Beijing Shunwei Capital Investment and Consulting Company Limited (北京順為資本投資諮詢有限公司), primarily responsible for investment strategy, team formation and management and portfolio management; from June 2013 to December 2017, he was a partner of Innovation Work (Beijing) Investment Management and Consulting Company Limited (創新方舟(北京)投資管理諮詢有限公司), primarily responsible for investment strategy, personnel recruitment and training and portfolio management; from June 2012 to April 2013, he worked as the Investment Director for Chengwei Investment Advisory (Shanghai) Company Limited (成為投資諮詢(上海)有限公司); from October 2007 to February 2012, he worked as the Investment Manager and Vice President for Morningside TMT (Shanghai) Limited (晨創啟興(上海)投資管理諮詢有限公司), primarily responsible for deal sourcing, execution and portfolio management.

Mr. Lai obtained a bachelor's degree in engineering physics from Tsinghua University (清華大學) in July 1999, and a master's degree in business administration from The Chinese University of Hong Kong (香港中文大學) in December 2007.

Mr. Lai has also been an independent non-executive director of Feiyu Technology International Company Ltd. (Hong Kong Stock Exchange Stock Code: 1022) since November 2014.

Ms. KUI Yingchun (蒉鶯春), aged 43, was appointed as an independent non-executive Director of our Company on June 3, 2020 and appointed as a member of the Remuneration Committee and Nomination Committee on June 2, 2021. Ms. Kui is the president of the agriculture business of NetEase, Inc. (NASDAQ: NTES) from March 2017 until June 2019, a senior advisor of NetEase Weiyang from April 2020 until December 2020, responsible for the overall business strategy and fundraising, and replicate eco-friendly farm across the PRC to enhance food safety and mitigate environmental problems. She is also the founder and chief executive officer of Hetian Flying Chicken (Changting) Agriculture Technology Ltd. from December 2017 until June 2021.

From July 2007 to September 2008, Ms. Kui served as the head of investor relations and business development of E-House (China) Holdings Limited (NYSE: EJ). From September 2008 to October 2009, she was an executive director (investment banking, China team, head of China syndicate) at UBS AG in Hong Kong. From October 2009 to April 2012, she worked at the Bank of America Merrill Lynch in Hong Kong with her last position being the head of China technology and media (investment banking). From April 2012 to April 2016, she worked at JD.com, Inc. with her last position being senior vice president. From May 2016 to October 2016, she was a managing director at CRE Alliance Fund (under China Resources Group).

Ms. Kui graduated from the Beijing Foreign Studies University (北京外國語大學) with a Bachelor of Arts degree in 2000, followed by a Master of Arts degree in international political economy at the University of Birmingham.

OUR SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of the Group as at the Latest Practicable Date, in addition to the executive Directors listed above.

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr. NGAN King Leung Gary (顏勁良)	39	Chief Financial Officer and Company Secretary	Overall financial strategy, investor relations and company secretarial matters	June 2015
Ms. WANG Xiujuan (王秀娟)	45	Chief Operating Officer	Monetization strategies and innovation ecosystem	August 2019
Ms. SHI Na (施娜)	45	Chief Human Resources Officer	Overall human resources and administration management	April 2019

See disclosure in "Directors and Senior Management – Our Directors" for the biographies of Mr. Cai and Mr. Wu.

Mr. NGAN King Leung Gary (顏勁良), aged 39, is our Chief Financial Officer and Company Secretary, and joined our Group in June 2015. Mr. Ngan is primarily responsible for the overall financial strategy, investor relations and company secretarial matters of the Group. Between May 2012 and June 2015, Mr. Ngan held the positions of chief operating officer and chief financial officer at Forgame Holdings Limited (Hong Kong Stock Exchange Stock Code: 484), a mobile game and web game company listed on the Stock Exchange. Prior to that, he was the director and head of Hong Kong and China Internet research at UBS AG, where he worked from July 2006 to April 2012. Mr. Ngan received his bachelor of science degree in economics from the Wharton School, University of Pennsylvania in 2006. He has been a CFA Charterholder since 2010. Mr. Ngan was also the joint company secretary of Forgame Holdings Limited from February 2013 to November 2014, and has been appointed as an independent non-executive director of Pop Mart International Group Limited (Hong Kong Stock Exchange Stock Code: 9992) since its listing on the Stock Exchange in December 2020.

Ms. WANG Xiujuan (王秀娟), aged 45, is our Chief Operating Officer and joined our Group in August 2019. Ms. Wang is primarily responsible for the monetization strategies and innovation ecosystem of the Group. Ms. Wang founded Dajie.com in 2008, and has also played an integral role as a co-founder in building many China's consumer mobile and Internet companies, such as ChinaRen, KongZhong.com (NASDAQ: KZ) and RenRen (NYSE: RENN). She was awarded with "2010-2020: 35 Most Influential People in the IT Industry of the Next Decade" by Beijing Youth Daily and Tencent Tech. In addition, she was also awarded with "Pink Platinum Elite Women Leader" by Bazaar Magazine and recognized as a leading role model for women executives in the industry. Ms. Wang received her bachelor's degree in international finance at the Central University of Finance and Economics (中央財經大學) in Beijing. Ms. Wang remains as a director and the chief executive officer of the Dajie Group.

Ms. SHI Na (施娜), aged 45, is our Chief Human Resources Officer and joined our Group in April 2019. Ms. Shi served as director of human resources and operations at Lenovo Group between 2013 and 2014, and at Lenovo ZUK between 2015 and 2016. Between 2017 and 2019, Ms. Shi served as vice president of human resources at Ziroom Group. Ms. Shi received her bachelor's degree in economics at the Minzu University of China (中央民族大學) in 2000, and her master degree in philosophy of science & technology at Dalian University of Technology (大連理工大學) in 2003.

OUR COMPANY SECRETARY

Mr. NGAN King Leung Gary (顏勁良) was appointed as one of the joint company secretaries of our Company on August 2, 2016, and became the sole company secretary of our Company from December 15, 2019. See disclosure in "Directors and Senior Management – Our Senior Management" for the biography of Mr. Ngan.

OUR GENERAL COUNSEL

Mr. LAW Yat Yang Arthur (羅日陽), aged 39, was appointed as the General Counsel of the Group on September 18, 2017.

Prior to joining the Group, he was a Legal Counsel of Alibaba Group (HKEX: 9988; NYSE: BABA) from January 2017 to September 2017, primarily responsible for Alibaba Group's international cloud computing, online travel platform and IT equipment procurement businesses. Between February 2014 and January 2017, Mr. Law worked at Forgame Holdings Limited (HKEX: 484), with his last position being General Counsel & Company Secretary from June 2015. Between October 2010 and January 2014, Mr. Law worked as a Solicitor in the Corporate & Commercial Department of Messrs. Woo Kwan Lee & Lo.

Mr. Law was admitted as a solicitor of New South Wales (Australia) by the Supreme Court of New South Wales (Australia) in August 2007 and as a solicitor of Hong Kong by the High Court of Hong Kong in September 2010. He obtained a bachelor of applied finance degree and a bachelor of laws degree from Macquarie University, Sydney (Australia) in April 2007, a graduate diploma in legal practice from The College of Law (New South Wales, Australia) in August 2007, and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2008.

The Board of the Company is pleased to present this report of the Directors with the consolidated financial statements of the Group for the year ended December 31, 2022.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on July 25, 2013 as an exempted limited liability company under the Companies Act. The Company adopted and carries on business in Hong Kong under the name of "美圖之家", as approved by and registered with the Registrar of Companies on October 28, 2016 and November 7, 2016, respectively.

The Company's Shares were listed on the Main Board of the Stock Exchange on December 15, 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries and contractually controlled entities and their subsidiaries are (i) the provision of online advertising and other Internet value-added services by offering a portfolio of innovative photo and community apps that enjoys popularity in the PRC and overseas and (ii) the smart hardware business involving the production of, among other things, MeituEve (a commercial artificial intelligence skin analyser), MeituKey (a contact skin analyser), MeituSpa (an artificial intelligence cleansing brush) and Meitu Genius (an artificial intelligence smart mirror).

The analysis of the Group's revenues and contribution to results by business segments and the Group's revenues by geographical area of operations are set out in Note 5 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Stock Exchange on the Listing Date. The net proceeds from the Listing amounted to approximately RMB4,302.8 million[(1)].

As at December 31, 2022, the Group had fully utilized the net proceeds as set out in the table below:

	Net proceeds from the Listing[(1)] (RMB million)	Unutilized amount as at December 31, 2021[(1)] (RMB million)	Utilization for the year ended December 31, 2022[(1)] (RMB million)	Unutilized amount as at December 31, 2022[(1)] (RMB million)
Component and raw material sourcing to produce smartphones	1,247.6	–	–	–
Investment in or acquisition of businesses that are complementary to our business	972.4	90.2	90.2	–
Implementation of sales and marketing initiatives in both China and overseas market	847.3	–	–	–
Expansion of Internet services business	564.3	24.9	24.9	–
Expansion of research and development capabilities	282.1	–	–	–
General working capital	389.1	–	–	–

Note:

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

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of comprehensive income on page 157 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2022 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 8 to 11 and pages 12 to 25 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of the Directors – Risks relating to the Contractual Arrangements", "Report of the Directors – Risks relating to the MeituEve Contractual Arrangements" and "Report of the Directors – Dajie VIE Agreements – Risks relating to the Dajie VIE Agreements" on pages 56, 63 and 74 of this annual report. An account of the Company's environmental policies and performance, its compliance with the relevant laws and regulations that have a significant impact on the Company, and its key relationships with employees, customers and suppliers and others that have a significant impact on the Company and its performance is set out in the "Environmental, Social and Governance Report" on pages 99 to 149 of this annual report. The aforementioned sections form part of this report of the Directors.

DIVIDENDS

The Board has decided to recommend the payment of an aggregate Final Dividend of HK$0.02 per Share out of the Share Premium Account for the year ended December 31, 2022 (2021: nil), totaling approximately HK$88.9 million (equivalent to approximately RMB78.0 million). As no interim dividend has been paid, the total dividend for the year ended December 31, 2022 will amount to HK$0.02 per Share (2021: nil), reflecting a dividend payout ratio of approximately 70.6% based on the Adjusted Net Profit attributable to Owners of the Company for the year ended December 31, 2022.

For further details, please refer to the section headed "Dividends" in the Management Discussion and Analysis section on pages 21-22.

As at the Latest Practicable Date, the Company has an aggregate of 4,444,329,324 Shares in issue. Based on the number of issued Shares as at the Latest Practicable Date, the Final Dividend, if declared and paid, will amount to an aggregate amount of HK$88.9 million (equivalent to approximately RMB77.8 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 Articles and in accordance with the Companies Act. As of December 31, 2022, based on the audited consolidated financial statements of the Group, the amount standing to the credit of the Share Premium Account was approximately RMB7,174.1 million (equivalent to approximately HK$8,174.7 million). Following the payment of the Final Dividend, there will be a remaining balance of approximately RMB7,096.3 million (equivalent to approximately HK$8,103.0 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 AGM 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, 2023 to those Shareholders whose names appear on the register of members of the Company at close of business on June 9, 2023.

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.

RESERVES

The Company may pay dividends out of the Share Premium Account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As at December 31, 2022, the Company had distributable reserves of US$705,301,000 (equivalent to RMB4,912,139,000) (2021: US$831,510,000 (equivalent to approximately RMB5,301,459,000)), as calculated in accordance with the provisions of the Companies Act.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on pages 160 to 161 and in Note 23 to the consolidated financial statements, respectively.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2022 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2022 are set out in Note 22 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements.

DONATION

During the year ended December 31, 2022, the Group made charitable donations of approximately RMB1,257,254 (2021: RMB1,321,467).

FINANCIAL SUMMARY

A summary of the condensed consolidated results and financial positions of the Group is set out on page 267 of this annual report.

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

During the year ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended December 31, 2022.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the EveLab Insight Share Award Scheme. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 31, Note 9(a) and Note 9(b), respectively, to the consolidated financial statements.

Except for Dr. GUO Yihong who has voluntarily reduced his remuneration to nil with effect from October 1, 2020 due to the current policies of his employer, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended December 31, 2022, Mr. Wu Zeyuan, executive Director and the Chief Executive Officer of our Group, was paid discretionary bonuses of a total sum of RMB930,000 (equivalent to approximately 5.6 months of his base salary). Save as disclosed above, no discretionary bonuses were paid to, or receivable by, the Directors for the year ended December 31, 2022.

SHARE SCHEMES

1. Employee Share Option Plan

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

Purpose

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

Eligible Participants

Any employees, consultants, all members of the Board, and other individuals, as determined, authorized and approved by the Board or a committee authorized by the Board.

Maximum Number of Shares

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

As at December 31, 2022, outstanding options representing 17,843,520 underlying Shares were granted to eligible participants pursuant to the Pre-IPO ESOP. Details of the Pre-IPO ESOP are set out in Note 24 to the consolidated financial statements.

As at the Latest Practicable Date, options to subscribe for an aggregate of 16,219,506 Shares were outstanding, representing approximately 0.36% of the issued share capital of the Company as at the Latest Practicable Date.

No further option could be granted under the Pre-IPO ESOP.

Limit for Each Participant

Under the Pre-IPO ESOP, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Remaining Life of the Pre-IPO ESOP

The Pre-IPO ESOP is valid and effective for a period of 10 years from February 15, 2014 and up to February 15, 2024. The remaining life of the scheme is approximately 1 year. Any options that are outstanding on the expiry date of the Pre-IPO ESOP shall remain in force according to the terms of the Pre-IPO ESOP.

Consideration

No consideration is required to be paid by the grantees for the grant of options under the Pre-IPO ESOP.

Option Period

The term of any options granted under the Pre-IPO ESOP shall not exceed 10 years, subject to a shareholder approval of extension of the exercise period for an option beyond 10 years from the date of grant. The Board shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Pre-IPO ESOP does not specify any minimum holding period.

Exercise Price

The exercise price per Share under the Pre-IPO ESOP is US$0.03 as determined, authorized and approved by the Board.

Details of Options Granted under the Pre-IPO ESOP

Name and/or Category of Participants	Date of Grant	Options Outstanding as at January 1, 2022	Options Granted During the Year	Exercise Period	Vesting Period	Exercise Price	Closing Price of Shares Immediately Before Date of Grant (For Options Granted During the Year)	Fair Value of Options as at the Date of Grant (For Options Granted During the Year)	Options Exercised During the Year	Weighted Average Closing Price of the Shares Immediately before the Date of Exercise (For Options Exercised During the Year)	Options Cancelled During the Year	Options Lapsed During the Year	Options Outstanding as at December 31, 2022
Employees (Excluding Directors and Chief Executive)	During 2016	3,684,357	–	10 Years from the Date of Grant	See Note [1]	US$0.03	–	–	554,375	HK$1.01	–	–	3,129,982
	During 2015	1,961,597	–	10 Years from the Date of Grant	See Note [1]	US$0.03	–	–	160,375	HK$1.38	–	–	1,801,222
	During 2014	11,270,816	–	10 Years from the Date of Grant	See Note [1]	US$0.03	–	–	134,500	HK$1.09	–	–	11,136,316
		16,916,770							849,250		–	–	16,067,520
Other Participant(s)	During 2014	1,776,000	–	10 Years from the Date of Grant	See Note [2]	US$0.03	–	–	–	–	–	–	1,776,000
		1,776,000											1,776,000
Total		18,692,770							849,250		–	–	17,843,520

Notes:

(1) The options granted shall vest according to the following schedule: (i) 25% of the options shall vest on the first anniversary from the date of grant; and (ii) the remaining 75% shall vest each month thereafter over a period of 36 months from the date of grant in 36 equal tranches.

(2) The options shall fully vest on August 1, 2016.

2. Post-IPO Share Option Scheme

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

Purpose

The purpose of the Post-IPO Share Option Scheme is to enable the Company to grant options to the eligible participants as an incentive or a reward for their contribution to the Group.

Eligible Participants

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non– executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Directors may determine.

Maximum Number of Shares

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes adopted by the Group must not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Post-IPO Share Option Scheme or any other share option schemes adopted by the Group if the grant of such option exceeds the limit.

As at January 1, 2022, December 31, 2022 and the Latest Practicable Date, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares available for grant under the Post-IPO Share Option Scheme was 422,729,455 Shares, representing 9.71%, 9.52% and 9.51% of the issued share capital of the Company respectively.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Post–IPO Share Option Scheme and any other share option schemes is 422,729,455 Shares, being no more than 10% of the Shares in issue as at the Listing Date. The limit of 10% may be refreshed at any time by approval of the Shareholders in a general meeting provided that the total number of the Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option schemes of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Group will not be counted.

Remaining Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to December 15, 2026. The remaining life of the Post-IPO Share Option Scheme is approximately 3 years.

Limit of Each Participant

Unless approved by Shareholders in a general meeting, the maximum number of Shares underlying the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

Consideration

A consideration of HK$1.00 is payable on acceptance of the grant of an option.

Option Period

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period as the Board may determine, which may not expire later than 10 years from the offer date of the option subject to the provisions of early termination thereof.

The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Post-IPO Share Option Scheme does not specify any minimum holding period.

Exercise Price

Pursuant to the Post-IPO Share Option Scheme, the participants may subscribe for the Shares on the exercise of an option at the price determined by the Board provided that it shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "**Offer Date**") on which an option is offered to a participant, which must be a business date; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of a Share.

Details of Options Granted under the Post-IPO Share Option Scheme

As at December 31, 2022 and as at the Latest Practicable Date, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme.

3. Post-IPO Share Award Scheme

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

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and regain eligible persons to make contributions to the long-term growth and profits of the Group.

Eligible Participants

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the Directors may determine.

Awards

An award granted by the Board to eligible participants which may vest in the form of Shares or the actual selling price of the Shares in cash.

Granting of Awards

The Board may, from time to time, grant awards to any eligible participant who the Board considers to have contributed or will contribute to the Group.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum Number of Shares to be awarded

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 5% of the aggregate nominal amount of the issued share capital of the Company without further Shareholders' approval, approximately 211,364,727 Shares, subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

Any Shares granted under the Post-IPO Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any award granted by the Board, or enter into any agreement to do so.

As at December 31, 2022 and as at the Latest Practicable Date, 121,027,599 and 150,238,458 outstanding award Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme). The total number of Shares available for grant under the Post-IPO Share Award Scheme (excluding Shares granted which have been forfeited in accordance with the Post-IPO Share Award Scheme) as at January 1, 2022 and December 31, 2022 were 115,777,266 Shares and 90,337,128 Shares, representing 2.61% and 2.03% of the issued share capital of the Company respectively.

Assuming (i) the annual limit of 3% of the total number of issued Shares is fully utilized and (ii) options granted under the Pre-IPO ESOP or Post-IPO Share Option Scheme are not exercised, our issued share capital will increase from 4,442,705,310 Shares (being the number of Shares in issue as at December 31, 2022) and 4,444,329,324 Shares (being the number of Shares in issue as at the Latest Practicable Date) to 4,575,986,469 Shares and 4,577,659,203 Shares respectively.

Limit for Each Participant

Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Post-IPO Share Award Scheme.

Vesting Period

The Board has the authority to determine the vesting period of the Shares granted under the Post-IPO Share Award Scheme. The Post-IPO Share Award Scheme does not specify any minimum holding period.

Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Shares granted prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Shares already granted to a selected participant.

The remaining life of the Post-IPO Share Award Scheme is approximately 3 years.

Details of Share Awards Granted under the Post-IPO Share Award Scheme

Name and/or Category of Participants	Date of Grant	Unvested Awards Outstanding as at January 1, 2022	Awards Granted During the Year	Vesting Period	Purchase Price	Closing Price of Shares Immediately Before Date of Grant (For Awards Granted During the Year)	Fair Value per Awarded Share as at the Date of Grant (For Awards Granted During the Year)[1]	Awards Vested During the Year	Weighted Average Closing Price of the Shares Immediately before the Date of Vesting (For Awards Vested During the Year)	Awards Cancelled During the Year	Awards Lapsed During the Year	Unvested Awards Outstanding as at December 31, 2022
Directors and Chief Executive												
WU Zeyuan	Apr 4, 2022	–	3,000,000	May 4, 2022 – Apr 4, 2023 [2]	Nil	HK$0.96	HK$1.01	2,000,000	HK$0.90	–	–	1,000,000
			3,000,000					2,000,000		–	–	1,000,000
Employees (Excluding Directors and Chief Executive)	Nov 1, 2022	–	257,803	Nov 1, 2023 – Nov 1, 2024 [3]	Nil	HK0.68	HK$0.7	–	–	–	–	257,803
	Sep 1, 2022	–	425,200	Sep 1, 2023 – Sep 1, 2024 [3]	Nil	HK$0.84	HK$0.85	–	–	–	–	425,200
	May 1, 2022	–	221,148	May 1, 2023 – May 1, 2024 [3]	Nil	HK$0.95	HK$0.94	–	–	39,023	–	182,125
	Apr 1, 2022	–	4,190,000	Apr 1, 2022 – Apr 1, 2023 [4]	Nil	HK$0.93	HK$0.96	2,793,336	HK$0.89	–	–	1,396,664
	Apr 1, 2022	–	500,000	Apr 1, 2022 – Apr 1, 2023 [4]	Nil	HK$0.93	HK$0.96	–	–	–	–	500,000
	Apr 1, 2022	–	13,048,688	Apr 1, 2023 – Apr 1, 2024 [3]	Nil	HK$0.93	HK$0.96	–	–	560,000	–	12,488,688
	Apr 1, 2022	–	3,000,000	Apr 1, 2023 – Apr 1, 2024 [6]	Nil	HK$0.93	HK$0.96	–	–	–	–	3,000,000
	Jan 1, 2022	–	222,810	Jan 1, 2023- 1 Jan, 2024 [3]	Nil	HK$1.55	HK$1.55	–	–	–	–	222,810
	During 2021	1,366,664	–	See Note (4)	Nil	–	–	1,366,664	HK$1.31	–	–	0
	During 2021	900,000	–	See Note (5)	Nil	–	–	900,000	HK$0.93	–	–	0
	During 2021	21,008,582	–	See Note (3)	Nil	–	–	10,456,547	HK$0.90	914,630	–	9,637,405
	During 2020	307,500	–	See Note (7)	Nil	–	–	102,500	HK$1.40	100,000	–	105,000
	During 2020	5,393,000	–	See Note (3)	Nil	–	–	5,182,750	HK$0.96	210,250	–	0
	During 2020	5,600,000	–	See Note (8)	Nil	–	–	5,006,400	HK$0.83	593,600	–	0
	During 2019	3,175,772	–	See Note (7)	Nil	–	–	1,492,271	HK$1.06	246,230	–	1,437,271
	During 2018	19,790	–	See Note (9)	Nil	–	–	19,790	HK$1.55	–	–	0
	During 2018	1,008,495	–	See Note (7)	Nil	–	–	1,008,495	HK$0.85	–	–	0
		38,779,803	21,865,649					28,328,753		2,663,733	–	29,652,966
Consultants	Sep 1, 2022	–	145,000	See Note (3)	Nil	HK$0.84	HK$0.85	–	–	–	–	145,000
	Jan 1, 2022	–	1,863,222	See Note (3)	Nil	HK$1.55	HK$1.55	–	–	–	–	1,863,222
		–	2,008,222					–		–	–	2,008,222
Total		38,779,803	26,873,871					30,328,753		2,663,733	0	32,661,188

Notes:

(1) The fair value of the awarded shares as of the date of grant was determined based on the market price of the Company's shares as at the respective grant dates, further details of which are set out in Note 24 of to the consolidated financial statements.

(2) The share awards granted to Mr. Wu shall vest monthly in 12 equal tranches over a period of 12 months from the date of grant.

(3) The share awards granted shall vest annually in 2 equal tranches on the first and second anniversary from the date of grant.

(4) The share awards granted shall vest monthly in 12 equal tranches over a period of 12 months from the date of grant.

(5) The share awards granted shall fully vest on the first anniversary from the date of grant.

(6) The share awards granted shall vest subject to the following conditions: (i) 40% of the share awards shall vest subject to the business unit's overall performance for the year (including but not limited to, the annual gross profit from operations, prevention in the decline of number of Android daily active users (DAU), increase in number of saved images from users, etc.); (ii) 30% of the share awards shall vest if the weighted average Share price for the year shall be HK$2.30 or above; and (iii) 30% of the share awards shall vest subject to the approval and favourable performance appraisal by the Chief Executive Officer of the Group.

(7) The share awards granted shall vest annually in 4 equal tranches on the first, second, third and fourth anniversary from the date of grant.

(8) The share awards granted shall vest subject to the following conditions: (i) 40% of the share awards shall vest subject to the business unit's overall performance for the year (including but not limited to, the annual gross profit from operations, prevention in the decline of number of Android daily active users (DAU), increase in number of saved images from users, etc.); (ii) 30% of the share awards shall vest if the weighted average Share price for the year shall be HK$1.69 or above; and (iii) 30% of the share awards shall vest subject to the approval and favourable performance appraisal by the Chief Executive Officer of the Group.

(9) The share awards granted shall vest according to the following schedule: (i) 25% of the share awards shall vest on the first anniversary from the date of grant; and (ii) the remaining 75% shall vest each month thereafter over a period of 36 months from the date of grant in 36 equal tranches.

The total number of Shares that may be issued in respect of the options and share awards granted pursuant to the Pre-IPO ESOP and the Post-IPO Share Award Scheme during the year ended December 31, 2022 is 50,504,708 Shares and constitutes approximately 1.14% after dividing it by the total number of issued Shares as at December 31, 2022.

4. Evelab Insight Share Award Scheme

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

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

Purpose

The purpose of the EveLab Insight Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of the EveLab Insight Shares, dividends and other distributions paid on the EveLab Insight Shares and/or the increase in value of the EveLab Insight Shares, and to encourage and regain eligible persons to make contributions to the long-term growth and profits of the Group.

Eligible Participants

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate as the EveLab Insight Board may determine, and for this purpose shall include any trust, company or other entity or form of business vehicle which such individual or his/her family member is a beneficiary of or holds beneficial interest in ("**Eligible Vehicle**").

Awards

An award granted by the EveLab Insight Board to eligible participants which may vest in the form of EveLab Insight Shares or the actual selling price of the EveLab Insight Shares in cash.

Granting of Awards

The EveLab Insight Board may, from time to time, grant awards to any eligible participant who the EveLab Insight Board considers to have contributed or will contribute to the Group.

Each grant of an award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of an award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum Number of EveLab Insight Shares to be awarded

The aggregate number of EveLab Insight Shares underlying all grants made pursuant to the EveLab Insight Share Award Scheme (excluding EveLab Insight Shares granted which have been forfeited in accordance with the EveLab Insight Share Award Scheme) will not exceed 20% of the total number of issued shares of EveLab Insight (i.e. approximately 100,000,000 EveLab Insight Shares) without further approval from the Company.

Any EveLab Insight Shares granted under the EveLab Insight Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred other than to an Eligible Vehicle of such selected participant. A selected participant shall not in any way sell, transfer (other than to an Eligible Vehicle of such selected participant), charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any award granted by the EveLab Insight Board, or enter into any agreement to do so.

Number of EveLab Insight Shares awarded

As at December 31, 2022 and as at the Latest Practicable Date, a total of 67,500,000 and 67,500,000 EveLab Insight Shares had been granted or agreed to be granted under the EveLab Insight Share Award Scheme (excluding EveLab Insight Shares granted which have been forfeited in accordance with the EveLab Insight Share Award Scheme), representing approximately 13.5% of the issued share capital of EveLab Insight Cayman as at December 31, 2022 and as at the Latest Practicable Date.

Limit for Each Participant

Under the EveLab Insight Share Award Scheme, there is no specific limit on the maximum number of EveLab Insight Shares which may be granted to a single eligible participant but unvested under the EveLab Insight Share Award Scheme.

Vesting Period

The EveLab Insight Board has the authority to determine the vesting period of the Shares granted under the EveLab Insight Share Award Scheme. The EveLab Insight Share Award Scheme does not specify any minimum holding period.

Termination

The EveLab Insight Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing from the date the EveLab Insight Share Aware Scheme was adopted except in respect of any non-vested EveLab Insight Shares granted prior to the expiration of the EveLab Insight Share Award Scheme, for the purpose of giving effect to the vesting of such EveLab Insight Shares or otherwise as may be required in accordance with the provisions of the EveLab Insight Share Award Scheme; and

(b) such date of early termination as determined by the EveLab Insight Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the EveLab Insight Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the EveLab Insight Shares already granted to a selected participant.

The remaining life of the EveLab Insight Share Award Scheme is approximately 8 years.

EveLab Insight is neither a listed company nor a principal subsidiary of the Company under the definition of Chapter 17 of the Listing Rules, and therefore the EveLab Insight Share Award Scheme is not subject to disclosure obligations under Chapter 17 of the Listing Rules.

EQUITY-LINKED AGREEMENTS

On December 17, 2021, Meitu Networks, the Meidd Sellers and Meidd entered into a sale and purchase agreement (the "**Meidd SPA**"), pursuant to which Meitu Networks purchased, and the Meidd Sellers sold, approximately 20.67% equity interest in Meidd at an aggregate consideration of approximately RMB79,741,920 (equivalent to approximately HK$97,782,857). The consideration was satisfied (i) as to HK$48,891,428 (equivalent to approximately RMB39,870,960) 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 RMB39,870,960 in cash. The Meidd SPA 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 can be found in the announcement of the Company dated December 17, 2021.

Save as disclosed above, no other equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

DIRECTORS

The Directors and members of senior management of the Company who held office during the year ended December 31, 2022 and up to the Latest Practicable Date were:

Executive Directors:

Mr. CAI Wensheng *(Chairman)*
Mr. WU Zeyuan *(Chief Executive Officer)*

Non-Executive Directors:

Dr. GUO Yihong
Dr. LEE Kai-fu
Mr. CHEN Jiarong

Independent Non-executive Directors:

Mr. ZHOU Hao
Mr. LAI Xiaoling
Ms. KUI Yingchun

Pursuant to Article 84 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company and will be eligible for re-election at that meeting. The Directors to retire by rotation shall firstly be those who wishes to retire and not offer himself/herself for re-election, and secondly be those who have been longest in office since their last re-election or appointment and as between persons who became or were last re-elected Directors on the same day shall (unless they otherwise agree among themselves) be determined by lot.

In accordance with Article 84(2) of the Articles of Association, Mr. CHEN Jiarong, Ms. KUI Yingchun and Mr. ZHOU Hao shall retire from office as Directors by rotation at the AGM and being eligible, offer themselves for re-election as Directors at the AGM.

Details of the Directors standing for re-election at the AGM are set out in the circular to the Shareholders together with this annual report.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Such service contracts were renewed on identical terms (i) on June 3, 2019 for a further term of three years or until the third annual general meeting of the Company since the date of renewal (whichever is sooner) and (ii) on June 2, 2022 without a specific term, but subject to retirement by rotation at least once every three years. Mr. CAI Wensheng has also entered into a service contract with Pixocial Singapore for an initial term of one year with effect from January 1, 2019, subject to renewal and the re-election as and when required under the constitution of Pixocial Singapore, and such service contract was renewed yearly on identical terms on January 1, 2020, January 1, 2021, January 1, 2022 and January 1, 2023.

Each of the non-executive Directors and independent non-executive Directors (excluding Mr. LAI Xiaoling, Mr. CHEN Jiarong and Ms. KUI Yingchun) has signed a letter of appointment with the Company ("**Letter of Appointment**") for an initial term of three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner). Such letters of appointment were renewed on identical terms (i) on June 3, 2019 for a further term of three years or until the third annual general meeting of the Company since the date of renewal (whichever is sooner) and (ii) on June 2, 2022 without a specific term.

On September 30, 2020, Dr. GUO Yihong entered into a supplemental agreement with the Company to amend his Letter of Appointment to reduce his remuneration to nil with effect from October 1, 2020. Dr. GUO Yihong has advised the Company that pursuant to the current policies of his employer, as a matter of prudence, he has volunteered not to receive any remuneration from the Company for the time being, in order to avoid any situation where a possible conflict of interest may arise.

Mr. LAI Xiaoling has signed a letter of appointment with the Company commencing from January 1, 2019 until the third annual general meeting of the Company from such commencement date. Such letter of appointment was renewed on identical terms on June 2, 2021 for a further term of three years or until the third annual general meeting of the Company since the date of renewal (whichever is sooner).

Each of Mr. CHEN Jiarong and Ms. KUI Yingchun has signed a letter of appointment with the Company commencing from June 3, 2020 for three years or until the third annual general meeting of the Company from such commencement date (whichever is sooner).

None of the Directors proposed for re-election at the AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Continuing Connected Transactions" below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

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

As at December 31, 2022, the interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and/or the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[4]
Mr. CAI Wensheng[1]	Interest in a controlled corporation/ Beneficiary of a trust	1,126,600,000	25.36%
Mr. WU Zeyuan[2]	Beneficiary of a trust/Beneficial owner	571,946,670	12.87%
Mr. CHEN Jiarong[3]	Beneficial owner/Interest in a controlled corporation	517,740,180	11.65%
Dr. LEE Kai-fu	Interest in a controlled corporation	26,172,351	0.59%

Notes:

(1) The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which is in turn held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai.

(2) The entire interest of Xinhong Capital is held by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu.

(3) Mr. Chen's interest in these Shares includes the interest in 435,024,180 Shares held by Kingkey Enterprise Holdings Limited, the 50% interest of which is held by Mr. Chen.

(4) The percentages are calculated on the basis of 4,442,705,310 Shares in issue as at December 31, 2022.

Save as disclosed above, as at December 31, 2022, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and/or the Stock Exchange pursuant to Model Code.

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

As at December 31, 2022, the persons other than the Directors, whose interests have been disclosed in this annual report, had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company, pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of ordinary shares	Approximate percentage of holding[4]
Easy Prestige[1]	Interest of controlled corporation	566,666,670	12.76%
Xinhong Capital[1]	Beneficial owner	566,666,670	12.76%
Baolink Capital[2]	Beneficial owner	506,600,000	11.40%
Longlink Limited[2]	Interest of controlled corporation	620,000,000	13.96%
Longlink Capital[2]	Beneficial owner	620,000,000	13.96%
Lion Trust (Singapore) Limited[3]	Trustee of a discretionary trust	1,398,366,670	31.48%
Kingkey Enterprise Holdings Limited	Beneficial owner	435,024,180	9.79%
Chen Jiajun	Interest of controlled corporation	435,024,180	9.79%

Notes:

(1) The entire interest of Xinhong Capital is held by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Wu.

(2) The entire interest of Baolink Capital is held by Mr. Cai and the entire interest of Longlink Capital is held by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as the trustee for the benefit of Mr. Cai.

(3) The entire interest of Easy Prestige Limited and Longlink Limited is held by Lion Trust (Singapore) Limited and is deemed to be interested in these Shares.

(4) The percentages are calculated on the basis of 4,442,705,310 Shares in issue as at December 31, 2022.

Save as disclosed herein, as at December 31, 2022, no person, other than the Directors whose interests are set out in this annual report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2022, none of our Directors had any interest in a business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules (the "**Continuing Connected Transactions**") for the Group for the year ended December 31, 2022.

Non-exempt continuing connected transactions

We set out below a summary of the continuing connected transactions for our Group (namely, the Contractual Arrangements, and the MeituEve VIE Agreements), which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. **Contractual Arrangements**

   The Company had previously entered into the Old Contractual Arrangements, under which the Company gained effective control over, and received all the economic benefits generated by the business currently operated by the PRC Operating Entities. Due to the change of one of the nominee shareholders of Meitu Networks from Ms. Cai to Xiamen Hongtian (a company owned by Mr. Wu as to 99% and Ms. Chen as to 1%) (the "**Equity Transfer**"), in January 2021, Meitu Home, Meitu Networks, Mr. Wu and Xiamen Hongtian entered into the Existing Contractual Arrangements with the Old Contractual Arrangements terminated simultaneously. Under the Existing Contractual Arrangements, the nominee shareholders of Meitu Networks are Mr. Wu as to 51% and Xiamen Hongtian as to 49%. The consideration for the Equity Transfer was a payment of RMB1.00 by Xiamen Hongtian to Ms. Cai. The Existing Contractual Arrangements, having their terms and conditions substantially the same as those of the Existing Contractual Arrangements, were cloned from the Old Contractual Arrangements, except for changes to the dates of the relevant agreements relating to the Old Contractual Arrangements and the parties to those agreements – where Xiamen Hongtian replaced Ms. Cai as a nominee shareholder of Meitu Networks. The Existing Contractual Arrangements were entered into for the purposes of (i) ensuring better administrative efficiency of Meitu Networks and maximum alignment of the interests of the Company's shareholders with those of the nominee shareholders of Meitu Networks and (ii) reducing the likelihood of cloning a new series of contractual arrangements as a result of any future changes in the nominee individual shareholder of Meitu Networks by designating Xiamen Hongtian as one of the nominee shareholders. The Existing Contractual Arrangements allow the financial results of the PRC Operating Entities to be consolidated and accounted for as if they were subsidiaries of our Company. Further details of the Existing Contractual Arrangements are set out in the announcement of the Company dated March 17, 2021 (the "**VIE Change Announcement**").

Reasons for the Contractual Arrangements

We develop and operate mobile apps in the PRC, through which we derive income from online advertising, and sales of virtual items. We also provide audio-visual program services to the public through *Meipai*. The operation of mobile apps, provision of online audio-visual program services and operation of mobile games are subject to foreign investment restrictions under PRC law.

Since certain of our businesses are subject to foreign investment restrictions, to comply with the relevant PRC laws, our online advertising, audio-video and mobile game businesses through our mobile apps are directly operated by Meitu Networks and its subsidiaries. Meitu Networks and its subsidiaries generate online advertising, mobile game and *Meipai* IVAS revenue from our apps and mobile games. Online advertising, mobile game and *Meipai* IVAS revenue are our major revenue sources relating to the operations of our apps and mobile game and are part of the mobile app, online advertising and mobile game business we operate through Meitu Networks and its subsidiaries. Meitu Home, our indirectly wholly-owned subsidiary, in turn provides services to support the business operations of Meitu Networks and its subsidiaries and derives the economic benefits from such business operations. Meitu Networks and its subsidiaries hold the requisite PRC permits, licenses and approvals for operating mobile games, online advertising and provision of audio-visual program services through our mobile apps. Our major trademarks and domain names are held by Meitu Networks and its subsidiaries. Meitu Networks has obtained the Online Cultural Operating License for operating its online game from MOC's local counterparts. In addition, Meitu Networks and its subsidiaries hold certain licenses and permits that are essential to the operation of our business, such as the ICP License, the Online Cultural Operating License and the License for Transmission of Audio-Visual Programs through Information Network.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Our Directors also believe that our Group's structure, whereby the financial results of the PRC Operating Entities are consolidated into our Group's financial statements as if they were our Group's wholly-owned subsidiaries, and all the economic benefits of their business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 45 to 51 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change or new regulations or interpretations are promulgated in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and Meitu Networks or their shareholders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use and enjoy assets and licenses held by Meitu Networks and its subsidiaries that are important to the operation of our business if Meitu Networks or any of its subsidiaries declares bankruptcy or become subject to a dissolution or liquidation proceeding.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income.

- Shareholders of Meitu Networks may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- We conduct our business operation in the PRC through Meitu Networks and its subsidiaries by way of the Contractual Arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership of Meitu Networks, the ownership transfer may subject us to certain limitations and substantial costs.

The Contractual Arrangements which were in place during the year ended December 31, 2022 and a brief description of the major terms of the structured contracts under the Existing Contractual Arrangements are as follows:

(a) Exclusive Option Agreement

Meitu Networks, along with Mr. Wu and Xiamen Hongtian (the "**Relevant Shareholders**"), entered into an exclusive option agreement with Meitu Home on January 29, 2021 (the "**Exclusive Option Agreement**"), pursuant to which Meitu Home (or the Company or any subsidiary of the Company, the "**designee**") was granted an irrevocable and exclusive right to purchase from the Relevant Shareholders and/or Meitu Networks all or any part of their equity interests in and/or assets of Meitu Networks for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Relevant Shareholders and/or Meitu Networks shall return any amount of purchase price they have received to Meitu Home. At Meitu Home's request, the Relevant Shareholders and/or Meitu Networks will promptly and unconditionally transfer their respective equity interests in and/or assets of Meitu Networks to Meitu Home (or its designee) after Meitu Home exercises its purchase right. The Exclusive Option Agreement is for an initial term of ten years and is automatically renewable upon expiry unless Meitu Home confirms a new renewal term in writing.

(b) Exclusive Business Cooperation Agreement

Meitu Networks entered into an exclusive business cooperation agreement with Meitu Home on January 29, 2021 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Meitu Networks agreed to engage Meitu Home as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to Meitu Home's adjustment, are equal to all of the net profit of Meitu Networks and its subsidiaries. Meitu Home may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Meitu Networks and its subsidiaries from previous financial periods, which will be wired to the designated account of Meitu Home upon issuance of payment notification by Meitu Home. As of December 31, 2022, the accumulated profits of Meitu Networks and its subsidiaries amounted to RMB680.1 million. Meitu Home enjoys all the economic benefits derived from the businesses of Meitu Networks and its subsidiaries and bears Meitu Networks' business risks. If Meitu Networks runs into financial deficit or suffers severe operation difficulties, Meitu Home will provide financial support to Meitu Networks.

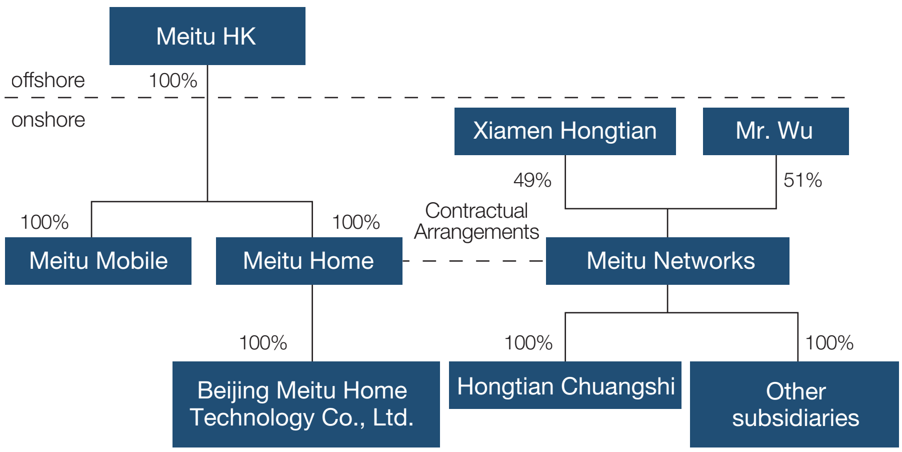
(c) ***Share Pledge Agreement***

Meitu Networks, the Relevant Shareholders and Meitu Home entered into a share pledge agreement on January 29, 2021 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Relevant Shareholders pledged as first charge all of their respective equity interests in Meitu Networks to Meitu Home as collateral security for any or all of their payments due to Meitu Home and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Powers of Attorney (as defined below).

(d) ***Powers of Attorney***

An irrevocable power of attorney was entered into between the Relevant Shareholders, Meitu Home and Meitu Networks on January 29, 2021 (the "**Powers of Attorney**"), whereby the Relevant Shareholders appointed Meitu Home or a director of its offshore holding company or its/his/her successor (including a liquidator replacing Meitu Home's director) as their exclusive agent and attorney to act on their behalf on all matters concerning Meitu Networks and to exercise all of its rights as a registered shareholder of Meitu Networks.

The following simplified diagram illustrates the flow of economic benefits from Meitu Networks and its subsidiaries to our Group stipulated under the Existing Contractual Arrangements:



Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities during the financial year ended December 31, 2022. There was no material change in the Existing Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2022.

For the year ended December 31, 2022, none of the Existing Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Existing Contractual Arrangements has been removed.

We have been advised by our PRC legal advisor that subject to the risks as set out on pages 45 to 51 of the Prospectus, the Existing Contractual Arrangements do not violate the relevant PRC regulations.

The revenue of Meitu Networks and its subsidiaries for the years ended December 31, 2022 and 2021 were RMB1,364.4 million and RMB983.7 million, respectively.

For the year ended December 31, 2022, the revenue of Meitu Networks and its subsidiaries amounted to approximately 65.4% (2021: 59.0%) of the revenue for the year of the Group.

The total assets of Meitu Networks and its subsidiaries as at December 31, 2022 and 2021 were RMB2,587.1 million and RMB2,690.7 million, respectively.

As at December 31, 2022, the total assets of Meitu Networks and its subsidiaries amounted to approximately 51.7% (2021: 56.7%) of the total assets of the Group.

Mitigation actions taken by the Company

Our management works closely with Mr. Wu and Xiamen Hongtian and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Existing Contractual Arrangements.

The extent to which the Existing Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Existing Contractual Arrangements are subject to the restrictions as set out on pages 163 to 167 of the Prospectus.

Listing Rules Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver (the "**Waiver**") pursuant to Rule 14A.105 of the Listing Rules from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Old Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the fees payable to Meitu Home under the Old Contractual Arrangements; and (iii) fixing the term of the Old Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Old Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities;

(d) the Old Contractual Arrangements may be renewed and/or cloned upon expiry or when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Old Contractual Arrangements; and

(e) our Group will disclose details relating to the Old Contractual Arrangements on an ongoing basis.

As the Existing Contractual Arrangements were cloned from the Old Contractual Arrangements (except for changes to the dates of the relevant agreements relating to the Old Contractual Arrangements and the parties to those agreements – where Xiamen Hongtian replaced Ms. Cai as a nominee shareholder of Meitu Networks), the Existing Contractual Arrangements fall within the scope of the Waiver.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2022, (iii) no other new contracts were entered into, renewed or reproduced between the Group and the PRC Operating Entities during the year ended December 31, 2022, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; and

(b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions.

2. MeituEve Contractual Arrangements

In July 2021, Meitu Networks transferred part of the Smart Hardware Business that is subject to foreign ownership restrictions in the PRC ("**Smart Hardware Restricted Business**") to MeituEve Networks and on July 2, 2021, the Company entered into a series of contractual arrangements (the "**MeituEve Contractual Arrangements**") with MeituEve Technology, MeituEve Networks and Xiamen Hongtian, under which the Company gained effective control over, and received all the economic benefits generated by the business currently operated by the MeituEve PRC Operating Entities. The MeituEve Contractual Arrangements, having their terms and conditions substantially the same as those of the Contractual Arrangements, were cloned therefrom, except for changes to the dates of the relevant agreements relating to the Contractual Arrangements and the parties to those agreements. The MeituEve Contractual Arrangements will continue to allow the financial results of the MeituEve PRC Operating Entities to be consolidated and accounted for as if they were subsidiaries of our Company. Further details of the MeituEve Contractual Arrangements are set out in the announcement of the Company dated July 30, 2021.

Reasons for the MeituEve Contractual Arrangements and Waiver from the Stock Exchange and Annual Review

At the time of the Listing, the Company sought, and the Stock Exchange granted, the Waiver in connection with the continuing connected transactions of the Group in the form of the Old Contractual Arrangements, which was later superseded and replaced by the Existing Contractual Arrangements. The Waiver is subject to certain conditions including, among others, that on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding on one hand, and Meitu Networks, on the other hand, that framework may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Old Contractual Arrangements.

The Group has had a Smart Hardware Business since the time of its IPO on the Stock Exchange and, throughout the years, having leveraged on the face detection technology, facial point detection technology, high megapixel front-and-back facing cameras that permit high-image quality in lowlight condition, as well as proprietary image processing algorithm and specialized image processors from the Group's smartphones, different beauty-related smart hardware products (such as MeituEve (a commercial artificial intelligence skin analyser), MeituKey (a contact skin analyser), MeituSpa (an artificial intelligence cleansing brush) and Meitu Genius (an artificial intelligence smart mirror)) have been developed organically to leverage the Group's ecosystem around beauty.

Since the MeituEve Contractual Arrangements were cloned from the Old Contractual Arrangements (from which the Existing Contractual Arrangements were also cloned) as provided under the conditions of the Waiver, the Company sought confirmation from the Stock Exchange, and the Stock Exchange confirmed, that the transactions contemplated under the MeituEve Contractual Arrangements would fall within the scope of the Waiver.

The MeituEve Contractual Arrangements were entered into for the purposes of separating the Smart Hardware Business from the other businesses of the Group, thereby facilitating fund raising activities for the Smart Hardware Business.

Our Directors, including our independent non-executive Directors, are of the view that (i) the MeituEve Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the MeituEve Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Risks relating to the MeituEve Contractual Arrangements

We believe the following risks are associated with the MeituEve Contractual Arrangements. Further details of these risks are set out on pages 45 to 51 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our Smart Hardware Restricted Business do not comply with PRC laws and regulations, or if these regulations or their interpretations change or new regulations or interpretations are promulgated in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

- We may lose the ability to use and enjoy assets and licenses held by MeituEve Networks and its subsidiaries that are important to the operation of our Smart Hardware Restricted Business if MeituEve Networks or any of its subsidiaries declares bankruptcy or become subject to a dissolution or liquidation proceeding.

- Our MeituEve Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income.

- Shareholder(s) of MeituEve Networks may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- We conduct our Smart Hardware Restricted Business operation in the PRC through MeituEve Networks and its subsidiaries by way of the MeituEve Contractual Arrangements, but certain of the terms of the contractual arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership of MeituEve Networks, the ownership transfer may subject us to certain limitations and substantial costs.

The MeituEve Contractual Arrangements which were in place during the year ended December 31, 2022 and a brief description of the major terms of the structured contracts under the MeituEve Contractual Arrangements are as follows:

(a) MeituEve Exclusive Option Agreement

MeituEve Networks, along with Xiamen Hongtian, entered into an exclusive option agreement with MeituEve Technology on July, 2 2021 (the "**MeituEve Exclusive Option Agreement**"), pursuant to which MeituEve Technology (or the Company or any subsidiary of the Company, the "**MeituEve designee**") was granted an irrevocable and exclusive right to purchase from Xiamen Hongtian and/or MeituEve Networks all or any part of their equity interests in and/or assets of MeituEve Networks for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, Xiamen Hongtian and/or MeituEve Networks shall return any amount of purchase price they have received to MeituEve Technology. At MeituEve Technology's request, Xiamen Hongtian and/or MeituEve Networks will promptly and unconditionally transfer their respective equity interests in and/or assets of MeituEve Networks to MeituEve Technology (or the MeituEve designee) after MeituEve Technology exercises its purchase right. The MeituEve Exclusive Option Agreement is for an initial term of ten years and is automatically renewable upon expiry unless MeituEve Technology confirms a new renewal term in writing.

(b) MeituEve Exclusive Business Cooperation Agreement

MeituEve Networks entered into an exclusive business cooperation agreement with MeituEve Technology on July 2, 2021 (the "**MeituEve Exclusive Business Cooperation Agreement**"), pursuant to which MeituEve Networks agreed to engage MeituEve Technology as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to MeituEve Technology's adjustment, are equal to all of the net profit of MeituEve Networks and its subsidiaries. MeituEve Technology may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of MeituEve Networks and its subsidiaries from previous financial periods, which will be wired to the designated account of MeituEve Technology upon issuance of payment notification by MeituEve Technology. As of December 31, 2022, the accumulated losses of MeituEve Networks and its subsidiaries amounted to RMB2.3 million. MeituEve Technology enjoys all the economic benefits derived from the businesses of MeituEve Networks and its subsidiaries and bears MeituEve Networks' business risks. If MeituEve Networks runs into financial deficit or suffers severe operation difficulties, MeituEve Technology will provide financial support to MeituEve Networks.

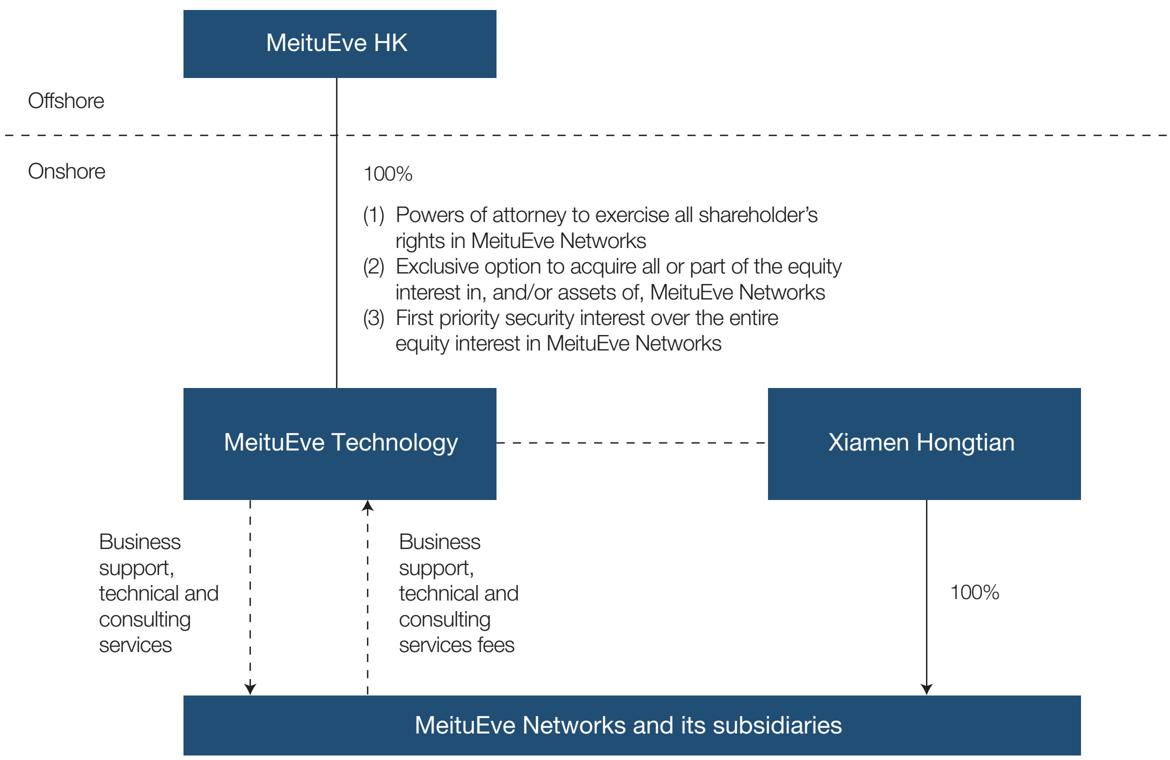
(c) ***MeituEve Share Pledge Agreement***

MeituEve Networks, Xiamen Hongtian and MeituEve Technology entered into a share pledge agreement on July 2, 2021 (the "**MeituEve Share Pledge Agreement**"). Under the MeituEve Share Pledge Agreement, Xiamen Hongtian pledged as first charge all of their respective equity interests in MeituEve Networks to MeituEve Technology as collateral security for any or all of their payments due to MeituEve Technology and to secure performance of their obligations under the MeituEve Exclusive Business Cooperation Agreement, the MeituEve Exclusive Option Agreement and the MeituEve Powers of Attorney (as defined below).

(d) ***MeituEve Powers of Attorney***

An irrevocable power of attorney was entered into between Xiamen Hongtian, MeituEve Technology and MeituEve Networks on July 2, 2021 (the "**MeituEve Powers of Attorney**"), whereby Xiamen Hongtian appointed MeituEve Technology or a director of its offshore holding company or its/his/her successor (including a liquidator replacing MeituEve Technology's director) as their exclusive agent and attorney to act on their behalf on all matters concerning MeituEve Networks and to exercise all of its rights as a registered shareholder of MeituEve Networks.

The following simplified diagram illustrates the flow of economic benefits from MeituEve Networks and its subsidiaries to our Group stipulated under the MeituEve Contractual Arrangements:



Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the MeituEve PRC Operating Entities during the financial year ended December 31, 2022. There was no material change in the MeituEve Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2022.

For the year ended December 31, 2022, none of the MeituEve Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the MeituEve Contractual Arrangements has been removed.

We have been advised by our PRC legal advisor that subject to the risks as set out on pages 45 to 51 of the Prospectus, the MeituEve Contractual Arrangements do not violate the relevant PRC regulations.

The revenue of MeituEve Networks and its subsidiaries for the year ended December 31, 2022 and 2021 were RMB0.0 and RMB0.0, respectively.

For the year ended December 31, 2022, the revenue of MeituEve Technology and its subsidiaries amounted to approximately 0.6% (2021: 0.6%) of the revenue for the year of the Group.

The total assets of MeituEve Networks and its subsidiaries as at December 31, 2022 and 2021 were RMB0.01 million and RMB0.1 million, respectively.

As at December 31, 2022, the total assets of MeituEve Networks and its subsidiaries amounted to approximately 0.0002% (2021: 0.002%) of the total assets of the Group.

Mitigation actions taken by the Company

Our management works closely with Xiamen Hongtian and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the MeituEve Contractual Arrangements.

The extent to which the MeituEve Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the MeituEve Contractual Arrangements are subject to the restrictions as set out on pages 163 to 167 of the Prospectus.

Listing Rules Implications

As Mr. Wu is the Chief Executive Officer, executive Director, substantial shareholder of the Company and a shareholder of Xiamen Hongtian as to 99%, the MeituEve Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the MeituEve Contractual Arrangements were cloned from the Contractual Arrangements (except for changes to the dates of the relevant agreements relating to the Contractual Arrangements and the parties to those agreements), the MeituEve Contractual Arrangements fall within the scope of the Waiver.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the MeituEve Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2022 have been entered into in accordance with the relevant provisions of the MeituEve Contractual Arrangements, (ii) no dividends or other distributions have been made by the MeituEve PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2022, (iii) no new contracts were entered into, renewed or reproduced between the Group and the MeituEve PRC Operating Entities during the year ended December 31, 2022, and (iv) the MeituEve Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the MeituEve Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; and

(b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the MeituEve Contractual Arrangements governing such transactions.

During the year ended December 31, 2022, no related party transactions disclosed in Note 30 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

DAJIE VIE AGREEMENTS

Entering into of the Dajie VIE Agreements

On August 28, 2019, the Company and certain other parties entered into a transaction framework agreement (the "**Transaction Framework Agreement**"). After completion of the transactions contemplated under the Transaction Framework Agreement, the Company owns approximately 57.09% of the effective equity interest in the Dajie Group. The Dajie WFOE, being a wholly owned subsidiary of Dajie Net, has entered into a series of contractual arrangements with the Onshore Target Company and the Previous Dajie Relevant Shareholders (the "**Old Dajie VIE Agreements**"), further details of which can be found in the announcements of the Company published on August 28, 2019 and October 28, 2019. In March 2021, Mr. Yu Minhong (俞敏洪), Ms. Cai and 米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) owning, respectively, 4.04%, 3.44% and 2.67% in the equity interest of the Onshore Target Company transferred all of their equity interests (the "**Dajie Equity Transfers**") in the Onshore Target Company to Meitu Networks, thereby increasing its equity interest in the Onshore Target Company from approximately 75.37% to approximately 85.52%. The Dajie Equity Transfers involved no consideration. The Old Dajie VIE Agreements were terminated and a series of new VIE agreements (the "**Existing Dajie VIE Agreements**"), the terms of which were cloned from the Old Dajie VIE Agreements except for changes to the dates and the parties to those agreements, were entered into between the Dajie Relevant Shareholders, as Mr. Yu Minhong (俞敏洪), Ms. Cai and 米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) ceased to be the registered shareholders of the Onshore Target Company following the Dajie Equity Transfers. The Dajie VIE Agreements were entered into for the purposes of ensuring better administrative efficiency of the Onshore Target Company and maximum alignment of the interests of the Company's shareholders with those of the nominee shareholders of the Onshore Target Company. Further details of the Dajie VIE Agreements are set out in the VIE Change Announcement.

The Dajie VIE Agreements enable the financial results, the entire economic benefits and the risks of the business of the Onshore Target Company and its wholly-owned subsidiaries to flow into the Dajie WFOE and enable the Dajie WFOE to gain control over the Onshore Target Company and its wholly-owned subsidiaries. As a result, the Company now has a controlling equity interest in the Onshore Target Company and its subsidiaries via the Dajie VIE Agreements indirectly. In short, the Dajie VIE Agreements allow the financial results of the Onshore Target Company and its subsidiaries to be consolidated and accounted for as if they were subsidiaries of our Company.

Reasons for the use of the Dajie VIE Agreements

Foreign investment activities in the PRC shall be subject to the restrictions as set forth in the Administrative Measures of Foreign Investment Admission (Negative List) (2021 Version) (the "**2021 Negative List**") which was promulgated and amended from time to time jointly by the National Development and Reform Commission of the PRC (the "**NDRC**") and Ministry of Commerce of the PRC (the "**MOFCOM**") and the latest version of which was released on December 27, 2021 and became effective on January 1, 2022. Foreign investments in industries which fall within the 2021 Negative List shall be subject to special administration measures as set forth therein.

Under the 2021 Negative List, the proportion of foreign investment in the business of providing value-added telecommunications services (excluding e-commerce, domestic multi-party conferencing, store-and-forward, and call center services) (the "**Relevant Businesses**") cannot exceed 50%. The provision of online recruitment services, which is the principal business of the Onshore Target Company, falls within the aforesaid industry, and the Company, as a foreign investor, is subject to the aforesaid restriction in relation to its equity interest of the Onshore Target Company. Therefore, it is not feasible for the Company to hold more than 50% of equity interest in the Onshore Target Company, whether directly or indirectly. With respect to the subsidiaries of the Onshore Target Company (the "**Onshore Target Subsidiaries**"), some of them primarily engage in the business of advertising, sales, human resources and public relations related services, which is not restricted or prohibited for foreign investment and the other subsidiaries currently do not conduct any business. Therefore, the Onshore Target Company will transfer, as soon as practicable, all the equity interest held by it directly or indirectly in the Onshore Target Subsidiaries to the Dajie WFOE at the lowest price as permitted by, and in accordance with, applicable PRC laws, or deregister the relevant Onshore Target Subsidiaries.

The shareholding structure of the Dajie Group was the result of commercial negotiation among the parties to the Transaction Framework Agreement. As of December 31, 2022, Dajie Net and Dajie HK had no substantive operations and in practice there are uncertainties as to whether the local authority will accept and consider the application from a foreign-invested enterprise and whether foreign investors without a satisfactory proven track record and operational experiences in operating value-added telecommunications businesses may affect the approval result. Accordingly, as of December 31, 2022, direct ownership by the Company of the maximum permitted interest under PRC law in the Onshore Target Company was neither commercially agreed nor advisable from a regulatory perspective.

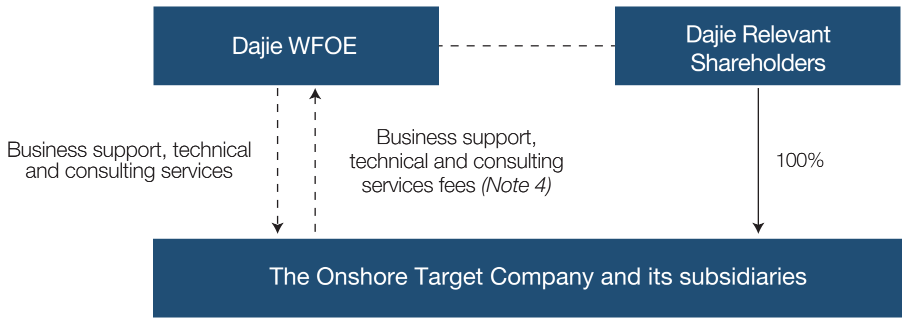
Brief summary of the major terms of the Existing Dajie VIE Agreements

The following diagram illustrates the flow of economic benefits from the Onshore Target Company and its wholly owned subsidiaries to the Dajie WFOE under the Existing Dajie VIE Agreements upon the execution and effectiveness of the Existing Dajie VIE Agreements:

(1) Powers of attorney to exercise all shareholders' rights in the Onshore Target Company (Note 1)

(2) Exclusive option to acquire all or part of the equity interest in and/or assets of the Onshore Target Company (Note 2)

(3) First priority security interest over the entire equity interest in the Onshore Target Company (Note 3)



Notes:

(1) Please refer to "Dajie Power of Attorney" for details.

(2) Please refer to "Dajie Exclusive Option Agreement" for details.

(3) Please refer to "Dajie Equity Pledge Agreement" for details.

(4) Please refer to "Dajie Exclusive Business Cooperation Agreement" for details.

"⟶" denotes direct legal and beneficial ownership in the equity interest and "- - ->" denotes contractual relationship.

Dajie Exclusive Option Agreement

The Onshore Target Company and the Dajie Relevant Shareholders entered into an exclusive option agreement with the Dajie WFOE on March 16, 2021 (the "**Dajie Exclusive Option Agreement**"), pursuant to which the Dajie WFOE (or the Offshore Target Company or any subsidiary of the Offshore Target Company, the "**Dajie designee**") was granted an irrevocable and exclusive right to purchase from the Dajie Relevant Shareholders and/or the Onshore Target Company all or any part of their equity interests in the Onshore Target Company or all or any part of the assets of the Onshore Target Company for a nominal price (the "**Purchase Right**"), unless the relevant government authorities or the PRC laws request that another amount to be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Dajie Relevant Shareholders and/or the Onshore Target Company shall return any amount of purchase price they have received to the Dajie WFOE. Upon the Dajie WFOE's request, the Dajie Relevant Shareholders and/or the Onshore Target Company will promptly and unconditionally transfer their respective equity interests in and/or assets of the Onshore Target Company to the Dajie WFOE after Dajie WFOE exercises the Purchase Right.

The Dajie Exclusive Option Agreement is for an initial term of ten years and will be automatically renewable upon expiry unless the Dajie WFOE confirms a new renewal term in writing.

In order to prevent the flow of the assets and value of the Onshore Target Company and its subsidiaries to the Dajie Relevant Shareholders, during the term of the Dajie Exclusive Option Agreement, the Onshore Target Company is not allowed to, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets (exceeding the value of RMB1 million) without the prior written consent of the Dajie WFOE. In addition, the Onshore Target Company is not allowed to, and shall procure its subsidiaries not to, make any distributions to its shareholder(s) without the prior written consent of the Dajie WFOE. In the event that the Dajie Relevant Shareholders receive any distribution from the Onshore Target Company and/or its subsidiaries and subject to the PRC laws, the Dajie Relevant Shareholders must immediately pay or transfer such distribution to the Dajie WFOE (or the Dajie designee).

Dajie Exclusive Business Cooperation Agreement

The Onshore Target Company entered into an exclusive business cooperation agreement with the Dajie WFOE on March 16, 2021 (the "**Dajie Exclusive Business Cooperation Agreement**"), pursuant to which the Onshore Target Company agreed to engage the Dajie WFOE as its exclusive provider of business support, technical and consulting services, including technical services, network support, business consultation, intellectual property licensing, equipment, leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for service fees. Under these arrangements, the service fees, subject to the Dajie WFOE's adjustment, are equal to all of the net profit of the Onshore Target Company and its subsidiaries. The Dajie WFOE may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of the Onshore Target Company and its subsidiaries from previous financial periods. If the Onshore Target Company runs into financial deficit or suffers severe operation difficulties, the Dajie WFOE will provide financial support to the Onshore Target Company to the extent that relevant PRC laws permit.

The Exclusive Business Cooperation Agreement is for an initial term of ten years and automatically renewable upon expiry unless the Dajie WFOE confirms a new renewal term in writing.

Dajie Equity Pledge Agreement

The Dajie WFOE, the Dajie Relevant Shareholders and the Onshore Target Company entered into an equity pledge agreement on March 16, 2021 (the "**Dajie Equity Pledge Agreement**"). Under the Dajie Equity Pledge Agreement, the Dajie Relevant Shareholders pledged as first charge all of their respective equity interests in the Onshore Target Company to the Dajie WFOE as collateral security for all of their payments due to the Dajie WFOE and to secure performance of their and the Onshore Target Company's obligations under the Dajie Exclusive Business Cooperation Agreement, the Dajie Exclusive Option Agreement and the Dajie Power of Attorney (as defined below). The Dajie Equity Pledge Agreement will not terminate until (i) all obligations of the Onshore Target Company and the Dajie Relevant Shareholders are satisfied in full; (ii) the Dajie WFOE (or the Dajie designee) exercises its exclusive option to purchase the entire equity interests of the Dajie Relevant Shareholders in the Onshore Target Company and/or the entire assets of the Onshore Target Company, pursuant to the terms of the Dajie Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) the Dajie WFOE exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws.

Dajie Power of Attorney

An irrevocable power of attorney was entered into between the Dajie Relevant Shareholders, the Dajie WFOE and the Onshore Target Company on March 16, 2021 (the "**Dajie Power of Attorney**"), whereby the Dajie Relevant Shareholders appointed the Dajie WFOE or a director of its offshore holding company or its/his/her successor (including a liquidator replacing Dajie WFOE's director) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Target Company and to exercise all of its rights as a registered shareholder of the Onshore Target Company. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to act as the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of the Onshore Target Company. The authorized person is entitled to sign minutes, file documents with the relevant PRC governmental authority and exercise voting rights on the winding up of the Onshore Target Company on behalf of the Dajie Relevant Shareholders. The Dajie Relevant Shareholders have each undertaken to transfer all assets obtained after the winding up of the Onshore Target Company to the Dajie WFOE at nil consideration or the lowest price permissible by the then applicable PRC laws. As a result of the Dajie Power of Attorney, the Company, through the Dajie WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of the Onshore Target Company.

Succession

The provisions set out in the Existing Dajie VIE Agreements are also binding on the successors of the Dajie Relevant Shareholders, as if the successors were signing parties to the Existing Dajie VIE Agreements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Existing Dajie VIE Agreements. In case of a breach, the Dajie WFOE can enforce its rights against the successors.

Pursuant to the Existing Dajie VIE Agreements, any inheritor of the Dajie Relevant Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Existing Dajie VIE Agreements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in the Onshore Target Company, as if the inheritor was a signing party to such Existing Dajie VIE Agreements.

In addition, the spouse of each Dajie Relevant Shareholder who is an individual and is married executed an irrevocable undertaking, whereby the spouse expressly and irrevocably acknowledged and undertook that (i) any equity interests held by the respective spouse in the Onshore Target Company do not fall within the scope of their communal properties; (ii) he/she will not have any claim on the interests of the Onshore Target Company obtained through the Existing Dajie VIE Agreements; (iii) he/she has never participated and will not participate in the operation or management of the Onshore Target Company.

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Onshore Target Company during the financial year ended December 31, 2022. There was no material change in the Existing Dajie VIE Agreements and/or the circumstances under which they were adopted for the year ended December 31, 2022.

For the year ended December 31, 2022, none of the Existing Dajie VIE Agreements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Existing Dajie VIE Agreements has been removed.

We have been advised by our PRC legal advisor that, subject to the risks as set out on pages 45 to 51 of the Prospectus, the Existing Dajie VIE Agreements do not violate the relevant PRC regulations.

The revenue of the Onshore Target Company and its subsidiaries for the years ended December 31, 2022 and 2021 were RMB132.7 million and RMB265.6 million, respectively.

For the year ended December 31, 2022, the revenue of the Onshore Target Company and its subsidiaries amounted to approximately 6.4% (2021: 15.9%) of the revenue for the year of the Group.

The total assets of the Onshore Target Company and its subsidiaries as at December 31, 2022 and 2021 were RMB40.5 million and RMB245.9 million, respectively.

As at December 31, 2022, the total assets of the Onshore Target Company and its subsidiaries amounted to approximately 0.8% (2021: 5.2%) of the total assets of the Group.

Board's view on the Dajie VIE Agreements

Based on the above, the Board is of the view that as of December 31, 2022, the Dajie VIE Agreements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. The Dajie VIE Agreements enable the Dajie WFOE to gain control over the Onshore Target Company, and to be entitled to the economic interests and benefits of the Onshore Target Company and its subsidiaries. The Company will unwind the Dajie VIE Agreements as soon as relevant PRC rules and regulations governing foreign investment in the operation of the Relevant Businesses allow the Company or any of its wholly–owned subsidies to register itself as the shareholder of the Onshore Target Company and its subsidiaries. Moreover, Meitu Networks holds a direct equity interest of more than 50% in the Onshore Target Company, which acts as an additional layer of control by the Group over the assets of the Onshore Target Company and its subsidiaries.

Risks relating to the Dajie VIE Agreements

We believe the following risks are associated with the Dajie VIE Agreements. Further details of these risks are set out in the announcement of the Company published on August 28, 2019.

- If the PRC government finds that the Dajie VIE Agreements do not comply with applicable PRC Laws, or if these regulations or their interpretations change or new regulations and interpretations are promulgated in the future, the Company and/or the Dajie Group could be subject to severe consequences, including the nullification of the Dajie VIE Agreements and the relinquishment of the Company's interest in the Onshore Target Company.

- The bankruptcy or a dissolution or liquidation proceeding of the Onshore Target Company and its subsidiaries may cause the Dajie Group to lose the ability to use and enjoy assets and licenses held by the Onshore Target Company and its subsidiaries.

- The exercise of the option to acquire the ownership of the Onshore Target Company may be subject to substantial costs.

- The Dajie VIE Agreements may not be as effective in providing operational control as direct ownership and the Onshore Target Company or their shareholders may fail to perform their obligations under the Dajie VIE Agreements.

- Shareholders of the Onshore Target Company may potentially have a conflict of interests with the Dajie Group.

- The Dajie VIE Agreements may be subject to scrutiny by the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed.

- The Dajie VIE Agreements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Company may be required to dispose of the business under the Dajie VIE Agreements and will lose rights to receive the economic benefits from the Onshore Target Company, such that the financial results of the Onshore Target Company would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of the Onshore Target Company according to the relevant accounting standards.

Mitigation actions taken by the Company

The Board will closely monitor the development of the new laws and regulations or any new interpretations of the existing laws and regulations with the help of the Company's PRC legal adviser, including but not limited to the Foreign Investment Law and any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities.

The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of new laws and regulations or any new interpretations of the existing laws and regulations on the Existing Dajie VIE Agreements and the business operation of the Company and the Dajie Group.

In case there would be material and adverse effect on the Company or the business of the Dajie Group arising from any new laws and regulations or any new interpretations of the existing laws and regulations, the Company will disclose, as soon as possible: (i) updates of material development to such new laws, regulations or interpretations as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to such new laws, regulations or interpretations and any material impact of the development of such new laws, regulations or interpretations on the Company's operations and financial position.

QUALIFICATION REQUIREMENTS

Updates in Relation to the Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**"), which were amended on September 10, 2008, February 6, 2016 and March 29, 2022, respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including provision of Internet content services. In addition, prior to May 1, 2022, a major foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a good proven track record of business operations overseas. Under the latest amendments to the FITE Regulations which became effective on May 1, 2022, the foreign investors' equity ownership in a company providing value-added telecommunications services in the PRC is still prohibited from exceeding 50%, unless otherwise provided in the PRC laws, regulations or rules. In addition, the latest FITE Regulations have abolished the Qualification Requirements such that it is no longer a pre-requisite for establishing foreign-invested value-added telecommunications enterprises in the PRC. Based on the Notice regarding the Strengthening of Ongoing and Post Supervision of Foreign Invested Telecommunication Enterprises issued by the MIIT in October 2020, foreign invested telecommunications enterprises are also no longer required to obtain the prior MIIT approval letter on foreign investment in telecommunications businesses. Nonetheless, these enterprises still need to submit the relevant materials to the MIIT to apply for telecommunications operating permits, and the other requirements provided by the FITE Regulations still apply. Essentially, the corresponding foreign investment will also be considered by the MIIT in its approval process for the telecommunications operating permits (the "**MIIT Approval Process**"). However, as of December 31, 2022, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation to clarify the MIIT Approval Process and in practice there are still uncertainties as to whether the local authority will accept and consider the application from a foreign-invested enterprise and whether foreign investors without a satisfactory proven track record and operational experiences in operating value-added telecommunications businesses may affect the approval result.

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

Despite the lack of clear guidance and unpredictability of the MIIT Approval Process, as of December 31, 2022, we are still in the process of consulting with our PRC legal advisors to explore and determine the most viable way for the Company to hold Meitu Networks and its subsidiaries, the Onshore Target Company and its subsidiaries, and MeituEve Networks and its subsidiaries, directly through equity ownership. We will also consult with competent authorities on the feasibility and procedures for the foreign-invested enterprise to apply for the ICP License. As of December 31, 2022, the following measures remain in place consistent with previous years:

(a) Meitu HK, our Hong Kong subsidiary, has registered a number of domain names outside of the PRC for display and promotion of Meitu products since July 2014;

(b) Meitu HK has operated an office in Hong Kong for the promotion of our apps in Hong Kong since June 2014;

(c) Dajie HK has taken steps to set up an office in Hong Kong for the promotion of its website and app in Hong Kong; and

(d) Meitu Technology and Meitu Technology (US), our United States subsidiaries, have operated an office in the United States for the localization and marketing of our apps in the United States since January 2015.

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, after consultation with our PRC legal advisor, we determined that it might not be viable for the Company to hold Meitu Networks and its subsidiaries, or the Onshore Target Company and its subsidiaries, or MeituEve Networks and its subsidiaries, directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by (i) Meitu Networks and its subsidiaries through the Existing Contractual Arrangements between Meitu Home, the Company's subsidiary in the PRC, on the one hand, and Meitu Networks and its respective shareholders, on the other hand, (ii) MeituEve Networks and its subsidiaries through the MeituEve Contractual Arrangements between MeituEve Technology, the Company's subsidiary in the PRC, on the one hand, and MeituEve Networks and its shareholder, on the other hand, and (iii) the Onshore Target Company and its subsidiaries through the Existing Dajie VIE Agreements between the Dajie WFOE, the Company's subsidiary in the PRC, on the one hand, and the Onshore Target Company and its respective shareholders, on the other hand. The Existing Contractual Arrangements, the MeituEve Contractual Arrangements and the Dajie VIE Agreements allow the results of operations and assets and liabilities of (i) Meitu Networks and its subsidiaries, (ii) MeituEve Networks and its subsidiaries, and (iii) the Onshore Target Company and its subsidiaries, to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were wholly-owned subsidiaries of our Group.

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between our Group and our customers has been stable. For the year ended December 31, 2022, the revenue amounts from the Group's five largest customers accounted for 14.1% (2021: 21.8%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 3.7% (2021: 6.1%) of the Group's total revenue.

During the year ended December 31, 2022, none of our Directors, their associates or any Shareholders of the Company (who or which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of our top five customers.

The relationship between the Group and our suppliers has been stable. For the year ended December 31, 2022, the purchase amounts placed with the Group's five largest suppliers accounted for 28.5% (2021: 48.9%) of the Group's total purchases and the purchase amount placed with our single largest supplier accounted for 8.5% (2021: 17.8%) of the Group's total purchases. None of the Directors or any of their close associates or any Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued Shares had any interest in the Group's five largest suppliers.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

CHANGE IN SUBSIDIARY NAME

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

AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

In June 2022, the Company amended its articles of association in order to (i) bring it in line with the relevant requirements of the applicable laws of the Cayman Islands and recent amendments to the Listing Rules, (ii) provide greater flexibility to the Company in relation to the conduct of general meetings by allowing (but not requiring) general meetings to be held as an electronic meeting and/or a hybrid meeting where Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person, and (iii) make some other housekeeping changes. The proposal for the amendments to the Company's articles of association was considered and approved at the Company's annual general meeting held on June 2, 2022. Further details about the amendments to the Company's articles of association can be found in the Company's announcement and circular on April 25, 2022 and April 29, 2022, respectively. The existing Articles of Association are available for viewing on the websites of the Company and the Stock Exchange. There have been no changes to the Articles of Association since the Company's annual general meeting held on June 2, 2022.

IMPORTANT EVENTS AFTER THE REPORTING DATE

Save as disclosed above, there were no important events affecting the Company which occurred after December 31, 2022 and up to the Latest Practicable Date.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the Environmental, Social and Governance Report in this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed in the Prospectus, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there were no changes in information of Directors of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 25, 2023 to June 1, 2023, 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 1, 2023. 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 24, 2023.

The register of members of the Company will be closed from June 7, 2023 to June 9, 2023, 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 6, 2023.

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.

MEITU AND THE COMMUNITY

As a global company, Meitu, Inc. is committed "to let everyone become beautiful easily" as its core mission and "to empower the beauty industry and make beauty more accessible to our users" as its vision.

By the order of the Board
Mr. CAI Wensheng
Chairman

Hong Kong

March 30, 2023

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company.

CORPORATE GOVERNANCE PRACTICES

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.

During the year ended December 31, 2022, the Company has complied with the applicable code provisions of the CG Code for the time being in force.

MISSION

"Make beauty accessible through technology."

VALUES

"Be inquisitive and practical. Be humble and seek truth from facts."

"Motivated to win. Aim high and hit."

CORPORATE CULTURE AND STRATEGY

In order to strengthen the Group's corporate culture and management, promote the Group's development, and encourage and motivate the Group's employees, the Board has established a "Corporate Culture Management Policy", under which, the Group's human resources department is the main executive body for the management and alignment of the Group's corporate culture with its corporate mission and values.

The Board recognises that creating a corporate culture that is supportive, ethical, legal and compliant is crucial to enhance the Group's value. To achieve this, the Group's human resources department regularly conducts in-depth research and analysis to understand the ideological dynamics of the Group's employees and analyze the characteristics of the Group's industry and gathers opinions and suggestions from various departments within the Group. They then assess and refine the Group's corporate culture to fit the actual situation of the Group.

The Directors and in particular the management team are also required to act with integrity and set an example by practising the Group values, through setting long-term objectives for its team, providing seminars, participating in discussions and giving orders and guidance in accordance with the Company's values to its team members. Training sessions and education for new employees, including corporate culture lectures and training for managers, are also provided within the Group to help employees and managers quickly familiarise themselves with the business processes and align themselves with the Company's culture. The Group also rewards and commends positive behaviors of employees in various departments that reflect the Group's spirit and style in daily work and activities, so as to strengthen employees' understanding and recognition of the Group's culture and values.

Through the above, the Group is able to align its core values and put it into practice every day and motivate its employees to thrive and meet their full potential in their work.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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, 2022.

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, 2022 after making reasonable enquiry.

BOARD OF DIRECTORS

Board Composition

As at the Latest Practicable Date, the Board comprises eight members consisting of two executive Directors, three non–executive Directors and three independent non-executive Directors. The details of the Board composition are as follows:

Name of Director	Membership of Board Committee(s)
Executive Directors:	
Mr. CAI Wensheng *(Chairman)*	Chairman of the Nomination Committee
Mr. WU Zeyuan *(Chief Executive Officer)*	
Non-executive Directors:	
Dr. GUO Yihong	Member of the Audit Committee
Dr. LEE Kai-fu	Member of the Remuneration Committee
Mr. CHEN Jiarong	
Independent non-executive Directors:	
Mr. ZHOU Hao	Chairman of the Audit Committee Member of the Nomination Committee
Mr. LAI Xiaoling	Chairman of the Remuneration Committee Member of the Audit Committee
Ms. KUI Yingchun	Member of the Remuneration Committee Member of the Nomination Committee

The biographical information of the Directors and the relationships between the members of the Board are disclosed under the section headed "Directors and Senior Management" on pages 26 to 32 of this annual report.

None of the members of the Board are related to one another.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. CAI Wensheng and Mr. WU Zeyuan, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended December 31, 2022 and up to the Latest Practicable Date, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The views of the independent non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise judgement, make decisions and act objectively in the interests of the Company and its Shareholders as a whole.

Terms of Appointment of Non-executive Directors

Code provision B.2.2 of the CG Code stipulates that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of the non-executive Directors and independent non-executive Directors (excluding Mr. LAI Xiaoling, Mr. CHEN Jiarong and Ms. KUI Yingchun) has signed a letter of appointment with the Company for an initial term of three years or until the third annual general meeting of our Company since the Listing Date (whichever is sooner) and is subject to retirement by rotation at an annual general meeting at least once every three years. Such letters of appointment were renewed on identical terms (i) on June 3, 2019 for a further term of three years or until the third annual general meeting of the Company since the date of renewal (whichever is sooner) and (ii) on June 2, 2022 without a specific term.

On September 30, 2020, Dr. GUO Yihong entered into a supplemental agreement with the Company to amend his Letter of Appointment to reduce his remuneration to nil with effect from October 1, 2020. Dr. GUO Yihong has advised the Company that pursuant to the current policies of his employer, as a matter of prudence, he has volunteered not to receive any remuneration from the Company for the time being, in order to avoid any situation where a possible conflict of interest may arise.

Mr. LAI Xiaoling has signed a letter of appointment with the Company and was appointed as an independent non-executive Director commencing on January 1, 2019 until the third annual general meeting of the Company from such commencement date. Such letter of appointment was renewed on identical terms on June 2, 2021 for three years or until the third annual general meeting of the Company since the date of renewal (whichever is sooner).

Each of Mr. CHEN Jiarong and Ms. KUI Yingchun has signed a letter of appointment with the Company and was appointed as a non-executive Director and an independent non-executive Director, respectively, commencing on June 3, 2020 for three years or until the third annual general meeting of the Company from such commencement date (whichever is sooner).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board reserves its decisions for all major matters relating to policy matters, investments, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The Board has delegated the responsibility of implementing the strategies, investments and the daily operations to the management of the Group under the leadership of executive Directors. The Chief Financial Officer and Company Secretary attends all regular Board meetings and Board committee meetings to advise on accounting and financial, corporate governance and statutory compliance matters. Senior management has formal or informal contact with the Board members as and when necessary.

Board Meetings, General Meetings and Committee Meetings

The Board meets 4 times a year as a minimum and it met 4 times during the year ended December 31, 2022. The attendance of each Directors at Board and committee meetings and general meetings is detailed in the table below.

	Attendance/No. of Meeting(s)				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Mr. CAI Wensheng	4/4	–/–	–/–	1/1	1/1
Mr. WU Zeyuan	4/4	–/–	–/–	–/–	1/1
Dr. GUO Yihong	4/4	3/3	–/–	–/–	1/1
Dr. LEE Kai-fu	4/4	–/–	2/2	–/–	1/1
Mr. CHEN Jiarong	4/4	–/–	–/–	–/–	1/1
Mr. ZHOU Hao	4/4	3/3	–/–	1/1	1/1
Mr. LAI Xiaoling	4/4	3/3	2/2	–/–	1/1
Ms. KUI Yingchun	3/4	–/–	2/2	1/1	1/1

In accordance with code provision C.2.7 of the CG Code, apart from the regular board meetings above, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

Continuous Professional Development of Directors

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors have been arranged and reading material on relevant topics would be issued to directors where appropriate. They are encouraged to attend relevant training courses at the Company’s expenses.

During the year ended December 31, 2022, all Directors have participated in continuous professional training to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Name of Director	Participated in continuous professional training
Executive Directors	
Mr. CAI Wensheng	✓
Mr. WU Zeyuan	✓
Non-executive Directors	
Dr. GUO Yihong	✓
Dr. LEE Kai-fu	✓
Mr. CHEN Jiarong	✓
Independent non-executive Directors	
Mr. ZHOU Hao	✓
Mr. LAI Xiaoling	✓
Ms. KUI Yingchun	✓

Directors' knowledge and skills are continuously developed and refreshed by, *inter alia*, the following means:

1. participation in continuous professional training seminars, conferences, courses and/or workshops on subjects relating to, *inter alia*, corporate governance, directors' duties and legal and regulatory changes organized or arranged by the Company, professional bodies and/or lawyers;

2. reading materials provided from time to time by the Company to Directors regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties; and

3. reading news, journals, magazines and/or other reading materials regarding legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has set up the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plans and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee is mainly responsible for, *inter alia*, the following matters:

- reviewing the interim and annual financial statements and reviewing significant financial reporting judgments contained in them;
- reviewing the terms of engagement and making recommendations to the Board regarding the appointment, reappointment and removal of auditors of the Company;
- monitoring and assessing the independence of external auditors and effectiveness of the internal control systems; and
- reviewing the financial information and oversight of the Company's financial reporting, controlling, accounting policies, practices with external auditors and the management of the Company, risk management and internal control issues.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises a majority of independent non-executive Directors and includes members with appropriate accounting or related financial management expertise as required under the Listing Rules. As at the Latest Practicable Date, the members of the Audit Committee are Mr. ZHOU Hao, Mr. LAI Xiaoling and Dr. GUO Yihong. Dr. GUO Yihong 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 held 3 meetings during the year ended December 31, 2022. Individual attendance record of each Committee member is set out on page 83 of this annual report. During the meetings, the Audit Committee reviewed the annual results announcement and the annual report of the Group for year ended December 31, 2021, the interim results announcement and interim report of the Group for the six months ended June 30, 2022, internal control and risk management systems of the Group, the effectiveness of the Group's internal audit function and its other duties under the CG Code, etc..

Remuneration Committee

The Company has set up the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and of the CG Code. The primary duties of the Remuneration Committee are as follows:

- to assist the Board in reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- to assist the Board in reviewing and making recommendations to the Board on the remuneration policy and structure for all directors and senior management;

- to review, provide its view and/or approve matters relating to the Group's share schemes under Chapter 17 of the Listing Rules; and

- establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee comprises a majority of independent non-executive Directors. As at the Latest Practicable Date, the members of the Remuneration Committee are Dr. LEE Kai-fu, Mr. LAI Xiaoling and Ms. KUI Yingchun. Dr. LEE Kai-fu is a non-executive Director, and Mr. LAI Xiaoling and Ms. KUI Yingchun are independent non-executive Directors. Mr. LAI Xiaoling is the chairman of the Remuneration Committee.

The Remuneration Committee held 2 meetings during the year ended December 31, 2022. Individual attendance record of each Committee member is set out on page 83 of this annual report. During the meetings, the Remuneration Committee reviewed the remuneration policy and structure as well as matters relating the Group's share schemes under Chapter 17 of the Listing Rules (including but not limited to whether any changes to the terms of options or awards granted to Directors and/or senior management of the Company would be necessary), and made recommendations to the Board on the annual remuneration packages of the executive Directors and the senior management and other related matters.

The Remuneration Committee has also considered and reviewed the grant of the share awards pursuant to the Post-IPO Share Award Scheme during the year ended December 31, 2022 to Mr. Wu and certain key employees and consultants of the Group (including but not limited to the final number of share awards granted pursuant to the Post-IPO Share Award Scheme, the vesting schedule with the vesting period for some of the share awards being on a monthly basis, the grant of share awards with or without performance targets, the clawback/lapse mechanism, etc.), and is of the view that the terms and conditions of such grants provided a market competitive remuneration package to each of Mr. Wu and the relevant key employees and consultants of the Group, are consistent with the Company's remuneration policy, and are appropriate and aligns with the purposes of the Post-IPO Share Award Scheme, in order to recognise the contributions made by Mr. Wu and certain key employees and consultants to the Group and to attract and retain their talents for the continuous operations and development of the Group.

Details of the fees and other emoluments paid or payable to the Directors for the year ended December 31, 2022 are set out in Note 31 to the audited consolidated financial statements contained in this annual report.

The remuneration of the members of senior management (including the executive Directors) by band for the year ended December 31, 2022 is set out below:

	Number of members of senior management
Nil to HK$500,000	–
HK$500,001 to HK$1,000,000	–
HK$1,000,001 to HK$5,000,000	2
HK$5,000,001 to HK$10,000,000	3
HK$10,000,001 to HK$15,000,000	–
HK$15,000,001 to HK$20,000,000	–
Total	5

Nomination Committee

The Company has set up the Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include the following matters:

- reviewing the Board composition and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- developing and formulating relevant procedures for the nomination and appointment of Directors;
- making recommendations to the Board on the appointment of Directors and succession planning of the Company; and
- assessing the independence of independent non-executive Directors.

The Nomination Committee comprises a majority of independent non-executive Directors. As at the Latest Practicable Date, the members of the Nomination Committee are Mr. CAI Wensheng, Mr. ZHOU Hao and Ms. KUI Yingchun. Mr. CAI Wensheng is an executive Director, and Mr. ZHOU Hao and Ms. KUI Yingchun are independent non-executive Directors. Mr. CAI Wensheng is the chairman of the Nomination Committee.

The Nomination Committee held 1 meeting during the year ended December 31, 2022. Individual attendance record of each Committee member is set out on page 83 of this annual report. During the meetings, the Nomination Committee reviewed the composition of the Board, the diversity of the Board, assessed the independence of independent non-executive Directors and recommended to the Board on the re-election of directors.

Board Independence

The Company acknowledges that the Board's independence is critical to good corporate governance and has in place mechanisms to ensure that independent views and input are available to the Board. The Board has consistently ensured that the Board committees, in particular the Nomination Committee, are comprised of a majority of independent non-executive directors. Matters that arise and considered at the Board committee level are decided by a majority of votes which assures that the views and recommendations given to the Board by the Board committees are predominantly objective and independent. The Company also provides the Board committees with sufficient resources to perform its duties professionally and independently, including but not limited to obtaining independent professional advice and assistance from internal or external legal, accounting and/or other advisors at the expense of the Company. The composition of the Board committees and its effectiveness in delivering the Board with independent views and recommendations are reviewed by the Board on an annual basis. During the year, the Board has reviewed the implementation of the Board's independence mechanisms and considered that it remained effective.

Board Diversity Policy

The Company adopted a board diversity policy (the "**Diversity Policy**") on November 20, 2016 and amended it on December 20, 2018 and March 30, 2022, which sets out the Company's approach to achieving diversity of the Board.

Pursuant to the Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Diversity Policy further provides that the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. In particular, the Nomination Committee will identify and make recommendations to the Board to implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, their skills will prepare them for board positions. The Nomination Committee is also committed to ensure that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will review the Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval. During the year, the Board has reviewed the implementation of the Board diversity policy and considered that it remained effective.

The Nomination Committee is also committed to ensure that gender diversity is achieved within the Board under which no particular gender should constitute more than 90% of the Board. Currently, the Board comprises of seven male Directors and one female Director, and the Nomination Committee is of the view that there is no current need to increase the composition of female Directors to the Board.

Policy for Nomination of Directors

On December 20, 2018, the Company also adopted a nomination policy (the "**Nomination Policy**") in accordance with the CG Code, which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations. The Nomination Policy is reproduced as follows.

1. Objective

1.1 The Nomination Committee is committed to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

1.2 The Nomination Committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at a general meeting either to fill a casual vacancy or as an addition to the Board.

1.3 The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (the "**Succession Planning**") for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

1.4 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.5 The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

1.6 The Nomination Committee shall assess the independence of independent non-executive directors.

2. Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability and the potential contribution to the Board of a proposed candidate:

- Reputation for integrity;
- Professional qualifications and skills;
- Accomplishment and experience in (i) the provision of Internet services, including but not limited to, online advertising, Internet-value added services and e-commerce; and (ii) the design, development and sales of smart hardware;

- Commitment in respect of available time and attention to the affairs of the Company and relevant interest;

- Independence of proposed independent non-executive Directors including the number of listed company directorships held by proposed independent non-executive Directors and the length of tenure with the Company for any existing independent non-executive Directors proposed to be re-appointed; and

- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

2.2 The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person to the Board, as it considers appropriate.

3. Nomination Procedures

3.1 Nomination by the Nomination Committee

3.1.1 The secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from the Board, if any, for consideration by the Nomination Committee prior to its meeting.

3.1.2 The Nomination Committee shall nominate candidates for the consideration and recommendation of the Board. The Nomination Committee may propose candidates who are not nominated by the Board. The Board shall have the final decision on all matters in relation to its nomination of any candidates to stand for election at a general meeting.

3.1.3 The candidate nominated by the Board to stand for election at a general meeting (the "**Board Candidate**", together with the Shareholder Candidate defined in Section 3.2 below, the "**Candidate**") will submit the necessary personal information, together with his/her written consent to be elected as a Director and to the publication of his/her personal information for the purpose of or in relation to his/her standing for election as a Director. The Nomination Committee may request the Board Candidate to provide additional information and documents, if considered necessary.

3.1.4 A circular will be sent to the Shareholders (the "**Shareholder Circular**") as to provide information of the Board Candidate, and to invite nominations from the Shareholders. The Shareholder Circular will include (i) the period for lodgment (the "**Lodgment Period**") of nominations by the Shareholders; (ii) the personal information of the Board Candidate as required by the applicable laws, rules and regulations, *inter alia*, name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration.

3.1.5 Until the issue of the Shareholder Circular, the Board Candidate shall not assume that he/she has been nominated by the Board to stand for election at the general meeting.

3.2 Nomination by Shareholders

The Shareholders may also propose a person for election as a Director (such candidate, the "**Shareholder Candidate**") in accordance with the Memorandum and Articles of Association of the Company and the applicable law, details of which are set out in the "*Procedures for Shareholders to Propose a Person for Election as a Director of the Company*" adopted by the Company pursuant to a resolution passed at the meeting of the Board held on November 20, 2016.

3.3 The Candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company ("**Company Secretary**").

3.4 The resolution for election of Directors for the Shareholder Candidate shall take the same form as for the Board Candidate.

4. Succession planning

4.1 The objective of the Succession Planning is to ensure an effective and orderly succession of Directors and to maintain the balance of diversity (including gender diversity), collective knowledge and skills of the Board necessary for the effective governance of the Company.

4.2 The following considerations and measures will be used by the Nomination Committee in making recommendations for the Succession Planning:

4.2.1 Required knowledge, skills and experience at a full Board composite level to effectively fulfill the Board's legal role and responsibilities;

4.2.2 An appropriate balance of diversity across the Board pursuant to the Diversity Policy and as set out in Section 2.1 and Section 5 of the Nomination Policy;

4.2.3 Personal qualities of each candidates with reference but not limited to the factors listed in Section 2.1 of the Nomination Policy;

4.2.4 Continuity through a smooth succession of Directors; and

4.2.5 Compliance with the relevant legal and regulatory requirements.

4.3 The above considerations are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee will review the Succession Planning together with the Board periodically, and recommend revisions, if any, to the Board for consideration and approval.

5. **Board diversity**

5.1 The Nomination Committee will review annually the structure, size and composition (including gender composition) of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

5.2 The Nomination Committee will also review annually the implementation and effectiveness of the Company's Diversity Policy and discuss and agree periodically on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. The Nomination Committee will identify and make recommendations to the Board to implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, their skills will prepare them for board positions.

6. **Confidentiality**

6.1 Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or an employee of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the Shareholder Circular, as the case may be, is issued. Following the issue of the Shareholder Circular, the Nomination Committee or the Company Secretary or other employee of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and the Candidate should not be disclosed.

7. **Monitoring and reporting**

7.1 The Nomination Committee will report annually a summary of the Nomination Policy including the nomination procedures, criteria for selection, the diversity policy and the progress made towards achieving these objectives in the Company's Corporate Governance Report.

8. **Review of the Nomination Policy**

8.1 The Nomination Committee will review the Nomination Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

Corporate Governance Functions

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the year ended December 31, 2022.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company, PricewaterhouseCoopers, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 150 to 155 of this annual report.

DIVIDEND POLICY

On December 20, 2018, the Company adopted a dividend policy (the "**Dividend Policy**") in accordance with the CG Code, which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders. Under the Dividend Policy, subject to applicable laws and the Articles, the Board has absolute discretion on whether to declare and distribute dividends. In addition, the Shareholders may in general meeting declare dividends, but no dividend may be declared in excess of the amount recommended by the Board. In either case, a dividend may be declared and paid out of the profits of the Company, or from any reserve set aside from profits which the Directors determine is no longer needed, or out of the share premium account of the Company. In no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Even if the Board decides to pay dividends, the declaration, payment and amount of dividends will depend upon the Company's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Board considers relevant.

Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from our subsidiaries. Regulations in China may restrict the ability of our Chinese subsidiaries to pay dividends to the Company.

The Company does not have a fixed dividend payout ratio. The Company currently intends to retain most of its available funds and future earnings to operate and expand our business.

If the Company pays any dividends on the Shares, unless and to the extent that the rights attached to the Shares, or the terms of issue thereof otherwise provide, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on Shares in advance of calls may for this purpose be treated as paid up on the Shares; and (ii) all dividends will be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any of the Shareholders all sums of money (if any) presently payable by such Shareholders to the Company on account of calls, installments or otherwise.

The Dividend Policy reflects the Board's current views on the Company's financial and cash flow position. It will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management process

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness.

The Group's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures.

The Group has a designated risk management and internal control team which is responsible for identifying and monitoring the Group's risks (including, amongst others, material risks relating to environmental, social and governance) and internal control issues and reports directly to the Board of any findings and follow-up actions. Each department of the Group is also required to adhere strictly to the Group's internal control procedures/policies and report to the risk management and internal control team of any risks or internal control issues.

The Audit Committee of the Board also reviews the Company's financial controls, risk management and internal control systems/policies on a regular basis. During the year ended December 31, 2022, the Audit Committee conducted reviews of the effectiveness of the risk management and internal control system/policies of the Group. The reviews had covered various aspects of the Group's risk management and internal control system/policies. The reviews results were reported to the Board. The Board is satisfied that such systems/policies are effective and adequate.

The Group has also adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. The systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an internal audit function which is responsible for identifying and monitoring the Group's risks and internal control issues. In 2016, the Group engaged an independent third-party external advisor to review the risk management and internal control systems of the Group. In 2017 and 2018, the Board has further strengthened the risk management and internal control systems/policies of the Group by having recruited suitable manpower and qualified personnel to cope with the present structure and scale of operations of the Group. Results of audit work together with an assessment of the overall internal control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issues.

Review on risk management and internal control system

The Company reviews on an annual basis and has conducted an annual review on the effectiveness of the Group's risk management and internal control systems for the year ended December 31, 2022 and confirmed that the Group's risk management and internal control system in respect of financial, operational, compliance, risk management and adequacy of resources, are effective and adequate.

AUDITOR'S REMUNERATION

A breakdown of the remuneration payable to the external Auditor of the Company, PricewaterhouseCoopers, in respect of the audit services and the non-audit services for the year ended December 31, 2022 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	5,740
Non-audit Services	50
	5,790

COMPANY SECRETARY

Mr. NGAN King Leung Gary ("Mr. Ngan"), our Chief Financial Officer, was appointed as a joint company secretary of the Company on August 2, 2016, and became the sole company secretary of the Company on December 15, 2019. Mr. Ngan is primarily responsible for the overall financial strategy, investor relations and company secretarial matters of the Group. Prior to joining our Group, Mr. Ngan held the positions of chief operating officer and chief financial officer at Forgame Holdings Limited, a mobile games and webgames company listed on the Stock Exchange (Hong Kong Stock Exchange Stock Code: 484) where he worked from May 2012 to June 2015, and was the director and head of Hong Kong and China Internet research at UBS AG, where he worked from July 2006 to April 2012. Mr. Ngan received his bachelor of science degree in economics from the Wharton School, University of Pennsylvania in 2006. He has been a CFA Charterholder since 2010. Mr. Ngan was also the joint company secretary of Forgame Holdings Limited from February 2013 to November 2014. Mr. Ngan has also been an independent non-executive director of Pop Mart International Group Limited (Hong Kong Stock Exchange Stock Code: 9992) since its listing on the Stock Exchange in December 2020.

During the year ended December 31, 2022, Mr. Ngan has complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training.

DIVERSITY IN WORKFORCE AND SENIOR MANAGEMENT

In addition to diversity of the Board, the Company is also committed to ensure that gender diversity is achieved in its workforce and senior management. As at the Latest Practicable Date, our workforce comprises approximately 55.9% males and 44.1% females and our senior management comprises of five key personnel, of which three are male and two are female.

Since the existing diversity of gender in our workforce and senior management is considered to be well-balanced, the Company plans to maintain a similar level of male-to-female ratio in the years forward and has in place a policy that no particular gender should constitute more than 70% of its workforce. As for senior management personnel, while the Company strives to ensure that gender diversity will continue to be achieved as far as possible, given the essential function and limited number of senior management personnel, it is also a priority that their selection is based on the person's experience, qualifications, skills, integrity and ability to manage the Company's affairs properly to ensure elitism in order drive the success of the Company and maximise Shareholders' value.

ANTI-CORRUPTION AND WHISTLE-BLOWING POLICY

The Company is committed to upholding ethical principles and has zero tolerance for bribery, extortion, fraud and money laundering. As such, the Company has formulated internal policies, including the "Employee Handbook", "Policy on Staff Discipline", "Policy on Sending and Accepting Gifts by Employees" and "Anti-Fraud and Reporting System", to specify the procedures of making declarations of interests and anti-corruption measures. For further details, please refer to the section headed "Anti-corruption, Whistle-blowing and Business Ethics" in the Environmental, Social and Governance Report of the Company.

CHANGES IN CONSTITUTIONAL DOCUMENTS

Save as disclosed in the sub-section headed 'COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS' in this corporate governance report, there is no other significant change in the Company's constitutional documents during the year ended December 31, 2022.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, Shareholders are given advanced notice of all general meetings of the Company in accordance with the Articles of Association by way of announcements posted on the websites of the Company and of the Stock Exchange pursuant to the Listing Rules and a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Under Article 58 of the Articles of Association, any one or more Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Act. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for Shareholders to propose a person for election as a director of the Company are published on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address : Room 8106B, Level 81
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong
(For the attention of the Board of Directors/Company Secretary)

Email : ir@meitu.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with Shareholders essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and, in particular, through annual general meetings and other general meetings. At annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. During the year ended December 31, 2022, the Company held an annual general meeting on June 2, 2022, at which the chairman of the Board and/or the chairman of each of the Board committees (as appropriate) and the Company's Auditor were present to answer questions from the Shareholders.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. The Board reviews on an annual basis the implementation and effectiveness of the Company's communication policy with Shareholders and considers that the Company maintains an effective communication channel with the Shareholders during the year ended December 31, 2022 as the Company had not received any complaints from any Shareholder as to the effectiveness of its Shareholder's communication system in place during the year ended December 31, 2022. The Board will continue to take note of any complaints or feedbacks received as to any shortfalls in its Shareholder communication policy and where necessary, establish additional policies to ensure better and more effective communication with Shareholders.

In June 2022, the Company amended its articles of association in order to (i) bring it in line with the relevant requirements of the applicable laws of the Cayman Islands and recent amendments to the Listing Rules, (ii) provide greater flexibility to the Company in relation to the conduct of general meetings by allowing (but not requiring) general meetings to be held as an electronic meeting and/or a hybrid meeting where Shareholders may attend by electronic means in addition to as a physical meeting where Shareholders attend in person, and (iii) make some other housekeeping changes. The proposal for the amendments to the Company's articles of association was considered and approved at the Company's annual general meeting held on June 2, 2022. Further details about the amendments to the Company's articles of association can be found in the Company's announcement and circular on April 25, 2022 and April 29, 2022, respectively. The existing Articles of Association are available for viewing on the websites of the Company and the Stock Exchange. There have been no changes to the Articles of Association since the Company's annual general meeting held on June 2, 2022.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Purpose and Objective

This is the seventh Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) for Meitu, Inc. (the “**Company**”, and, together with its subsidiaries, and Xiamen Meitu Networks Technology Co., Ltd., Xiamen MeituEve Networks Services Co., Ltd., and their respective subsidiaries, collectively known as “**Meitu**”, the “**Group**” or “**We**”). This Report aims to provide our key stakeholders with a clear and transparent overview of our sustainability management approach, strategies, initiatives and performance of our material sustainability issues, enabling them to deepen their understanding of the Group and our ESG efforts.

Reporting Scope and Period

Unless otherwise stated, the reporting scope includes, and is identified by the level of operations in, the locations where we operate our core businesses, covering our headquarters in Xiamen and offices in Beijing, Shanghai, Tianjin, Shenzhen, Guangzhou, Quanzhou in the People’s Republic of China (the “**PRC**”) and the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”) which account for approximately 98% of the Group’s total revenue for the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”). Quanzhou was newly added to the reporting scope to present the Group’s sustainability performance in a more comprehensive manner as Meidd Technology (Shenzhen) Co., Ltd. (“**Meidd**”), with an office in Quanzhou, became a subsidiary of the Group in January 2022.

Reporting Standards

The Report has been prepared in accordance with the latest disclosure requirements of the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (the “**HKEX**”).

Reporting Principles

When disclosing our sustainability performance, the Report adheres to the four reporting principles stipulated in the ESG Reporting Guide in the course of this Report’s preparation: materiality, quantitative, balance and consistency. Below is our application of these reporting principles.

Reporting Principle	Description	Our Application
Materiality	The ESG issues covered in this Report should be sufficiently important to investors and other stakeholders that they should be reported.	The Group identifies the ESG topics that are material to our business operations and our key stakeholders through ongoing engagement with our stakeholders and regular assessment of the materiality of sustainability topics. Please refer to the sections of "Stakeholder Engagement" and "Materiality Assessment" for further details of our stakeholder engagement approach and materiality analysis.
Quantitative	The Report should disclose key performance indicators in a way that is measurable. Targets can be set to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and comparison can be conducted when appropriate.	The Report discloses its key environmental and social performance indicators in a quantitative way, where applicable.
Balance	The Report should present the positive and negative information of the Group in an objective and unbiased manner. The Report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the Report reader.	The Report discloses both achievements and challenges in an objective way, to provide a balanced and unbiased picture of the Group's ESG performance.
Consistency	The Group should confirm that the methodologies used in preparation of the ESG Report are consistent with that adopted for the prior year, or state the revised reporting methods, or illustrate other relevant factors that will affect meaningful comparison of ESG data over time.	The reporting scope and reporting methodology are substantially consistent with those of the prior year, and necessary explanations have been provided on any changes to the methodology used as compared to the previous year in the Report.

Access to the Report

As part of the Group's annual report, the Report has been prepared in both English and Chinese, and is available on the Group's website at www.meitu.com. In case of any discrepancy between these two versions, the English version shall prevail.

Your Feedback

Your feedback and suggestions on our sustainability performance and reporting are appreciated, which would guide us in further refinement of our sustainability strategy. Please share your feedback at email: ir@meitu.com.

OUR CULTURE

Mission

Make beauty accessible through technology.

Sustainability at Meitu

Values

Be inquisitive and practical
Be humble and seek truth from facts

Motivated to win
Aim high and hit

HIGHLIGHTS OF THE YEAR

Raised users' sustainability awareness through launching an environmental protection themed page in *Meitu* app, and created **26** filters inspired by nature appreciation, resource protection and water conservation, which were used for over **6** million times with more than **46** million views to encourage green lifestyles in our community

Over **30,000** beauty retail stores served by *Meidd*, spanning **31** Chinese provinces and **252** cities

Obtained **59** patents during the Reporting Period to accelerate innovation

Served prestigious skincare brands, medical aesthetic clinics and beauty salons in over **263** cities worldwide, including Paris and Tokyo, for *MeituEve*

Provided **>17,000** training hours for employees

Ratio between female to male employees: **1: 1.3**

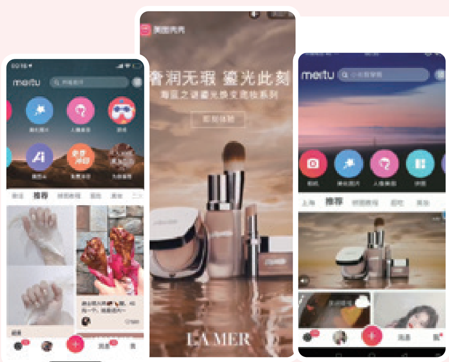
Maintained **0** work-related fatalities and **0** serious incidents for employees

Achieved **2** major scientific research accomplishments in collaboration with Chinese Academy of Sciences and drove scientific developments in skin analysis **AI** technology for *MeituEve*

KEY PROJECTS OF THE YEAR

Attained 7.6 million new users via *Meitu's* AIGC ("**Artificial Intelligence-Generated Content**")-powered AI Art feature since its launch in 2022, propelling the app to the top 10 rankings of image applications in 15 countries worldwide

Partnered with prestigious art institutions and artists in the PRC in a collaborative exhibition to transform digital innovation in the era of the Metaverse



Delivered industry leading augmented reality ("**AR**")-powered solutions to international beauty brands and retailers, including La Mer and Bosch + Lomb

Collaborated with world-renowned video platform TikTok to accelerate the online integration of brick-and-mortar beauty stores

Launched Intellectual Property ("**IP**") Star Universe module in collaboration with Disney, Sanrio, Teletubbies, Ultraman and other top IPs to enrich users' photo creation experience

AWARDS AND RECOGNITIONS

2022 China Mobile Internet Autumn Report – Ranked the 1st

- *Meitu app* (Category of Photo Beautification)
- *BeautyCam* (Category of Camera)

Quest Mobile

2022 Corporate Governance Award

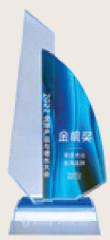
Guruclub（「格隆匯」）

The 2022 EDGE AWARDS – 2022 Enterprise with Potential Value Award（「2022年度潛在價值企業獎」）

TMTpost（「鈦媒體」）

The 2022 PAGC Golden Sail Awards – Most Outstanding Brand of the Year in International Markets Award（「年度傑出出海品牌」）

YF Chuhai（「揚帆出海」）

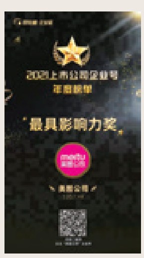


The 11th Philanthropy Festival – The Public Welfare Communication Award and Public Welfare Project Award（「公益傳播獎及公益項目獎」）

Gongyidaily（「數央公益」）, Syobserve（「數央網」）and Niuliwen Media（「紐利文傳媒」）

RoyalFlush's 2021 Annual List – The Most Influential Award（「2021年度榜單最具影響力獎」）

RoyalFlush Enterprises（「同花順企業號」）



2022 Top 100 Chinese Internet Companies in Comprehensive Strength（「2022年中國互聯網綜合實力企業」）for 6 consecutive years

Internet Society of China

2022 Xiamen Emerging Digital Industry Enterprise List（「2022年廈門市新興數字產業企業入庫名單」）

Xiamen Municipal Bureau of Industry and Information Technology and Xiamen Big Data Management Bureau（「廈門市大資料管理局」）

2022 Innovative Enterprises in the Core Digital Economy Industries of Fujian Province List（「2022年度福建省數字經濟核心產業領域創新企業名單」）

Office of the Leading Group for Digital Fujian Construction in Fujian Province（「福建省數字福建建設領導小組辦公室」）

2022 Xiamen Future Industry Key Enterprises Filing List（「2022年度廈門市未來產業骨幹企業備案名單」）

Xiamen Municipal Science and Technology Bureau

2022 Xiamen Key Software and Information Technology Service Enterprises List（「2022年度廈門市重點軟體和資訊技術服務企業名單」）

Xiamen Municipal Bureau of Industry and Information Technology and Xiamen Big Data Management Bureau（「廈門市大資料管理局」）

2022 Xiamen 6th Batch of Technology-based Small and Medium-sized Enterprises List（「廈門市2022年第6批入庫科技型中小企業名單」）

Xiamen Municipal Science and Technology Bureau

2022 Vivo App Store Annual Popularity Award
（「2022 Vivo 應用商店年度人氣獎」）
Vivo

2022 China Regional Best Application Award
（「2022年度中國賽區最佳應用獎」）
Huawei

Outstanding Technological Innovation Case of the Year
（「年度科技創新優秀案例」）
www.huanqiu.com（「環球網」）

2022 Top 100 Innovative Private Enterprises in Fujian Province
（「2022 福建省創新型民營企業100 強榜單」）– Ranked the 20th
Fujian Province Federation of Industry and Commerce
（「福建省工商業聯合會」）

2022 Fujian Top 50 Enterprises with Comprehensive Internet Strength
（「2022年福建省互聯網綜合實力前50家企業」）– Ranked the 3rd
Internet Society of Fujian

2022 Most Innovative Internet Enterprises in Fujian Province
（「2022年福建省互聯網最具創新型企業」）
Internet Society of Fujian

Huawei Outstanding Technical Cooperation Partner for Smart Office Solutions
（「華為智慧辦公傑出技術合作夥伴」）
Huawei

2022 Xiamen Recognized Leading Private Enterprises List
（「廈門市2022年度龍頭骨幹民營企業認定名單」）
Xiamen Municipal Committee, Xiamen Municipal Government, United Front Work Department of the Xiamen Municipal Committee（「廈門市委統戰部」）, Xiamen Federation of Industry and Commerce（「廈門市工商業聯合會」）

2022 Annual Excellent Enterprises in the Integration of Digital and Real Economy
（「2022數實融合年度優秀企業」）
National Business Daily

2022 Xiamen Intellectual Property Advantageous Enterprises List
（「2022年度廈門市智慧財產權優勢企業名單」）
Xiamen Administration for Market Regulation

Member Unit of the Internet Society of China
（「中國互聯網協會會員單位」）
Internet Society of China

Categories of Awards: Corporate and Branding | Corporate Governance | Innovation and Technology | Community Care

OUR APPROACH TO SUSTAINABILITY

Driven by Meitu's corporate mission "**make beauty accessible through technology**", our approach to sustainability is built upon four key strategic pillars: (i) Decarbonization – Make our Environment Beautiful, (ii) Technology – Make our Users Beautiful, (iii) Care – Make our Community Beautiful and (iv) Dream – Make our Employees Beautiful. Central to our approach is our commitment to the United Nations Sustainable Development Goals ("**UNSDGs**"). Focussing on the 7 UNSDGs most significant to our business, we have aligned these with our sustainable pillars and established specific directions, goals and targets to reinforce our contribution towards our chosen UNSDGs. By embracing our sustainability approach with the embedded UNSDGs, we are able to take meaningful steps to create and orchestrate technology and beauty for a better world for the next generation.

Decarbonization

Make our Environment Beautiful

- **Direction:**
  Strive to tackle climate change to bring a sustainable future for the next generation.
- **Goal:**
  To reduce the Group's carbon footprint, including greenhouse gas emissions and waste, while optimizing energy and water efficiency.

Please refer to the section headed "Decarbonization – Make our Environment Beautiful" for our green targets.

Technology

Make our Users Beautiful

- **Direction:**
  Curate quality software and hardware products to enable global users to create and share "beauty".
- **Goal:**
  To invest in research and development for product enhancement and creation to enrich our product portfolio.

Care

Make our Community Beautiful

- **Direction:**
  Give back by being a positive force for the community.
- **Goal:**
  To enhance existing and new community contribution plans to cover a wider community.

Dream

Make our Employees Beautiful

- **Direction:**
  Cultivate a pleasant workplace with fair compensation with an aim to be a preferred employer.
- **Goal:**
  To enhance the working environment, employee welfare and occupational health and safety measures.

ESG Governance Structure

Meitu strives to create sustainable value for our stakeholders through sound ESG governance. As such, we have developed a strong governance structure to enhance our ESG performance. Our Board of Directors (the "**Board**") has the overall responsibility for our ESG strategy and reporting. The Board provides oversight of the ESG issues (including but not limited to our sustainability management approach, strategy, and initiatives) with an emphasis on the Group's long-term development and positioning.

As part of the Board's oversight of ESG issues, the Board has delegated an ESG Committee at the management level (not at Board level), established in 2019 (the "**ESG Working Group**"), to further assist the Board in overseeing ESG management approach, strategy and issues to drive the planning and implementation of the Group's ESG-related matters as well as review progress made against ESG-related goals and targets. The ESG Working Group, comprised of management executives from core functional departments ranging from strategic planning and project management, video and image business, administration, software to content operation, assists the Board in evaluating, prioritizing and managing material ESG-related issues (including risks). With the support of members from core functional departments, the ESG Working Group advises the Board on ESG-related matters through regular meetings to ensure that the Board stays abreast of the Group's ESG performance, risks and opportunities, as well as the implementation progress of relevant plans.

Roles and Responsibilities

Board of Directors

- Holds the overall responsibility for the ESG strategy and reporting
- Oversees the ESG issues of the Group
- Discusses and reviews the Group's ESG performance, ESG-related risks and opportunities and progress against goals and targets on a regular basis

ESG Working Group

- Monitors, reviews and reports on the ESG strategy, performance, achievements and progress against targets and goals
- Identifies, prioritizes and manages ESG-related risks and opportunities (including but not limited to climate-related risks and ESG risks along the supply chain) and implements corresponding control measures
- Formulates, implements and reviews sustainability policies and practices to ensure compliance with laws and regulations
- Manages and reviews the Group's sustainability work plan and progress against any ESG-related goals and targets
- Prepares annual ESG disclosures for Board's approval

Core Functional Departments

- Identifies and proposes improvement areas for enhancing sustainability performance
- Executes sustainability implementation plans and initiatives
- Consolidates and compiles ESG data and information for ESG disclosures on a regular basis

ESG Risk Management

Effective ESG risk management is essential for achieving sustained business success in today's ever-changing world. As part of the Board's role in steering the long-term sustainability direction of the Group, the Board bears the ultimate responsibility for overseeing the Group's ESG risk management, enabling us to remain resilient in the face of unprecedented changes.

We conducted an ESG risk assessment during the Reporting Period to enhance our risk mitigation and response. The details of the steps of the Group's ESG risk management process are as follows:

5. Reporting

The results of the ESG risk assessment, along with any other relevant issues, were reported to the Board for discussion, review and providing recommendation.

1. Identification

With the support of the ESG Working Group and by making reference to the latest market and industry trends, we identified relevant ESG-related risks in the industry and sustainability trends, including climate-related risks and ESG risks along the supply chain.

4. Management and Mitigation

In order to manage the identified ESG risks and minimize their impact on our business, we established corresponding risk mitigation and internal controls measures, tasking the relevant business departments with the implementation of such measures.

2. Evaluation

The potential impacts and likelihood of the identified key ESG-related risks were evaluated.

3. Prioritization

Key ESG risks were prioritized by considering their risk levels in terms of potential impact and likelihood.

For more details on our corporate governance and risk management approach, please refer to the Corporate Governance Report section.

Stakeholder Engagement

Meitu recognizes the value of maintaining strong relationships with our stakeholders. By actively promoting open dialogue with our major stakeholders, we strive to understand the sustainability issues that most concern them and respond to their needs and expectations. Given the nature of our business, we utilize a range of channels to maintain close communications with various groups of stakeholders, including investors and shareholders, customers and users, government, community, employees, as well as suppliers.

Employees

- Various MT-Club activities
- Internal communication system
- Meetings
- Performance appraisals

Customers and Users

- The Group's website
- Mass media
- Direct communication
- Customer satisfaction surveys
- Social media
- Customer service hotline

Suppliers

- Field trips
- Assessments
- Continuous audits
- Direct communication

Investors and Shareholders

- Meetings
- Annual reports
- Investor briefings
- The Group's website
- Roadshow
- Investor summits
- Direct communication

Government

- Direct communication
- Annual meeting
- Forums
- Seminars and workshops

Community

- The Group's website
- Mass media
- Social media
- Direct communication

Materiality Assessment

Conducting a materiality assessment enables us to identify the most important sustainability topics for both our business and stakeholders, therefore determining the relevant material sustainability topics that should be disclosed and highlighted in this Report. During the Reporting Period, in addition to the above regular communication channels, we performed a materiality assessment with the support of an independent sustainability consultant. The results of the materiality assessment and relevant ESG topics are regularly discussed and reviewed by our ESG Working Group and the Board.

Our materiality assessment involves multiple stages: identification, prioritization, as well as validation. The details of the procedures and steps of the Group's materiality assessment are as follows:

Step 1: Identification

- Meitu selected a range of relevant sustainability issues based on the HKEX ESG Reporting Guide, the latest industry trends, stakeholders' feedback and the previous materiality analysis. The issues were categorised into four key themes:

  (i) Environment
  (ii) Workplace practices and human rights
  (iii) Product responsibility
  (iv) Society

Step 2: Prioritization

- We invited our major internal and external stakeholders to complete an online questionnaire and rate the relative importance of 24 ESG topics
- After collecting a total of 108 questionnaire responses, we analyzed the importance and impact of the topics towards the stakeholders and the Group with support from a third-party sustainability consultant
- 24 material issues were identified in total and displayed in the materiality matrix.

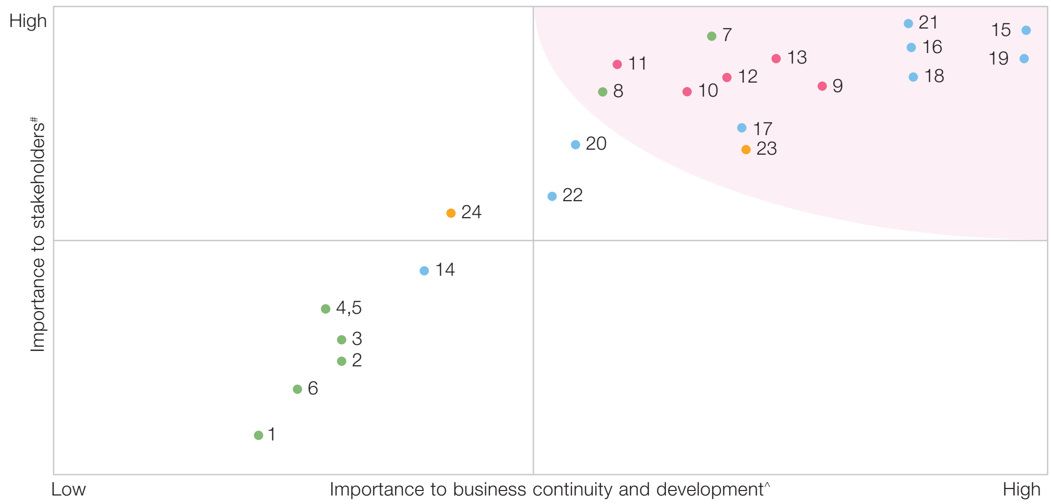
Step 3: Validation

- After analyzing the stakeholder responses, the ESG Working Group reviewed the assessment results and approved the 14 prioritized top material topics.

Materiality Matrix

In the materiality matrix below, we have mapped out and prioritized the 24 sustainability issues ranked according to the level of importance to stakeholders (y-axis) and their level of importance to our business continuity and development (x-axis) based on the aggregated scores obtained from our internal and external stakeholders through an online questionnaire. The materiality matrix reflects the relevance of the sustainability issues to Meitu, as well as their overall importance to the environment and society as perceived by the Group and our stakeholders. In the subsequent sections of this Report, information relevant to the 14 top material issues are consistent with our key strategic pillars and have been addressed in this Report. We will continue to focus on the top material issues in our business operations by establishing appropriate strategies, optimizing resource allocation, and disclosing any relevant progress made.

Materiality Matrix



List of issues considered:

Environment	Product Responsibility
1. Air emissions	14. Social risks in supply chain
2 Waste	15. Data protection and cybersecurity
3. Greenhouse gas emission and energy	16. Product quality and safety
4. Water resources	17. Customer service and experience
5. Consumption of packaging material	18. Product development and innovation
6. Climate change risk	19. Intellectual property protection
7. Green procurement	20. Marketing and advertising
8. Environmental risk in supply chain	21. Anti-corruption
	22. Anti-monopoly and anti-competitive behaviour
Workplace Practices and Human Rights	**Society**
9. Employee benefits	23. Community investment
10. Equal opportunity, diversity and anti-discrimination	24. Promotion of environmental protection and sustainable practices in the industry
11. Occupational health and safety	
12. Employee training and development	
13. Labor compliance	

Importance to stakeholders is determined by external stakeholders' rating of the material issues in terms of their importance to the society/environment and their relevance to Meitu.

^ Importance to business continuity and development is determined by internal stakeholders' rating of the likelihood and level of potential impact of the issues affecting Meitu's business continuity and development.

TECHNOLOGY

Make our Users Beautiful

Our effort on "Technology – Make our Users Beautiful" contributes to the following UNSDGs:

Direction

Curate quality software and hardware products to enable global users to create and share "beauty".

Goal

To invest in research and development for product enhancement and creation to enrich our product portfolio.

Top material topics

- Data protection and cybersecurity
- Product quality and safety
- Customer service and experience
- Product development and innovation
- Intellectual property protection
- Anti-corruption

As a top Internet enterprise in China, Meitu has been well-known for its cutting-edge AI-driven image-and-video processing technologies and thriving social community since its founding in October 2008. By focusing resources on research and development ("**R&D**"), we dedicate ourselves to developing new products and enriching existing products with the aim of advancing our business in a sustainable manner. True to our innovative spirit, we have developed multiple software and hardware products over the years to create and share "beauty" with users worldwide, ranging from the *Meitu* app, *BeautyCam*, *Meipai*, *MeituEve* to *MeituGenius*.

During the Reporting Period, there were no material complaints[1] (2021: nil[2]) in relation to products and services, and there were no products sold or shipped subject to recalls for safety and health reasons (2021: nil). In the rare case warranting a hardware product recall, we generally provide customers with appropriate remedial solutions. In the case of our app products, upon discovery of any bugs, defects, material non-compliance with laws and/or regulations or other material aspects that may cause adverse impacts on our users, a special group will be formed to conduct mitigation measures, including but not limited to taking down the app products as soon as possible. Updates will then be made and the app products will be launched again after thorough compliance checking and testings conducted. We are committed to operating a responsible business and complying with applicable laws and regulations in relation to health and safety, advertising, labelling and privacy matters related to products and services[3]. We were not aware of any material non-compliance of relevant laws and regulations during the Reporting Period.

1 Material complaints refer to complaints that have long-term material impact on our users and customers or fail to meet the agreed product and service requirements.

2 The data has been adjusted to reflect the actual situation.

3 Please refer to the Significant Laws and Regulations section for a list of product responsibility-related laws and regulations significant to the Group's business operations.

Achieving Excellence in Product Development

Empowering our users to become beautiful with revolutionary technology has always been Meitu's greatest aspiration. We are therefore committed to driving constant innovation of hardware and software products while expanding our future product portfolio. Our efforts are made possible by our talented R&D team members, who are professional in technical development and passionate about the industry, enabling us to deliver cutting-edge and high-quality products that exceed customer expectations. During the Reporting Period, we continued to expand our business by collaborating with globally renowned brands and organizations, with the goal of creating a positive experience for our users.

For Users

- ***Meitu*** Photo and video editor
- ***BeautyCam*** Trendy cam
- ***MakeupPlus*** Virtual makeup trial service
- ***Wink*** Video editor
- ***Chic*** Innovative camera apps
- ***Danbo*** App tailored for parents

For the Industry

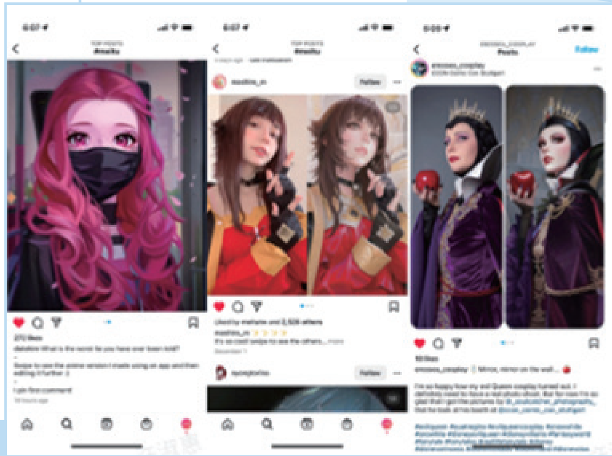
- ***Meitu PC Version*** Image processing and online design services
- ***Meitueve*** AI skin analysis algorithm
- ***Meitu AI Photo Editing*** AI image processing solution
- ***Meidd*** Enterprise resource planning ("**ERP**") and supply chain management SaaS focused on retail cosmetics
- ***Meitu ID photo*** Professional ID photo creation
- ***Meitu AI Open Platform*** AI service platform
- ***Advertising Traffic Platform*** Advertising system
- ***Meitu ADX*** One-stop buying and monetization services
- ***Meitu Design Studio*** Design tools and services for commercial poster

Technical Support

- ***MTlab*** Imaging and vision related algorithms research

Pioneering the Generation of AI-driven Art

Meitu's launch of its AIGC-powered AI Art feature in 2022 reflects our relentless quest for technology-enabled beauty. By simply clicking a button, users can effortlessly transform their photos into stunning cartoons, transporting themselves into an imaginative alternate universe filled with endless possibilities. The AI Art feature has gained immense popularity since its debut, having been saved 173 million times and attracting 7.6 million new users, propelling *Meitu* into the top 10 rankings of image applications in over 15 countries worldwide.

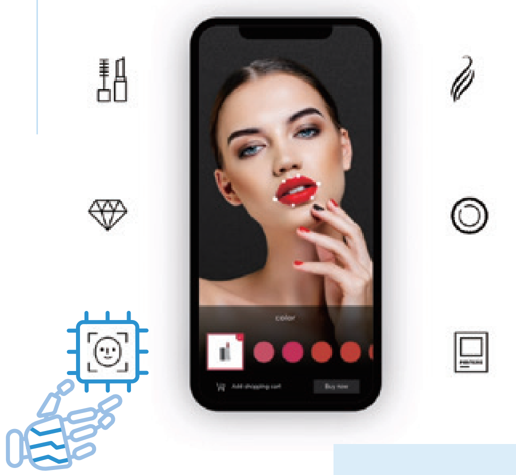


Driving a New Era of Beauty

Discovering new ways to enrich users' beautification experience is integral to Meitu's pursuit of beauty. We are pleased to announce that *Meitu* launched its IP Star Universe module during the Reporting Period, by collaborating with Disney, Sanrio and other top IPs to establish engaging IP Star Universe sectors including "The Disney Wonderland" and "The Sanrio Fairyland". The arrival of these diverse characters has unlocked even more beautification options for our users, inspiring them to continue creating fun and exciting photos.

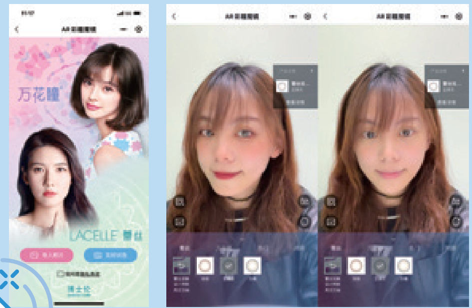
Innovating AR Technology Solutions

As a pioneer in imaging technology, we continue to expand our AR capabilities and applications. Self-developed by our creativity incubator – *Meitu Imaging and Vision Lab* ("**MT Lab**"), our *MeituGenius* is a smart AR makeup trial brand that is revolutionizing the beauty retail sector. Powered by our industry-leading facial technologies, *MeituGenius* offers virtual trials for beauty products and facial feature analysis both online and in retail stores. *MeituGenius* can achieve facial detection in 2.7 milliseconds, providing precise virtual styling services by locating 118 key facial points.



Bosch + Lomb

We are proud to announce that we have once again partnered with world-renowned contacts brand Bosch + Lomb during the Reporting Period, to jointly launch a WeChat Mini Program offering engaging online cosmetic contacts trial services for users. *MeituGenius*'s exclusive AR-driven try-on features solved the pre-purchase try-on pain point of online customers, while simplifying the online sales process and improving sales productivity.



Collaborations with Prestigious Brands

Meitu's collaborations with other well-known brands have also accelerated technological advancement and applications. We had the honor of becoming luxury beauty brand La Mer's first ever AR partner during the Reporting Period. Leveraging *Meitu*'s AR capabilities, we emphasized La Mer's brand philosophy through glamorous AR user experiences, successfully boosting the visibility of La Mer's product with a total user exposure of 140 million. Other significant partnerships during the Reporting Period included Miu Miu, Abercrombie & Fitch, Starbucks and Swarovski.

2022 China International Fair

Meitu's star products also shone at the 2022 China International Fair for Trade in Services, which Meitu attended as one of Xiamen's leading Internet industry players. With a total of 65 countries and international organizations participating in the fair, Meitu not only successfully promoted its solutions, but also showcased China's competitive strengths to a worldwide audience.

Driving the Digital Economy

5th Digital China Summit

As an Internet technology company, we are in a unique position to drive the digital transformation of our economy. We were delighted to attend the 5th Digital China Summit for the 5th consecutive time during the Reporting Period, where we presented *Wink, Meitu AI Photo Editing, MeituEve* and other popular products to showcase our latest achievements in accelerating the digitalization of our economy in response to China's aspirations for a better life for its people.

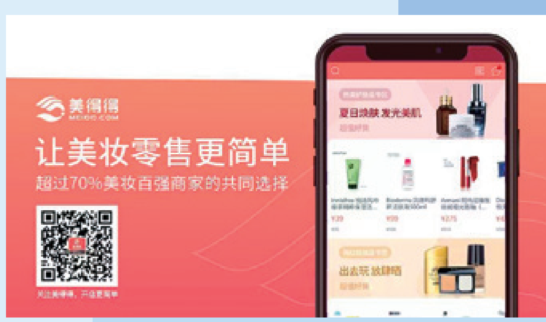
Empowering the Beauty Industry – MeituEve

In the face of ever-evolving consumer needs, we focus on empowering the beauty industry by strengthening our product development and launching innovative software-as-a-service ("**SaaS**") solutions. Our flagship hardware product, *MeituEve*, has built a strong customer base with much praise for its facial and skin analytical capabilities. *MeituEve* has reached major cities worldwide including Paris, Tokyo and Bangkok, boasting partnerships with well-known beauty brands, spas and medical aesthetic institutions, such as LVMH, Dior and Sisley.

Equipped with four state-of-the-art patented technologies, *MeituEve*'s new product Panoramic AI Skin Analysis System – *EVE V* is redefining the future of rejuvenation. Driven by its integrated AI algorithms and 3-dimensional facial modelling capabilities, the device enables a comprehensive and personalized skin and aging analysis experience, through precise assessment of 35+ skin conditions, as well as facilitated by 5 high-definition cameras to detect underlying skin issues.

Transforming the Traditional Beauty Retail Sector – Meidd

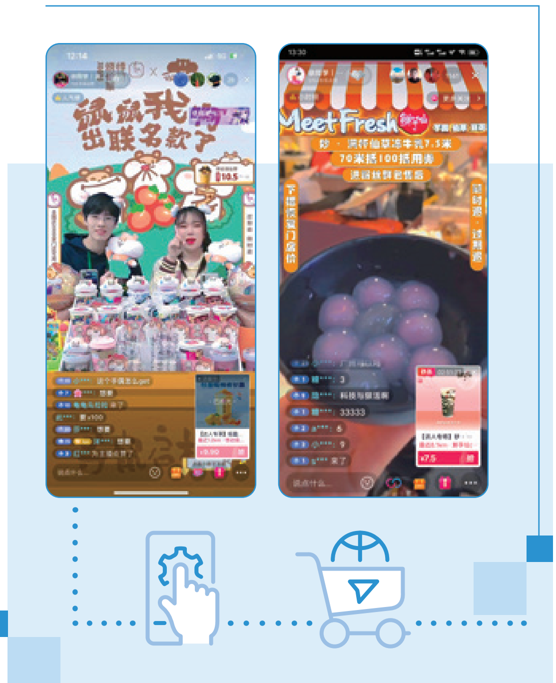
Meitu's latest acquisition of *Meidd* reflects our ambitions of becoming the go-to enterprise solutions provider for the beauty industry. *Meidd* is an Internet platform with the mission of "Making Beauty Retail Easier" through its AI and Big Data-powered SaaS solutions. With its clientele spanning 31 Chinese provinces, 252 cities and over 30,000 beauty retail stores, *Meidd* enables beauty stores to realize data-driven online and offline integration. Significant partnerships during the Reporting Period included a collaboration with video platform TikTok, which successfully helped brick-and-mortar beauty stores tap into new online customer bases.

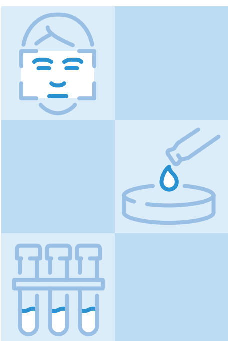


Creative Advertising for Dynamic Growth – IMS and Mei Shi

Meitu aspires to enrich consumers' lifestyles by enabling them to easily discover exciting products and services. With this in mind, our Influencer Marketing Solutions ("**IMS**") business delivers personalized influencer-based social advertising (including key opinion leaders ("**KOL**")/key opinion consumers ("**KOC**")) solutions powered by Big-Data driven technology to help brands boost their visibility and popularity across online and social media platforms.

IMS also provides a one-stop KOL platform "*Mei Shi*" (「美事」) for talent management solutions, as well as integrated content creation services. By leveraging Meitu's wealth of user resources and technological expertise, IMS enables both influencers and merchants to achieve their goals, while promoting the creation of quality content on our platforms. IMS has amassed a strong clientele, ranging from international fast-food chains to popular resorts and shopping malls.





Advancing Cosmetic Science and its Applications

Science and precision have always been key to Meitu's product innovation. We therefore collaborate closely with a number of world-leading research institutes and academics in dermatology to enhance the accuracy and capabilities of our skin analysis solutions. During the Reporting Period, we partnered with the Chinese Academy of Sciences and co-published our achievements in the Society for Investigative Dermatology and the International Society for Biophysics and Imaging of the Skin. Our collaboration also successfully enabled us to upgrade our skin imaging technology with more accurate AI algorithms.

Safeguarding Intellectual Property Rights

The protection of intellectual property rights is important for our R&D talents' innovations and the Group's business development. We strictly abide by the relevant laws and regulations[4], actively registering intellectual property rights and applying for patents in a timely manner for inventions and creations so as to protect the efforts of our R&D personnel and our intellectual property rights, as well as to respect those belonging to others. As of 31 December 2022, we possessed 457 patents in the PRC, 1 in Hong Kong and 2 in the US. During the Reporting Period, we registered 59 patents to reinforce our intellectual property protection.

[4] Please refer to the Significant Laws and Regulations section for a list of product responsibility-related laws and regulations significant to the Group's business operations.

Respecting the intellectual property rights of users' posts in *Meitu* and *Meipai* communities is also a priority for us. We have made special efforts to enhance intellectual property protection by:

Preventing the infringement of intellectual property rights

Managing the backstage of our platforms stringently for the purpose of safeguarding users' legal rights

Strengthening intellectual property management capabilities

Conducting ongoing monitoring on the platform both manually and through AI technology, with videos involving infringements being hidden from view

Providing all-round intellectual property protection

Encouraging reports of suspected cases of infringement through a range of channels such as email, phone and our app

Product Quality and Health and Safety

Meitu is committed to fulfilling its responsibilities as an Internet enterprise with significant use of AI-driven image-and-video processing technologies and social community. We strive to improve the quality and health and safety of our software and hardware products while ensuring their compliance with international, national and industry regulations. A series of measures are implemented during product development and operations to ensure that users can enjoy high-quality products safely:

- Regulating livestreaming content on *Meipai* by implementing a livestreaming safety assessment system, which includes real-time verification of sound and video during livestreaming, real-name verification of livestreaming hosts, verification of online comments, back-up of livestreaming content etc.

- Introducing "Meitu Livestreaming Content Regulations" and "*Meipai* Livestreaming Cover Verification Regulation", prohibiting content that does not comply with the national or relevant laws and regulations. Content relating to sneak shots, spread of threats, gambling, drug taking, fraud, insulting religions, against traditional cultures, violence, animal abuse and sex etc., are strictly forbidden on our platform

- Establishing age-restricted measures to prevent underaged persons from accessing certain livestreaming content. If any livestreaming content of the underaged is found to use others' accounts, we will terminate these accounts. Teenager Mode is available on the platform, which restricts minors from watching livestreaming and participating in reward schemes

- Performing strict verification procedures for the admission of online shops, such as verifying their qualifications to ensure their authorization by brands and payment of deposits

- Ensuring products promoted during livestreams are from legitimate third-party platforms (e.g., JD, Taobao) and meet their requirements. We require all hosts involved in product-selling to sign an agreement to prevent misleading, false or deceptive content. Hosts in violation of our rules may be subject to lawsuits

- Maintaining the quality of our IMS platform by controlling research, design, R&D, testing and verification procedures
- Designating personnel to conduct ongoing maintenance and handle emergency issues and problems encountered by users

- Obtaining relevant certifications for *MeituEve* and *MeituKey*, including but not limited to Restriction of Hazardous Substances Directive ("**RoHS**"), Bluetooth Low Energy RF-PHY Test Specification, Radio Transmission Equipment Type Approval Certificate, Taiwan NCC Radio Test, FDA Establishment Registration and Device Listing with the US Food & Drug Administration, and ensuring that they have passed the relevant legal requirements
- Including safety guidelines with *MeituEve* and *MeituKey* to guide users to use the equipment safely and properly
- Guaranteeing that in the case of hardware problems, users can enjoy a one-year warranty period

- Laying out packaging requirements under various temperature ranges to ensure *Meidd* products remain in good condition under different temperatures
- Specifying product inspection standards and procedures to ensure the quality of *Meidd* products before they leave the warehouse
- Establishing policies, including in *Meidd*, that specify the procedures for handling returns and exchanges

Advertising and Labelling

Meitu greatly prioritizes the authenticity and reliability of our promotional materials to protect the rights and interests of customers. Therefore, we have established "Advertisement Verification Rules", "Advertisement Placing Agreement" and "Meitu Advertising Review Specifications" as a guide for our employees to ensure the accuracy of the content of relevant materials.

To prohibit false descriptions or misleading statements in third-party advertisements placed in our apps and websites, we have put in place a strict review process from verifying the qualifications of relevant parties to reviewing the content. We also sign contracts with key opinion leaders ("**KOL**"s) on *Meipai*, which require them to ensure the authenticity of their advertising content. Meitu has zero tolerance for false advertising practices. If anyone is found to share illegal content, we will immediately stop him/her from using *Meipai*.

In addition, we guarantee the completeness and validity of the product labelling content of our hardware products. A detailed user manual, which outlines the specifications, characteristics, safety precautions and warranty card, is attached to our products to guide users to utilize the products safely.

Customer Services

We believe that listening to our users' feedback is important in our pursuit of continual improvement in our service quality. We have introduced various measures to ensure excellent customer services:

Managing Feedback and Complaints Responsibly	Establishing policies to standardize procedures for handling feedback and complaints to protect the rights and interests of customers Obtaining user feedback and handle complaints in a timely manner through various channels, including WeChat group and telephone hotline
Addressing Rights Infringement Issues on *Meipai*	Formulating "*Meipai* Personal Rights Dispute Complaint Procedure" to handle cases of rights infringements related to portrait, reputation, honor, name and privacy on our *Meipai* platform
Measuring Customer Satisfaction	Conducting customer satisfaction questionnaires regularly in our IMS business, by inviting users to participate in interviews designed to capture their opinions and suggestions for our continual improvement

Protecting Privacy

Meitu recognizes that large amounts of personal data are involved in our daily operations, particularly for our apps and websites. We are committed to improving our cybersecurity and protecting customer privacy. We respect users' personal information and the Group's interests in strict compliance with the relevant laws and regulations of applicable jurisdictions[5]. We also clearly state relevant procedures in our Privacy Policy for employees to handle personal data carefully and prevent data leakage. Given its involvement in the mass transfer of users' personal data during daily operations, our IMS business has adopted multiple measures to ensure the protection of personal data privacy:

- Establishing policies such as "IMS Privacy Protection Policy", which clearly states our personal data protection measures
- Requiring users to confirm that they fully understand and agree to authorize us to use their personal data prior to using our platforms, products or services
- Utilizing encryption technology to strengthen the security of customer information and prevent malicious attacks on users' information
- Hiding users' sensitive information, such as phone numbers, real names, ID numbers and bank card numbers after being saved on our system
- Collecting and processing minimal amounts and types of personal information required by our business in certain situations with access limit
- Saving a logbook to trace the accounts and IP addresses involved in handling personal information for the purpose of monitoring the use of customer data

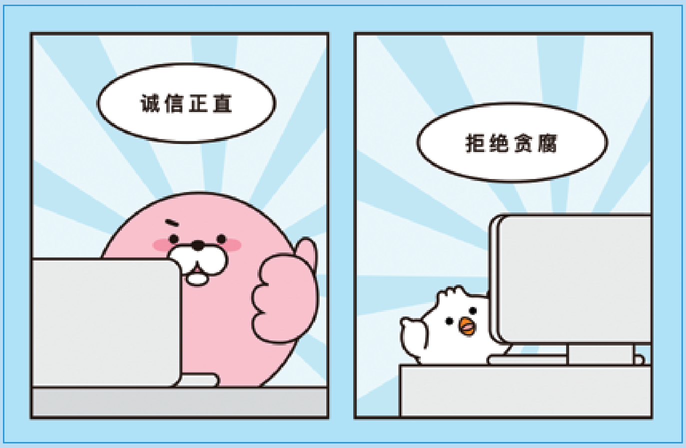
5 Please refer to the Significant Laws and Regulations section for a list of product responsibility-related laws and regulations significant to the Group's business operations.

Anti-corruption, Whistle-blowing and Business Ethics

We are committed to upholding ethical principles and having zero tolerance for bribery, extortion, fraud and money laundering. We have hence formulated internal policies including the “Employee Handbook”, “Policy on Staff Discipline”, “Policy on Sending and Accepting Gifts by Employees” and “Anti-Fraud and Reporting System”, to specify the procedures of making declarations of interests and anti-corruption measures.

In line with our efforts to strengthen business ethics, we have established whistle-blowing channels and handling procedures. Employees are required to report any potential improprieties or violations through our whistleblower hotline and mailbox, with such reports being treated confidentially. The Group’s internal audit department is responsible for investigating the whistle-blowing allegations and taking appropriate measures to investigate reported incidents in a timely manner.

We place a strong focus on raising anti-corruption awareness among directors and employees. Supported by our internal control department, we provide training to all of our staff including directors on anti-corruption through our online platforms, such as internal communication platforms and regular email updates, during the Reporting Period. To engage our staff effectively, we established diverse training materials including:



- Case studies covering topics such as conflict of interest, misuse of confidential information, bribery and corruption
- Importance of integrity and business ethics in procurement management activities
- Whistle-blowing channels for reporting suspected cases of corruption and illicit activities

Ethical Business Operations

During the Reporting Period, we sought to further strengthen employees' business ethics awareness by launching our new WeChat account "Clean Meitu" (「廉潔美圖」), which acts as a platform for sharing anti-corruption and business ethics tips. Anti-corruption posters were also published on the platform during festive seasons, to remind employees to uphold their business integrity and reject briberies.

As a strong supporter of tackling corruption and information security crimes through the Internet, the Group has been a member of the "Sunshine Integrity Alliance" (「陽光誠信聯盟」(the "**Alliance**") since 2019. Initiated by JD.com, Inc. and launched in conjunction with over 300 leading companies such as Tencent, Baidu, Lenovo, Xiaomi etc., the Alliance has established and shared a "blacklist" of individuals which the allied companies would refuse to recruit in order to maintain integrity in the organization.

The Group strictly complies with applicable laws and regulations relating to bribery, extortion, fraud and money laundering[6]. During the Reporting Period, we were not aware of any material non-compliance with any law or regulation or legal cases concerning bribery, corruption, extortion, fraud and money laundering.

Responsible Supply Chain

The Group acknowledges that responsible supply chain management is crucial to our sustainable development. As such, we are devoted to maintaining long-term and harmonious relationships with our suppliers. Our major suppliers provide us with equipment, hardware, marketing services, IT infrastructure and software, etc.

6 Please refer to the Significant Laws and Regulations section for a list of anti-corruption laws and regulations significant to the Group's business operations.

In an effort to promote a sustainable supply chain, we have developed a comprehensive supplier management system:

1. Supplier Selection

- When screening suppliers, we consider factors including the following:
  - Product and service quality
  - Price
  - Capability
  - Environmental qualifications
  - Prioritization of green procurement practices and initiatives
- We verify the credentials of potential suppliers, such as their environmental certifications and compliance status
- We conduct online investigations and background checks into potential suppliers to ensure that their activities do not pose any material environmental or social risks

2. Ensuring Supplier Sustainability Performance

- Our supplier's agreement lays out our sustainability expectations, covering aspects such as:
  - Environmental protection
  - Occupational health and safety
  - Conduct and morality
  - Compliance with laws and regulations
- We require suppliers to share our sustainability values, including aspects in relation to:
  - Diversity
  - Responsible resource use
  - Use of sustainable materials
  - Climate change preparedness plans
  - Anti-corruption
  - Community involvement

3. Monitoring Supplier Performance

- We conduct supplier evaluations regularly to ensure a sustainable and resilient supply chain
- We mainly engage with local suppliers to lower the carbon footprint associated with goods transportation and travelling

We place a strong emphasis on green procurement: when selecting suppliers, we promote environmentally friendly products and services by encouraging practices such as reducing packaging materials, focusing on resource efficiencies of products, avoiding single-use products to reduce waste. Preference is also given to suppliers holding relevant environmental qualifications, as well as those that prioritize green and biodegradable materials and adopt green initiatives. We mainly engage with local suppliers to lower the carbon footprint attributed to goods transportation and travelling.

The Group adopts a holistic approach to managing suppliers' environmental and social risks. Apart from conducting thorough assessments of the compliance, equipment and work conditions of our potential suppliers' factories, we also regularly monitor our existing suppliers to ensure their operations are in line with our ethical standards. During the Reporting Period, we conducted a risk assessment to identify the material ESG-related risks along the supply chain. We have closely monitored the identified risks and implemented corresponding control measures to minimize their impact on our daily operations.

As of 31 December 2022, the Group collaborated with 539 major suppliers (2021[7]: 380), all of whom were located in the PRC and implemented practices relating to engaging suppliers.

[7] The data in 2021 has been adjusted to reflect the actual situation.

DREAM

Make our Employees Beautiful

Our effort on “Dream – Make our Employees Beautiful” contributes to the following UNSDGs:

Direction

Cultivate a pleasant workplace with fair compensation with an aim to be a preferred employer.

Goal

To enhance the working environment, employee welfare and occupational health and safety measures.

Top material topics

- Employee benefits
- Equal opportunity, diversity and anti-discrimination
- Occupational health and safety
- Employee training and development
- Labor compliance

Meitu’s employees are the key to our success. We greatly value the well-being of our employees and are dedicated to fostering a caring and harmonious work environment. As part of our commitment to prioritize employees’ rights and benefits, we strictly abide by employment and labor-related laws and regulations in the jurisdictions where our businesses operate[8].

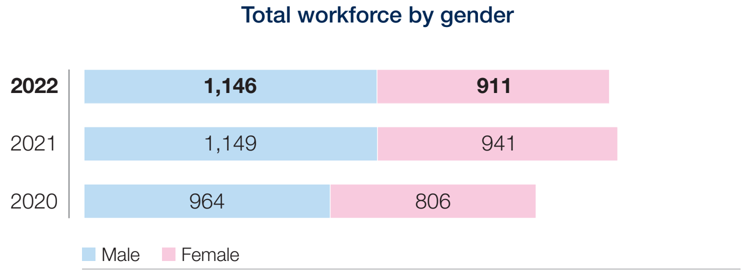
Our Employee Handbook and other human resources policies also specify compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other welfare and benefits to safeguard the rights of our employees. During the Reporting Period, we were not aware of any material non-compliance of relevant employment and labor-related laws and regulations.

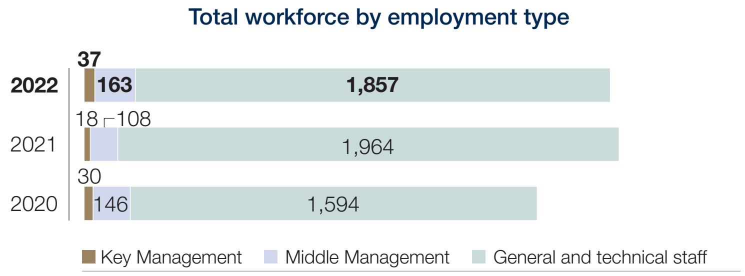
8 Please refer to the Significant Laws and Regulations section for a list of employment and labor standards-related laws and regulations significant to the Group’s business operations.

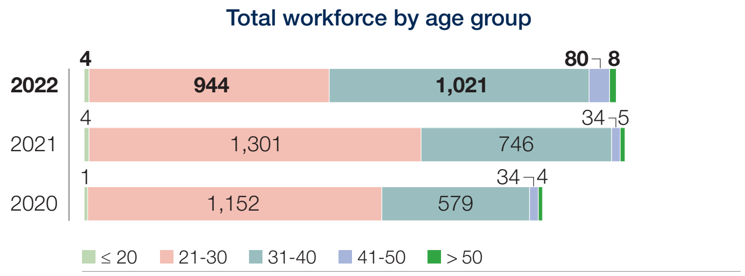
Employee Overview

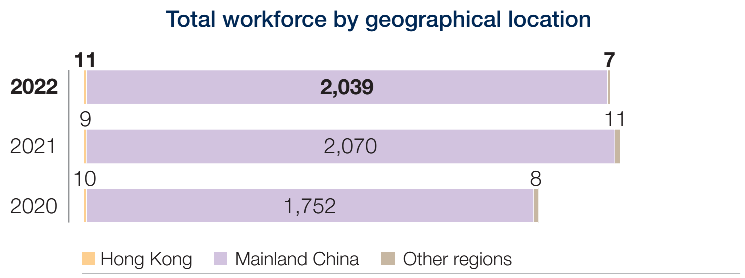
As of 31 December 2022, the Group employed a total of 2,057 full-time employees (2021: 2,090 full-time employees). The distribution of employees by gender, employment type, age group and geographical region is outlined below:

Total workforce[9]



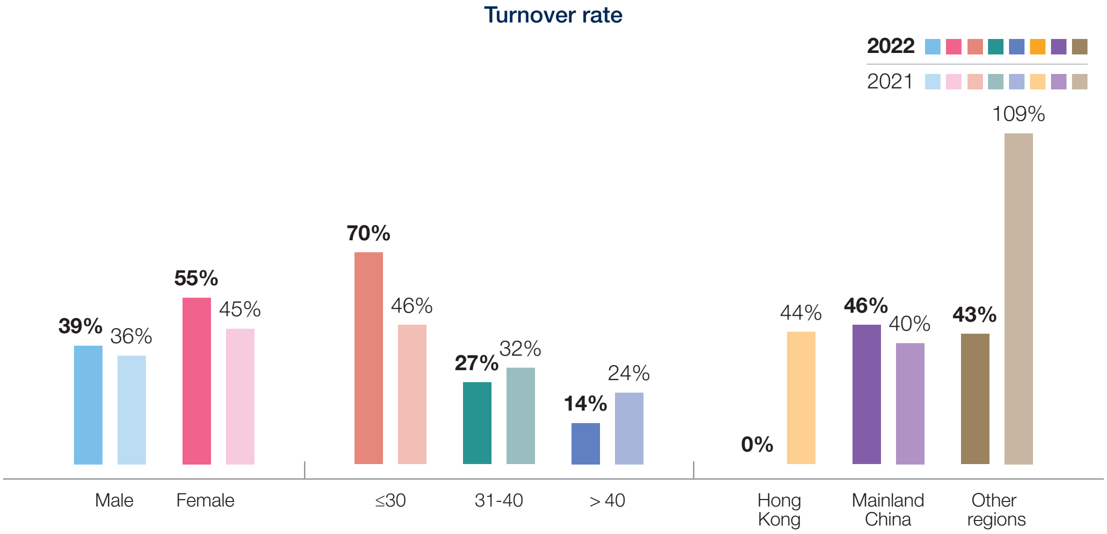






9 Data of the whole Group has been included.

The distribution of employee turnover rate[10] by gender, age group and geographical regions is set out as below:



Fair Employer

Meitu strives to provide a fair and inclusive workplace for our employees, and strictly complies with all relevant laws and regulations[11].

We embrace diversity and adhere to the principles of fairness, diversity and zero-discrimination at all levels of labor practices including but not limited to recruitment, determination of remuneration and benefits, promotion, training and dismissal. The Group carries out recruitment through a range of channels, including campus recruitments, job-hunting websites, headhunters, employee referrals and our office website, to enhance our talent pool. We provide equal opportunities, ensuring that potential candidates or incumbent employees are not discriminated against or deprived of opportunities due to their age, gender, family status, sexual orientation, disability, ethnicity and religion. When selecting suitable candidates, we focus on their qualifications, work experience and personal abilities.

We strictly prohibit the use of child or forced labor throughout the entire recruitment process. The applicants' identification documents, relevant certificates and work experience are carefully reviewed during the recruitment process to ensure they are of legal working age. If any child labor is identified at the workplace, we will immediately escort them out of the workplace, terminate his/her labor relationship, and investigate the incident. Remedial measures will be implemented to prevent the reoccurrence of similar events. Moreover, in order to avoid forced labor, we have developed an "Employee Handbook" and other policies which detail our terms and conditions regarding overtime pay, dismissal procedures, compensation, working hours and rest periods etc. Our Human Resources Department reviews the recruitment practices regularly to ensure the effectiveness of our existing measures against child and forced labor. During the Reporting Period, we were not aware of any non-compliance with applicable laws and regulations in relation to child and forced labour.

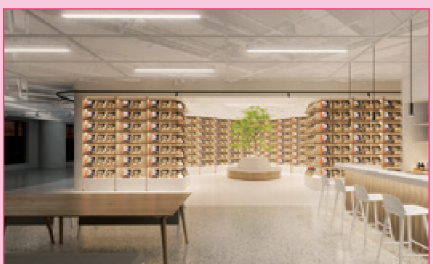
10 Data of the whole Group has been included.

11 Please refer to the Significant Laws and Regulations section for a list of employment laws and regulations significant to the Group's business operations.

Protecting Employees' Welfare

Meitu focusses on retaining and motivating talents by cultivating a strong sense of belonging to the Group. We therefore invest resources accordingly and provide employees with competitive remuneration packages, covering basic monthly salaries and bonuses, as well as complying with the relevant laws and regulations[12].

To ensure the competitiveness of our remunerable packages, we regularly review and adjust our packages based on the market level. We provide social insurance and housing provident fund to employees in the PRC as well as Mandatory Provident Fund to employees in Hong Kong. Full-time employees are entitled to public holiday, statutory holiday, sick leave, wedding leave, maternity leave, paternity leave and compassionate leave. The Group determines the working hours of employees in accordance with relevant regulations and adopts a five-day work week arrangement with 7.5 working hours per day to ensure time for rest. If overtime work is necessary, employees are required to record their reasons and will be compensated with taxi fare subsidies and dinner allowance. Other employee benefits include but are not limited to:



Nurturing Employee Wellbeing

Our new office building in Xiamen has been designed with the physical and mental health of our employees in mind. The building features multiple facilities aimed at supporting the well-being of our employees, including a library, meditation room, psychological counselling room, fitness room, leisure bar and outdoor cinema. Employees are encouraged to enjoy these facilities to relax and recharge. Healthy meals have also been added to the menus of our staff cafeteria to promote healthy lifestyles among employees.

12 Please refer to the Significant Laws and Regulations section for a list of employment laws and regulations significant to the Group's business operations.

Helping Working Mothers Thrive

As a company that insists on upholding equal opportunities, we endeavor to meet the needs of working mothers. In addition to offering breastfeeding leave and maternity leave, our new building in Xiamen includes lactation rooms equipped with refrigeration facilities and disinfection cabinets to better support employees with parental responsibilities.

Creating a Family-Friendly Workplace

We also held a family-friendly activity in celebration of International Children's Day during the Reporting Period. Employees with children were invited to participate in a drawing competition, with shopping voucher prizes awarded to the participants. The event encouraged our employees to relax and have fun with their children, promoting a healthier work-life balance.

Celebrating Women in the Workplace

In appreciation of our female employees, we collaborated with fnf, a boutique instant tea brand, to provide unique "Beauty Box" gifts for them on International Women's Day during the Reporting Period. By conveying our gratitude and care through specially prepared teas, we strive to motivate our employees to continue excelling at their work while embracing their identities.

Enhancing Physical and Mental Health and Work-Life Balance

In line with our efforts to enhance employee satisfaction and team cohesion, we organize various staff activities regularly to share our care and love for our employees. During the Reporting Period, we arranged a series of staff wellness activities, such as festival celebration, birthday celebration, annual dinner, sports competition, and gym activities, etc. We have also customized and distributed Meitu's T-shirts to strengthen employees' sense of belonging to the Group.

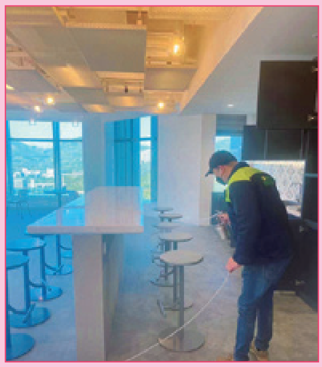
Safeguarding Employees' Health and Safety

Meitu is committed to prioritizing employee health and safety, strictly complying with applicable laws and regulations[13] to lower relevant risks in the workplace. During the Reporting Period, we were not aware of any material non-compliance with applicable laws and regulations in relation to the occupational health and safety of employees. Additionally, we have implemented various occupational health and safety measures, including arranging regular health checks for our employees, as well as safety inspections and checking fire and safety equipment to confirm they are in good condition. Moreover, fire and emergency drills are performed periodically to strengthen employees' awareness and response to emergency events such as fire, flood, electric shock.

[13] Please refer to the Significant Laws and Regulations section for a list of health and safety laws and regulations significant to the Group's business operations.

With the COVID-19 pandemic continuing to evolve, Meitu endeavors to minimize its impact on employees' physical and mental health as well as on the Group's operations. Our efforts involve implementing strong pandemic prevention and control measures, with immediate action being taken to upgrade our occupational health and safety system by acting on the government's pandemic prevention measures. Measures we have adopted in our workplace include but not limited to:

- Provide sufficient pandemic prevention supplies for employees, such as disinfectants, handwash, alcohol and face masks to maintain employees' personal hygiene
- Disinfect offices regularly to enhance the sanitation of the workplace
- Conduct temperature check at reception and prohibit employees suffering from fever to enter the building
- Designate specific bins for the collection of used face masks and lower the spread of bacteria and disease
- Introduce flexible work arrangement, by allowing employees to work from home, in accordance with the government's social distancing measures
- Reduce unnecessary meetings and travelling to reduce face-to-face contact
- Remind employees via emails to stay vigilant of the pandemic and take precautions
- Offer special subsidies to employees who are unable to travel due to pandemic travel restriction during Chinese New Year as a means of financial support
- Place separation boards at dining areas to prevent contact with other individuals
- Establish flexible working hours if possible to avoid crowds

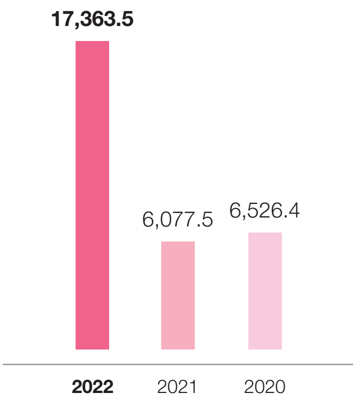


During the Reporting Period, we did not record any work-related fatalities in our offices while there were 0 lost days (2021: 15 lost days) due to work injury. Furthermore, the Group did not record any work-related fatalities in each of the past three years including the reporting year.

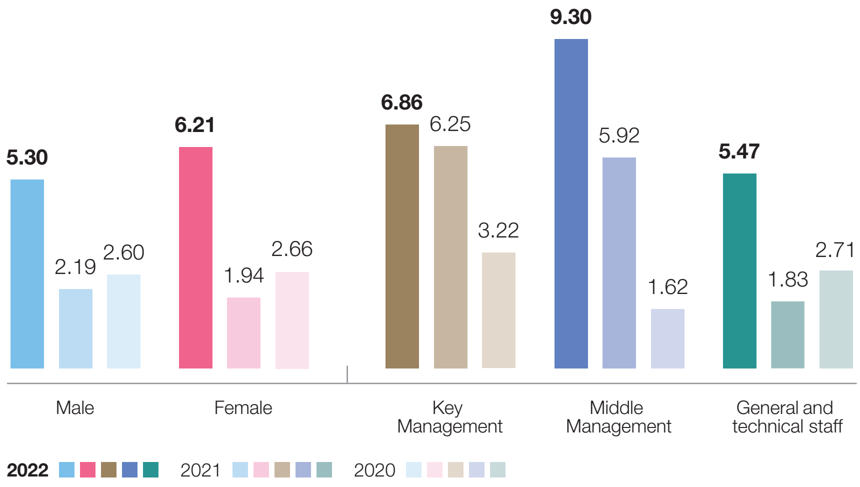
Promoting Career Development

The contributions of our employees are fundamental to Meitu's sustainable business development and success. As such, we seek to nurture talents and invest in our employees. We have created a comprehensive training system which provides our employees with ample internal and external training opportunities. Through training, we aim to enrich our employees' professional knowledge and enable them to apply their enhanced skillset as well as the latest technology into product development and daily operations. Our training performance[14, 15, 16, 17] is outlined below:

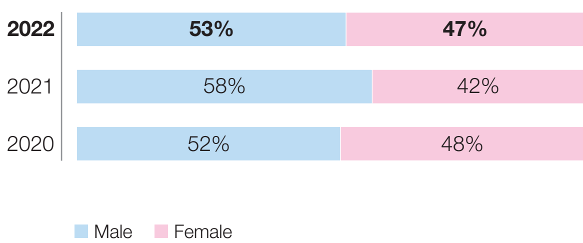
Total training hours



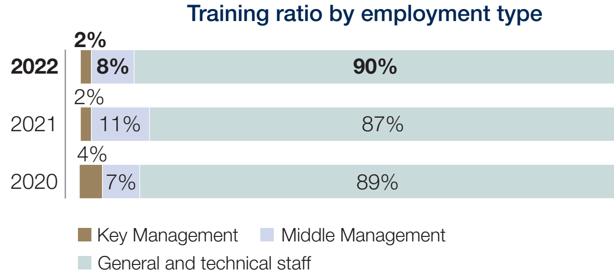
Average training hours completed per employee by gender and employment type



Training ratio by gender



Training ratio by employment type



14 The data also covers the Group's offices in Hangzhou, Yuncheng, Chengdu and Zhengzhou.

15 The data disclosed cannot be directly compared as certain offices were opened in the PRC during the Reporting Period.

16 The calculations of training data have included the relevant training data on those who left in the Group's core businesses, to present an accurate reflection of the training resources invested by the Group.

17 The training data in 2021 have been adjusted to reflect the actual situation.

At our Meitu Training Centre ("**MTC**"), we implement a 3-level training system designed to meet employees' career and personal development needs through a wide range of training activities and opportunities:

Management training

Managers are given the opportunity to undergo management training to help them achieve excellence.

Vocational training

Weekly "Meitu talk", monthly "MTC talk", half-yearly "Meitu Internal Technology Salon", departmental training and external training are arranged to equip employees with the necessary skills to realize their full potential. Employees may also have the chance to meet celebrities and industry leaders during sharing sessions.

Orientation training

New joiners are invited to participate in online training to help them become familiar with Meitu's policies and culture. Mentors are arranged to help them integrate into the Group.

During the Reporting Period, we have provided diverse, content-rich and extensive training for our employees, with training topics including:

• Anti-corruption	• ESG
• Best practice sharing	• Management skills
• Business skills	• New-joiner training
• Communication skills	• Product innovation
• Data privacy	• Sales
• E-commerce	• Social Customer Relationship Management ("**SCRM**") system

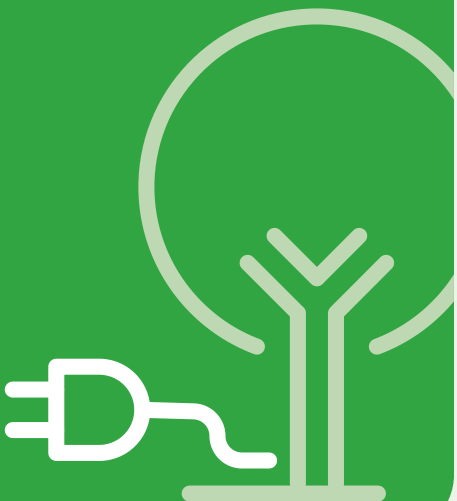
Fostering a Culture of Learning

Making use of our technological strengths, we launched an online mobile learning app platform for our employees to enrich their skills and support their lifelong learning. The platform features a wide range of diverse learning programs, such as electronic books and 30-minute audiobooks that optimize reading efficiency, a collection of expert tips on managing workplace difficulties, as well as holding 24 livestreamed expert-led classes on business and industry-related topics every year. We also promote collaborative learning between employees by enabling them to share their opinions and achievements on the app, as well as recognizing the top learners in a weekly ranking list.

Providing employees with rewarding career paths is also important for retaining and motivating talents. The Group therefore focusses on enhancing the career development ladder and promotion opportunities for employees. We conduct performance appraisals twice a year to evaluate employees' work performance. Outstanding employees are promoted in line with their career goals to develop in the management path, management assistant path or the professional path.

DECARBONIZATION

Make our Environment Beautiful



Our effort on "Decarbonization – Make our Environment Beautiful" contributes to the following UNSDGs:

Direction

Strive to tackle climate change to bring a sustainable future for the next generation.

Goal

To reduce the Group's carbon footprint, including greenhouse gas emissions and waste, while optimizing energy and water efficiency.

Top material topics

- Green procurement
- Environmental risk in supply chain

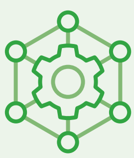
Meitu believes that we must play our part in accelerating the global response to climate change and creating a greener future for our future generations. We endeavor to operate an environmentally responsible business, placing a strong emphasis on minimizing our carbon footprint and optimizing our energy and water efficiency. As such, relevant policies and procedures have been developed to engage our employees in reducing emissions and promoting responsible use of resources, in accordance with applicable environmental laws and regulations[18].

During the Reporting Period, the Group was not aware of any material non-compliance of relevant environmental laws and regulations.

18 Please refer to the Significant Laws and Regulations section for a list of environmental laws and regulations significant to the Group's business operations.

Response to Climate Change

Extreme weather events, such as floods and typhoons, are expected to become more intense and frequent under climate change, which may negatively impact our business continuity due to increased physical risks for our facilities and employee safety. Similarly, our operations may also be affected by transition risks, such as technology risks, shifts in market preferences, as well as changes in government policies. To prepare for these risks, we conducted a risk assessment to identify relevant climate-related physical and transition risks and their impacts to the Group. Corresponding risk mitigation measures have been formulated to address the risks accordingly.

Risk Description	Mitigation Measures
 Physical risk	• Establish the Emergency Preparedness Team to prepare for extreme weather events by developing emergency management procedures and facilitating prompt responses to emergencies to ensure the safety of our employees • Keep track of weather warnings to enhance emergency preparedness against adverse weather events such as super typhoons and heavy rainstorms • Adopt precautionary measures at facilities, such as reinforcing windows and doors, to minimize damages caused by extreme weather conditions • Provide training to employees to strengthen awareness and emergency preparedness
 Policy and legal risk	• Closely monitor trends in climate-related government policies and regulatory requirements, adapting our strategic plans to new developments in a timely manner when necessary • Maintain an active response to climate-related government policies • Pursue opportunities to utilize low-carbon products in our daily operations, in response to changes in government policies and regulatory requirements
 Technology risk	• Review existing products and explore the potential of technological improvements and innovations in achieving low-carbon and energy efficient operations
 Market risk	• Keep track of emerging market trends and identify opportunities to elevate our products and services in view of growing market demands for low-carbon solutions

During the Reporting Period, we dedicated efforts to combat climate change by working towards our green targets as outlined below and continuing to enhance our resilience against climate-related risks. Details on the steps we have taken to achieve these green targets can be found in the relevant sections of this chapter in this Report.

Our Green Targets		Relevant Sections
Air and GHG Emissions	To reduce both air emissions and greenhouse ("**GHG**") emissions in daily operations	• Energy, Air and GHG Emissions
Waste	To minimize the generation of waste by adhering to the four "Rs" principle of responsible waste management	• Waste and Packaging Materials • Green Operation
Energy	To improve energy efficiency by implementing energy-saving measures to reduce energy consumption	• Energy, Air and GHG Emissions
Water	To enhance water efficiency and reduce unnecessary water use	• Water Resources

Energy, Air and GHG Emissions

Our main sources of air, GHG emissions and energy consumption are purchased electricity consumed for daily office operations and fuel consumption of company vehicles. We are not involved in significant emission generation and energy consumption given the office-based nature of our operations. However, in view of the growing climate crisis, we remain steadfast in our efforts to minimize our emissions and improve the energy efficiency of our operations.

We actively engage with our employees to increase their awareness of energy conservation. Our offices have adopted energy-saving measures, such as:

- Setting the air conditioning at specific temperatures
- Using energy-saving lighting systems
- Providing shuttle bus services for our employees to decrease their reliance on private vehicles, hence reducing GHG emissions related to transportation
- Starting to utilize electric vehicles to reduce carbon emissions associated with business travel

We have incorporated green concepts into the operation of our new office building in Xiamen, by implementing various energy-saving measures that optimize our energy efficiency and minimize our electricity consumption.

- Installing energy efficient air-conditioning systems in our server rooms
- Promoting green procurement by demonstrating a preference for environmentally friendly office equipment with high energy efficiency
- Applying occupancy sensor technology to automatically detect and switch off idle electrical appliances, such as lighting systems

Below outlines our air, GHG emissions and energy consumption data[19, 20, 21, 22, 23]:

Emissions	Unit	2022	2021	2020
Total greenhouse gas (GHG) emissions	Tonnes of CO_2e	**1,140.18**	1,221.49	1,095.36
Direct emissions (Scope 1)	Tonnes of CO_2e	**88.77**	55.76	49.79
Indirect emissions (Scope 2)	Tonnes of CO_2e	**1,051.40**	1,165.73	1,045.57
Intensity of total GHG emissions (Scopes 1 and 2)	Tonnes of CO_2e/m^2	**0.05**	0.06	0.05
Nitrogen oxides (NOx)	kg	**23.55**	12.03	10.60
Sulphur oxides (SOx)	kg	**0.49**	0.31	0.28
Particulate matter (PM)	kg	**1.73**	0.89	0.78

Energy	Unit	2022	2021	2020
Total energy consumption	MWh	**2,029.37**	2,104.23	1,886.60
Purchased electricity	MWh	**1,725.46**	1,913.36	1,716.15
Unleaded petrol	MWh	**303.91**	190.87	170.45
Intensity of energy consumption	MWh/m^2	**0.08**	0.10	0.09

Water Resources

We source our domestic water from local water suppliers in our locations of operation. During the Reporting Period, the Group did not encounter any difficulties in sourcing water, with all our offices obtaining sufficient water to meet their daily operational needs. Although water consumption is not regarded as a material issue for our business operations, we recognize the value of promoting water efficiency and preventing water wastage. We have established various water-saving measures, including:

- Ensuring good condition of water pipelines via regular inspection and maintenance to prevent water leakage
- Enhancing employees' awareness by prompting them to conserve water with signs in lavatories and pantries in the workplace

19 The environmental data also covers the Group's offices in Hangzhou, Yuncheng, Chengdu and Zhengzhou.

20 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC during the Reporting Period.

21 The data on purchased electricity and its corresponding indirect GHG emissions (Scope 2) does not include some of our leased premises in the PRC as the electricity supply was controlled by the property management and hence the relevant data was unavailable to individual tenants.

22 In accordance with The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (Revised Edition) published by World Business Council for Sustainable Development and World Resources Institute, Scope 1 direct emissions are resulted from operations that are owned or controlled by the Group, while Scope 2 indirect emissions are resulted from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Group.

23 Totals may not be the exact sum of numbers shown here due to rounding.

The following table outlines the Group's water consumption data[24, 25, 26, 27]:

Water	Unit	2022	2021	2020
Total water consumption	m^3	**2,719.02**	1,617.40	1,491.70
Intensity of water consumption	m^3/m^2	**0.33**	0.31	0.21

Waste and Packaging Materials

As our operations mainly take place in an office-setting, the major types of waste generated include general office refuse, a minimal amount of waste batteries, toner and cartridges as well as packaging materials due to our business involvement with hardware products. We have engaged qualified third parties to collect and handle such waste properly to prevent environmental damage due to irresponsible waste management.

The four "Rs" principle of responsible waste management (Reduce, Reuse, Recycle, Replace) guides the Group's practices to foster a greener office culture. To minimize waste and maximize resource efficiency, we have adopted a series of waste management measures:

Responsible Waste Collection	• Designating specific bins in offices to collect general waste, food waste, recyclable waste and hazardous waste separately
Green Procurement	• Prioritizing the purchase of office supplies that are more durable to reduce waste • Adopting recyclable materials for packaging of products, such as paper boxes and cardboards
Packaging Simplification	• Minimize the packaging of customized products, such as removing cloth bags of random gifts • Removing excessive packaging layers and decorations
"Paperless Office" Culture	• Reusing office papers, envelopes, and other paper products • Encouraging electronic communications and documentations • Adopting a smart visitor registration system in our new building in Xiamen to avoid paper waste

24 The environmental data also covers the Group's offices in Hangzhou, Yuncheng, Chengdu and Zhengzhou.

25 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC during the Reporting Period.

26 The data on water consumption does not include some of our leased premises in Hong Kong and the PRC as the water supply is controlled by the property management and such data is unavailable to individual tenants.

27 The data in 2021 has been adjusted to reflect the actual situation.

Going forward, we will continue to ensure the legal compliance of our waste management measures with the relevant government policies and regulations, as well as engaging with our employees further on responsible waste management.

Below shows the Group's waste and packaging material data[28, 29]:

Waste	Unit	2022	2021	2020
Total non-hazardous waste generated	Tonnes	**43.40**	41.39	84.97
Intensity of non-hazardous waste generated	Tonnes/m^2	**0.002**	0.002	0.003
Total hazardous waste generated	Tonnes	**0.13**	0.15	0.07
Intensity of hazardous waste generated	kg/m^2	**0.005**	0.007	0.003

Packaging Material	Unit	2022	2021	2020
Total packaging material for finished goods	Tonnes	**12.85**	3.02	6.00
Packaging material intensity	Tonnes/m^2	**0.0005**	0.0001	0.0003

Green Operation

Our business operations do not have a material impact on the environment and natural resources. However, we firmly believe it is our duty to support environmental and natural resource protection in our daily operations. We have established a range of measures to reduce waste and protect the environment:

Extending Product Lifespans	• Establishing a product trade-in program • Actively encouraging users to recycle hardware products that are no longer in use by giving them to electronic waste recyclers
Simplifying Packaging and Design	• Minimizing the size of packaging boxes during product design • Simplifying the design of packaging and user manuals, promoting the use of electronic operation manuals to avoid paper waste
Greening the Office	• Implementing a smart office system for our new building in Xiamen • Planning to vitalize our office with more plants and increase employee involvement in environmental protection initiatives

28 The environmental data also covers the Group's offices in Hangzhou, Yuncheng, Chengdu and Zhengzhou.

29 The disclosed data cannot be directly compared due to the establishment of certain new office(s) in the PRC during the Reporting Period.

CARE

Make our Community Beautifull

Our effort on "Care – Make our Community Beautiful" contributes to the following UNSDGs:

Direction

Give back by being a positive force to the community.

Goal

To enhance existing and new community contribution plans to cover a wider community.

Top material topics

- Community investment

The Group believes in the value of creating positive change for the communities in which we operate. In line with our commitment to fulfil our corporate social responsibilities, we actively engage in community programs by focusing on five core areas – "Advocating for Art and Creativity", "Women's Empowerment", "Showing Love to the Community", "Fighting Against COVID-19" and "Protecting the Environment". By leveraging the influence of our brand, signature products and platforms, we strive to empower the communities we serve and create a brighter future for generations to come.

Advocating for Art and Creativity

With innovation being at the heart of Meitu's business, we are passionate about being advocates for art and creativity in our communities.

"Tranquility in the New Age" at the Meitu Museum of Digital Art

Supporting local artists is key to fostering a thriving culture of art. During the Reporting Period, our creative platform *Meitu Creator Platform* ("***MCP***") had the honor of collaborating with world-renowned sculptor Mr. Cai Zhisong to launch a digital AR art exhibition at the Meitu Museum of Digital Art. Under the theme of "Tranquility in the New Age" (「新時代的寧靜」), the 3-week exhibition has attracted millions of visitors worldwide and features dynamic artwork inspired by the synergies between classical aesthetics and contemporary ideals, enabling us to showcase the creativity of local talents to a global audience.

"Vital Force | Constantly Innovating and Common Prosperity"

As part of our efforts to inspire a new generation of artists, we joined hands with the School of Design and Innovation from the China Academy of Art in its first graduation exhibition, titled "Vital Force | Constantly Innovating and Common Prosperity" (「生活力|日新 · 共富」), to explore the aesthetics of the Metaverse. Making use of our expertise as an Internet technology and innovation pioneer, we provided guidance for the exhibition and shared our perspectives by engaging in discussions with participants. A total of over 3,000 sets of artworks were exhibited, involving the online and offline collaboration of more than 5,000 young artists, designers, writers and scholars. In addition, the exhibition garnered over 14,000 views on MANA, a global new media arts platform, as well as generating much discussion and amassing over 4.9 million views on social media platforms. The exhibition proved to be a success with our support, advancing the development of virtual aesthetics and digital art.

Joining Hands with I Do Foundation – Supporting Underprivileged Children Through the Creative Arts

It is our belief that art should be inclusive, with no one being left behind. During the Reporting Period, Meitu partnered with "I Do Foundation" (「I Do 基金會」) to support disadvantaged children in Tibet in developing their art skills and achieving their dreams. As part of the campaign, Meitu increased public awareness of the initiative by sharing creative stickers on the *Meitu* app and encouraging users to donate. Highlights of I Do Foundation's initiatives include three art exhibitions organized for children in 798 Art District in Beijing and raising over RMB15,000 to support children's learning.

"Meitu Museum of Future Art Annual Awards" – Meitu Creator Platform

Meitu actively celebrates the achievements of digital artists. Our *MCP* launched its annual "Meitu Museum of Future Art Annual Awards" event during the Reporting Period, which highlighted our cooperation with well-known artists, art institutions and universities. Awards were presented to the artists based on the usage data of their creations and influence. In the same spirit, our *Meitu* app published its Meitu Creator Annual List to showcase its most popular designs, recognizing a total of 60 creators for their brilliant designs that enable users to become beautiful more easily.

Women's Empowerment

"Saluting Her Efforts" – Showing Appreciation for Mothers

The contributions of women are indispensable to the prosperity and progress of our society. As such, we partnered with Women's Voices of China（「全國婦聯女性之聲」）on International Women's Day to launch the "Saluting Her Efforts"（「致敬了不起的她」）campaign on *Meitu* app, which features unique filters designed to celebrate the achievements of every woman. We also shared our appreciation for mothers' selfless contributions on Mother's Day by inviting users to share photos of their mothers, with voucher prizes worth RMB500 in total to be won. We are thrilled to announce that our campaign successfully reached around 119,000 social media users and gained the participation of over 9,000 enthusiastic individuals.

Supporting Estee Lauder's Anti-breast Cancer Charitable Campaign

In addition, promoting women's health is important to us. By harnessing our influence and social media platforms, we raised awareness of breast cancer and encouraged users to join Estee Lauder's anti-breast cancer charitable campaign. Our messages on breast cancer prevention resonated with over 70,000 social media users, effectively spreading awareness and promoting education on this important topic.

"Women Care Plan" – Improving Access to Quality Education and Wellbeing

We continued to organize the "Women Care Plan" (「女性呵護計劃」) to express care for women and demonstrate our commitment in poverty alleviation and promotion of access to quality education in poverty-stricken regions. More than 53 million books and RMB100,000 were donated to primary and secondary school students in Linquan County and Jinzhai County in Anhui Province.

Showing Love to the Community

Engaging Our Passionate Employees

Meitu is dedicated to spreading warmth and love in our community. We therefore launched a campaign to encourage our employees to donate clothing, toys and other items to the disadvantaged in rural China. Over 400 items were donated, reflecting our employees' efforts to make a positive social impact.

Partnering For Tencent's 99 Giving Day

In addition, we participated in Tencent Charity Foundation's annual 99 Giving Day (「99公益日」) by using our platforms and influence to encourage the public to donate to the fundraising initiative. Contributing to 10,000 philanthropy projects from 2,500 charitable organizations, 99 Giving Day raised a total of over RMB3.3 billion in 2022.

Fighting Against COVID-19

Helping Our Community in Times of Crisis

The COVID-19 pandemic has presented significant challenges for the well-being of our communities. In response to the government's call to action, our Meitu's Party Committee and employees actively volunteered at PCR testing sites, with a contribution of around 15 volunteer service hours. Moreover, we donated supplies worth RMB5,000 to help protect front-line workers and volunteers from heat strokes.

Spreading Positivity with Acts of Kindness

Meitu also leveraged its creative capabilities to encourage users to stay positive during the pandemic. Our *Beauty Cam* app and *Meitu* app hosted a giveaway of 2 million "Anti-epidemic Care Packs" – VIP monthly subscription cards and shared tips on using AR effects to enjoy time spent at home due to the pandemic. Furthermore, we shared multiple pandemic prevention tips online, to promote collective action against the spread of COVID-19.

Protecting the Environment

Launching an Interactive Tree-Planting Project

With our influence and technological capabilities, we are in a unique position to foster the public's environmental awareness and protect our planet. As such, we launched a charitable campaign to plant 3,000 trees in Guide County, Qinghai Province and partnered with a make-up artist to create a forest-inspired app filter aimed at sharing our initiative with app users and enhancing their environmental awareness. Our forest-inspired filter made an impact, reaching an impressive 246,000 users and being utilized over 86,000 times. This helped to spread our message of environmental protection to a wider audience and increase awareness about the importance of environmental sustainability.

SIGNIFICANT LAWS AND REGULATIONS

Environment

Aspect A1: Emissions

- "Environmental Protection Law of the PRC"(《中華人民共和國環境保護法》)
- "Ambient Air Quality Standard"(《環境空氣品質標準》)
- "Indoor Air Quality Standard"(《室內空氣品質標準》)
- "Atmospheric Pollution Prevention and Control Law of the PRC"(《中華人民共和國大氣污染防治法》)
- "Water Pollution Prevention and Control Law of the PRC"(《中華人民共和國水污染防治法》)
- "Integrated Wastewater Discharge Standard"(《污水綜合排放標準》)
- "Standard for Pollution Control on Hazardous Waste Storage"(《危險廢物貯存污染控制標準》)
- "Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste"(《中華人民共和國固體廢物污染環境防治法》)
- Air Pollution Control Ordinance"(《空氣污染管制條例》)(Cap. 311 of the laws of Hong Kong)
- Water Pollution Control Ordinance"(《水污染管制條例》)(Cap. 358 of the laws of Hong Kong)
- Waste Disposal Ordinance"(《廢物處置條例》)(Cap. 354 of the laws of Hong Kong)

Social

Aspect B1: Employment

- "Labor Law of the PRC"(《中華人民共和國勞動法》)
- "Labor Contract Law of the PRC"(《中華人民共和國勞動合同法》)
- "Social Insurance Law of the PRC"(《中華人民共和國社會保險法》)
- "Regulation on the Employment of the Disabled"(《殘疾人就業條例》)
- "Law of the PRC on the Protection of Women's Rights and Interests"(《中華人民共和國婦女權益保障法》)
- "Tentative Provisions on the Payment of Wages"(《工資支付暫行規定》)
- "Regulation on Paid Annual Leave for Employees"(《職工帶薪年休假條例》)
- "Regulation on Public Holidays for National Annual Festivals and Memorial Days"(《全國年節及紀念日放假辦法》)
- "Implementation Measures for Paid Annual Leave for Employees of Enterprises"(《企業職工帶薪年休假實施辦法》)
- "Employment Ordinance"(《僱傭條例》)(Cap. 57 of the laws of Hong Kong)
- "Mandatory Provident Fund Schemes Ordinance"(《強制性公積金計劃條例》)(Cap. 485 of the laws of Hong Kong)
- "Minimum Wage Ordinance"(《最低工資條例》)(Cap. 608 of the laws of Hong Kong)
- "Sex Discrimination Ordinance"(《性別歧視條例》)(Cap. 480 of the laws of Hong Kong)
- "Family Status Discrimination Ordinance"(《家庭崗位歧視條例》)(Cap. 527 of the laws of Hong Kong)
- "Disability Discrimination Ordinance"(《殘疾歧視條例》)(Cap. 487 of the laws of Hong Kong)
- "Race Discrimination Ordinance"(《種族歧視條例》)(Cap. 602 of the laws of Hong Kong)

Aspect B2: Health and Safety

- "Indoor Air Quality Standard"(《室內空氣品質標準》)
- "Law of the PRC on Occupational Disease Prevention and Control"(《中華人民共和國職業病防治法》)
- "Occupational Safety and Health Ordinance"(《職業安全及健康條例》)(Cap. 509 of the laws of Hong Kong)

Aspect B4: Labour Standards

- "Labor Law of the PRC"(《中華人民共和國勞動法》)
- "Provisions on the Prohibition of Using Child Labor"(《禁止使用童工規定》)
- "Law of the PRC on the Protection of Minors"(《中華人民共和國未成年人保護法》)
- "Employment Ordinance"(《僱傭條例》) (Cap. 57 of the laws of Hong Kong)

Aspect B6: Product Responsibility

- "Administrative Regulations on Online Live-streaming Services"(《互聯網直播服務管理規定》)
- "Notice on strengthening the Administration of the Content of Internet Audio-Visual Programs"(《關於加強互聯網視聽節目內容管理的通知》)
- "Administrative Measures for Internet Information Services"(《互聯網信息服務管理辦法》)
- "Advertisement Law of the PRC"(《中華人民共和國廣告法》)
- "Interim Measures on Internet Advertisement"(《互聯網廣告管理暫行辦法》)
- "Product Quality Law of the PRC"(《中華人民共和國產品質量法》)
- "E-commerce Law of the PRC"(《中華人民共和國電子商務法》)
- "Minors Protection Law of the PRC"(《中華人民共和國未成年人保護法》)
- "Criminal Law of the PRC"(《中華人民共和國刑法》)
- "Civil Code of the PRC"(《中華人民共和國民法典》)
- "Cybersecurity Law of the PRC"(《中華人民共和國網路安全法》)
- "Copyright Law of the PRC"(《中華人民共和國著作權法》)
- "Patent Law of the PRC"(《中華人民共和國專利法》)
- Administrative Measure on the Control of Pollution Caused by Electronic Information Products(《電器電子產品有害物質限制使用管理辦法》)
- GB/T 26572-2011 Requirements of Concentration Limits for Certain Restricted Substances in Electrical and Electronic Products(《電子電氣產品中限用物質的限量要求》)
- "Personal Information Protection Act"(《個人信息保護法》)
- "Data Security Law of the PRC"(《中華人民共和國數據安全法》)
- "Provisions on Protecting the Personal Information of Telecommunications and Internet Users"(《電信和互聯網使用者個人資訊保護規定》)
- "Provisions on the Cyber Protection of Children's Personal Information"(《兒童個人資訊網路保護規定》)
- "Information Security Technology: Personal Information Security Specification"(《信息安全技術個人信息安全規範》)
- "Trade Descriptions Ordinance"(《商品說明條例》) (Cap. 362 of the laws of Hong Kong)
- "Consumer Goods Safety Ordinance"(《消費品安全條例》) (Cap. 456 of the laws of Hong Kong)
- "Personal Data (Privacy) Ordinance"(《個人資料(私隱)條例》) (Cap. 486 of the laws of Hong Kong)

Aspect B7: Anti-corruption

- "Criminal Law of the PRC"(《中華人民共和國刑法》)
- "Anti-Money Laundering Law of the PRC"(《中華人民共和國反洗錢法》)
- "Anti-unfair Competition Law of the PRC"(《中華人民共和國反不正當競爭法》)
- "Theft Ordinance of Hong Kong"(《盜竊罪條例》) (Cap. 210 of the laws of Hong Kong)
- "Anti-Money Laundering and Counter-Terrorist Financing Ordinance of Hong Kong"(《打擊洗錢及恐怖分子資金籌集條例》) (Cap. 615 of the laws of Hong Kong)
- "Prevention of Bribery Ordinance of Hong Kong"(《防止賄賂條例》) (Cap. 201 of the laws of Hong Kong)

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Independent Auditor's Report

To the Shareholders of Meitu, Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Meitu, Inc. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 156 to 266, comprise:

- the consolidated balance sheet as of December 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Fair value measurement of financial assets at fair value through profit or loss
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss	
Refer to Note 2.9, 3.3(c), 4(a) and 16(b) to the consolidated financial statements. As of December 31, 2022, the Group's carrying value of long-term investments classified as financial assets at fair value through profit and loss ("**FVTPL**") amounted to RMB1,195,064,000. For the year ended December 31, 2022, the Group had recognized a net gain on fair value changes of RMB519,821,000 on its financial assets recorded at FVTPL. The fair value of financial assets at FVTPL had been determined using either the discounted cash flow method or equity allocation model based on significant unobservable inputs. Fair value measurement had taken into account the estimation of the following significant unobservable inputs: • Terminal growth rate and weighted average cost of capital in the discounted cash flow method. • Marketability discount and enterprise value-to-sales ratio in equity allocation model.	• We obtained an understanding of the management's valuation processes in relation to the financial assets at FVTPL and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • We understood, evaluated and tested the controls over the valuation on financial assets at FVTPL. • We involved our in-house valuation experts to discuss with management and reconsider the appropriateness of valuation methodology and assumptions used. • In order to assess the reliability of the management's forecast and reasonableness of the key assumptions used in the discounted cash flow model, we reassessed the terminal growth rate and weighted average cost of capital with reference made against the historical data and our knowledge of the industry. • We reassessed and reconsidered the reasonableness of enterprise value-to-sales ratio with reference made to historical volatilities of comparable companies and also benchmarked the marketability discount adopted against available market data with the involvement of our in-house valuation experts.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss (Continued)	
We focused on this area due to the fact that the significant estimation and judgment were subject to a high degree of estimation uncertainty and the inherent risk was considered relatively higher due to uncertainty of significant assumptions used in determining the respective fair value of financial assets at FVTPL, which do not have direct open market quoted prices; the adoption of applicable valuation methodologies; and the significant assumptions adopted underlying such valuations.	• We also evaluated the management's sensitivity analysis performed on the key assumptions. • We tested the mathematical accuracy of the calculation of the management's assessments. Based on our audit procedures, we found that the management's estimation and judgment involved in determining the respective fair values of financial assets at FVTPL were supported by the evidence that we gathered.
Impairment assessments of goodwill	
Refer to Notes 2.7(a), 2.8, 4(c), and 15(a)(ii) to the consolidated financial statements. As of December 31, 2022, the Group recorded significant amount of goodwill arising from several acquisitions, composed of original costs of RMB433,311,000 and related impairment provision of RMB195,375,000. No impairment loss had been recognized during the year ended December 31, 2022. For the purpose of performing impairment assessment, the goodwill balance was allocated to three cash-generating units ("**CGUs**") of the Group. Management assessed the recoverable amount of the CGUs based on their respective value-in-use ("**VIU**") calculations by using cash flow projections. The key assumptions applied in the projections primarily include (i) annual revenue growth rate; (ii) gross margin; (iii) terminal growth rate; and (iv) pre-tax discount rate.	• We understood, evaluated and tested the controls over the impairment assessments of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • We reassessed the appropriateness of using VIU calculations as valuation model for the impairment assessments of goodwill with the involvement of our in house valuation experts. • We reassessed and reconsidered the key assumptions adopted in the VIU calculations including annual revenue growth rates and gross margin by comparing them against the historical results of the CGUs, the approved budgets of the CGUs and the Group's business plan. We assessed the pre-tax discount rate and terminal growth rate with reference made against comparable listed companies and available market data with the involvement of our internal valuation experts.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill (Continued) We focused on this area due to the magnitude of the carrying amount of goodwill as of December 31, 2022 was large; and the fact that significant estimation and judgment were subject to a high degree of estimation uncertainty; and the inherent risk was considered relatively higher due to uncertainty of significant assumptions used in the impairment assessment.	• We independently tested the accuracy of mathematical calculation applied in the valuation models. • We performed sensitivity analysis on the key assumptions adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if the key assumptions are to be changed within a reasonable range. Based on the procedures we performed, we concluded that the management's estimation and judgment involved in determining the impairment was supported by the evidence we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 30, 2023

Consolidated Income Statement

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Revenue	5	**2,085,329**	1,666,029
Cost of sales	8	**(898,057)**	(540,942)
Gross profit		**1,187,272**	1,125,087
Selling and marketing expenses	8	**(403,115)**	(390,980)
Administrative expenses	8	**(271,850)**	(264,993)
Research and development expenses	8	**(586,365)**	(545,490)
Net impairment losses on financial assets	3.1(b)	**(22,310)**	(21,132)
Other income	6	**130,275**	101,473
Other gains, net	7	**542,950**	211,960
Impairment losses on intangible assets	15	**(403,390)**	(227,623)
Finance income, net	10	**14,921**	2,401
Share of losses of investments accounted for using the equity method	16(a)	**(13,158)**	(1,638)
Profit/(Loss) before income tax		**175,230**	(10,935)
Income tax expense	11	**(156,339)**	(66,495)
Profit/(Loss) for the year		**18,891**	(77,430)
Profit/(Loss) attributable to:			
– Owners of the Company	12	**94,142**	(44,514)
– Non-controlling interests		**(75,251)**	(32,916)
		18,891	(77,430)
Earning/(Loss) per share for loss attributable to owners of the Company for the year (expressed in RMB per share)	12		
– Basic		**0.02**	(0.01)
– Diluted		**0.02**	(0.01)

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

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit/(Loss) for the year		**18,891**	(77,430)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences		**(56,448)**	(28,366)
Items that will not be reclassified to profit or loss			
Currency translation differences		**139,610**	–
Changes in fair value of financial assets at fair value through other comprehensive income	23	**(4,412)**	13,031
Other comprehensive income/(loss) for the year, net of tax		**78,750**	(15,335)
Total comprehensive income/(loss) for the year, net of tax		**97,641**	(92,765)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**170,730**	(59,865)
– Non-controlling interests		**(73,089)**	(32,900)

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

Consolidated Balance Sheet

	Note	As of December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	13	**441,239**	383,183
Right-of-use assets	14	**27,870**	41,390
Term deposits	20	**50,000**	30,000
Intangible assets	15	**659,841**	777,402
Long-term investments			
– Investments in associates and a joint venture	16(a)	**123,733**	118,133
– Financial assets at fair value through profit or loss	16(b)	**1,195,064**	801,005
– Financial assets at fair value through other comprehensive income	16(c)	**36,181**	37,156
Prepayments and other receivables	19	**5,643**	19,504
Deferred tax assets	26	**8,937**	7,018
		2,548,508	2,214,791
Current assets			
Inventories		**25,591**	4,889
Trade receivables	18	**350,633**	356,783
Prepayments and other receivables	19	**684,914**	912,280
Contract costs	5	**54,371**	29,880
Short-term investments	3	**40,521**	8,000
Term deposits	20	**352,908**	481,459
Cash and cash equivalents	21(a)	**946,602**	738,732
Restricted cash	21(b)	**300**	500
		2,455,840	2,532,523
Total assets		**5,004,348**	4,747,314
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	22	**283**	281
Share premium	22	**7,174,119**	7,136,647
Reserves	23	**36,628**	(91,642)
Accumulated losses		**(3,441,407)**	(3,528,927)
Non-controlling interests		**(60,109)**	(557)
Total equity		**3,709,514**	3,515,802

	Note	As of December 31, 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	25	**–**	84,432
Lease liabilities	14	**11,370**	17,911
Deferred tax liabilities	26(b)	**214,600**	80,280
		225,970	182,623
Current liabilities			
Borrowings		**10,000**	10,000
Trade and other payables	25	**734,098**	803,915
Lease liabilities	14	**16,784**	20,631
Income tax liabilities		**62,739**	55,960
Contract liabilities	5	**245,243**	158,383
		1,068,864	1,048,889
Total liabilities		**1,294,834**	1,231,512
Total equity and liabilities		**5,004,348**	4,747,314

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

The consolidated financial statements on pages 156 to 266 were approved by the Board of Directors on March 30, 2023 and were signed on its behalf.

Cai Wensheng
Director

Wu Zeyuan
Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance as of January 1, 2021		280	7,135,115	(107,910)	(3,473,555)	3,553,930	13,905	3,567,835
Comprehensive loss								
Loss for the year		–	–	–	(44,514)	(44,514)	(32,916)	(77,430)
Other comprehensive income/(loss)								
Changes in fair value of financial assets at fair value through other comprehensive income	16(c)	–	–	13,031	–	13,031	–	13,031
Currency translation differences	23(a)	–	–	(28,382)	–	(28,382)	16	(28,366)
Total comprehensive loss for the year		–	–	(15,351)	(44,514)	(59,865)	(32,900)	(92,765)
Transactions with owners as their capacity as owners								
Value of employee services:								
Post-IPO Share Award Scheme	24(b)	–	–	49,068	–	49,068	–	49,068
Share incentive to senior management of subsidiaries		–	–	5,329	–	5,329	1,105	6,434
Shares issued upon exercise of employee share options	22(a)	1	1,532	–	–	1,533	–	1,533
Appropriation to statutory reserves	23(b)	–	–	4,076	(4,076)	–	–	–
Dividends		–	–	–	–	–	(16,303)	(16,303)
Transaction with non-controlling interest	23(c)	–	–	(26,854)	–	(26,854)	26,854	–
Others		–	–	–	(6,782)	(6,782)	6,782	–
Total transactions with owners as their capacity as owners		1	1,532	31,619	(10,858)	22,294	18,438	40,732
Balance as of December 31, 2021		281	7,136,647	(91,642)	(3,528,927)	3,516,359	(557)	3,515,802

	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance as of January 1, 2022		281	7,136,647	(91,642)	(3,528,927)	3,516,359	(557)	3,515,802
Comprehensive income/(loss)								
Profit/(Loss) for the year		–	–	–	94,142	94,142	(75,251)	18,891
Other comprehensive income/(loss)								
Changes in fair value of financial assets at fair value through other comprehensive income	16(c)	–	–	(4,412)	–	(4,412)	–	(4,412)
Currency translation differences	23(a)	–	–	81,000	–	81,000	2,162	83,162
Total comprehensive income/(loss) for the year		–	–	76,588	94,142	170,730	(73,089)	97,641
Transactions with owners as their capacity as owners								
Value of employee services:								
Post-IPO Share Award Scheme	24(b)	–	–	39,493	–	39,493	–	39,493
Share incentive to senior management of subsidiaries	24(d)	–	–	5,567	–	5,567	2,264	7,831
Shares issued upon exercise of employee share options	22(a)	*	173	–	–	173	–	173
Appropriation to statutory reserves	23(b)	–	–	6,622	(6,622)	–	–	–
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	22	2	37,299	–	–	37,301	–	37,301
Non-controlling interests on acquisition of a subsidiary		–	–	–	–	–	11,273	11,273
Total transactions with owners as their capacity as owners		2	37,472	51,682	(6,622)	82,534	13,537	96,071
Balance as of December 31, 2022		283	7,174,119	36,628	(3,441,407)	3,769,623	(60,109)	3,709,514

* The amount is less than RMB1,000.

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

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	28(a)	**252,670**	(3,291)
Interest received		**5,340**	3,747
Interest paid		**(861)**	(664)
Income tax paid		**(23,159)**	(26,110)
Net cash generated from/(used in) operating activities		**233,990**	(26,318)
Cash flows from investing activities			
Purchase of property and equipment		**(50,407)**	(34,657)
Purchase of intangible assets	15	**(530)**	(653,037)
Proceeds from disposal of property and equipment and intangible assets	28(a)	**227**	6,066
Acquisition in associates in the form of ordinary shares	16(a)	**(14,000)**	–
Acquisition in financial assets at fair value through profit or loss	16(b)	**(84,321)**	(82,903)
Acquisition in a joint venture	16(a)	**–**	(60,000)
Acquisition in financial assets at fair value through other comprehensive income	16(c)	**–**	(15,571)
Proceeds from disposal of financial assets at fair value through profit or loss	16(b)	**3,527**	22,707
Prepayments for business combination	34(b)	**–**	(11,961)
(Purchase)/proceeds of short-term investments, net		**(32,447)**	12,000
Proceeds from disposal of investment in an associate		**–**	24,276
Investment income received from short-term investments and term deposits		**14,173**	28,226
Placement of term deposits		**(1,486,184)**	(402,070)
Receipt from maturity of term deposits		**1,626,095**	881,722
Loans to investee companies		**–**	(45,214)
Loans to a third party		**(20,000)**	–
Repayments received from an investee company		**35,740**	–
Payment for acquisition of subsidiaries, net of cash acquired	34	**(8,641)**	–
Net cash used in investing activities		**(16,768)**	(330,416)

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings	28(c)	**10,000**	10,000
Repayment of short-term borrowings	28(c)	**(10,000)**	(5,000)
Dividends paid to non-controlling interests		**–**	(16,303)
Proceeds from payment for share incentive		**–**	3,382
Payments for lease liabilities	28(c)	**(37,209)**	(44,952)
Proceeds from shares issued under employee share option scheme		**180**	1,634
Net cash used in financing activities		**(37,029)**	(51,239)
Net increase/(decrease) in cash and cash equivalents		**180,193**	(407,973)
Cash and cash equivalents at the beginning of the year	21	**738,732**	1,158,117
Effects of exchange rate changes on cash and cash equivalents		**27,677**	(11,412)
Cash and cash equivalents at the end of the year	21	**946,602**	738,732

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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 Xiamen MeituEve Networks Services Co., Ltd. ("**MeituEve Networks**"), and their respective 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.

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.

1 GENERAL INFORMATION (CONTINUED)

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, Beijing Dajie Zhiyuan Information Technology Co., Ltd. ("**Dajie Zhiyuan**") and its subsidiaries. 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.

Similar to Meitu Networks, contractual arrangements were also rearranged for Dajie Zhiyuan in March 2021, due to the change of the nominee shareholders of Dajie Zhiyuan, and Dajie Zhiyuan remains 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 SUMMARY OF SIGNIFICANT 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 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.

(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, 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 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, 2022 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

As of December 31, 2022, the following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2022 and have not been early adopted:

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

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combination by the Group (Note 2.2(a)(i)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(i) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combination (Continued)

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized as "other gains, net" in the consolidated income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to consolidate any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates and joint ventures

(a) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting (see (c) below), after initially being recognized at cost, while investments in associates in the form of ordinary shares with preferential rights or convertible redeemable preferred shares are accounted for as hybrid financial instruments and designated as financial assets measured at fair value through profit or loss (Note 2.9).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates and joint ventures (Continued)

(b) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (c) below), after initially being recognized at cost in the consolidated balance sheet.

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group's investments in these associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate or a joint venture, any difference between the cost of the associate or the joint venture and the Group's share of the net fair value of the associate's or the joint venture's identifiable assets and liabilities is accounted for as goodwill.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates and joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or the joint venture and its carrying value and recognizes the amount adjacent to "share of losses of investments accounted for using the equity method" in the consolidated income statement.

Gain or losses on dilution of equity interest in associates and joint ventures are recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates and joint ventures (Continued)

(d) Changes in ownership interests

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate in the form of ordinary shares is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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 that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is United States dollars ("**US$**"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented on a net basis within "finance income, net" in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income, are recognized in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated income statement during the reporting period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

–	Furniture and office equipment	5 years
–	Servers and other equipment	3 years
–	Motor vehicles	4 years
–	Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction, which is stated at actual construction costs less any impairment loss. Construction in progress is transferred to property and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2(a)(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Copyrights, brand names, customer relationship and others

Copyrights, brand names, customer relationship and others acquired in business combination are recognized at fair value at the acquisition date. Separately copyrights are shown at historical cost. Copyrights, brand names, customer relationship and others have finite useful lives and are carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method over the useful lives (4 to 15 years).

(c) Cryptocurrencies

Cryptocurrencies purchased and held by the Group through third-party custodian service provider include Ethereums ("**Ethers**") and Bitcoins, which are accounted for as intangible assets under the cost model. The Group has ownership of and control over the cryptocurrencies held and employs third-party custodian service provider to securely store them. The cryptocurrencies held by the Group are considered to have an indefinite life. Accordingly, they are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets (Continued)

(d) Other intangible assets

Other intangible assets mainly include domain names and computer software. They are initially recognized and measured at costs incurred to acquire and bring them to use. Other intangible assets are amortized over their estimated useful lives, using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

(e) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. There had been no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2022 (2021: nil).

Development costs previously recognized as an expense are not recognized as an asset in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial assets

Goodwill, cryptocurrencies and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The impairment tests for cryptocurrencies are carried out for Ethers and Bitcoins, separately. Cryptocurrencies that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The increased carrying amount of cryptocurrencies attributable to a reversal of an impairment loss, which is recognized in profit or loss, will not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cryptocurrencies in prior accounting periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investment and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at financial assets at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("**SPPI**").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at financial assets at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net, and impairment expenses are presented as separate line item in the consolidated income statement.

- Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured a financial asset at fair value through profit or loss is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at financial assets at fair value through profit or loss are recognized in other gains/(losses), net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Inventories

Inventories mainly consist of finished goods, raw materials and merchandise, which are primarily accounted for using the weighted average method and are stated at the lower of cost and net realizable value. Cost excludes borrowing costs. Costs of purchased raw materials and merchandise are determined after deducting rebates and discounts.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Impairment is made for excessive, slow moving, expired and obsolete inventories, so the Group continually estimated the net realizable value based on assumptions relating to the demand forecast for inventories, including potential product obsolescence, sales strategy, and marketability of inventories. The estimation may take into consideration of inventory aging, expiration date, expected demand, anticipated sales price, product obsolescence, and other factors. The impairment is equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. These amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

(ii) Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the consolidated balance sheet.

(b) Pension obligations

The Group operates a mandatory provident fund scheme ("**MPF Scheme**") for the eligible employees in Hong Kong. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee – administered funds. The Group's contributions to MPF Scheme are expensed as incurred.

The Group's subsidiaries operating in the PRC have to make contribution to staff retirement schemes managed by local government authorities in accordance with the relevant rules and regulations. The Group's contributions to the schemes are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local government authorities. The Group's contributions to these schemes are charged to the consolidated income statement as and when incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no legal or constructive obligations to pay further contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(d) Bonus plans

The expected cost of bonuses is recognized as a liability and an expense when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates the Pre-IPO ESOP, Post-IPO Share Award Scheme, Post-IPO Share Option Scheme, Share incentive to senior management of subsidiaries, which are equity-settled shared-based compensation plans under which share option and share awards are granted to employees as part of their remuneration package.

The fair value of the employee services received in exchange for the grant of the share option and the share-based awards is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the share option and the share-based awards granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share-based awards that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments and shares to the employees and non-employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employees and non-employees services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.21 Revenue recognition

Online Advertising

The Group provides advertising placements to advertisers through the Group's platforms and apps. Online advertising revenues comprise mainly display-based and performance-based advertisements.

Revenue from displaying advertisements to the users of online and mobile platforms operated by the Group is recognized ratably over the contracted period in which the advertisements are displayed. Revenue from performance-based advertisements is recognized based on actual performance measurement. The Group recognizes the revenue from the delivery of pay-per-click or pay-per-display advertisements for advertisers to users of the Group based on a per-click basis when the users click on the content, or on a per-display basis, when the advertising contents are displayed to the users.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

Online Advertising (Continued)

Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period.

The Group provides online advertising agency services between advertisers and website publishers. The advertisers can purchase advertising traffic from various media platforms through the Group. The Group charges the advertisers based on the same pricing mechanism as how the website publishers will charge to the Group. The Group provides advertising agency services to the advertisers and earns rebates from website publishers.

The Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to an advertiser, because (i) Website publisher, rather than the Group, is primarily responsible for providing the media publishing service; (ii) the media advertisement space is not owned by the Group, and the Group does not have any commitments to purchase the advertising space. As such the Group does not have inventory risk; and (iii) The Group charges the advertisers based on the same pricing mechanism that the website publishers charge the Group. Although the Group has some discretion in determining the price charged to the advertisers in the form of discounts and rebates given to the advertisers, the Group determines it is the agent in the transaction based on the weight of the aforementioned factors. The Group acts as an intermediary in executing transactions with third parties.

As the Group is not the principal in executing advertising activities and is acting on behalf of the website publishers. The Group reports the amount received from the advertisers and the amounts paid to the website publishers related to these transactions on a net basis and recognizes the rebate earned from media publishers as revenue. Accordingly, receivables in relation to payment on behalf of advertisers are recognized as other receivable and payables to advertising platforms are recognized as other payable.

Revenue in relation to rebates to be earned from certain website publishers are based on factors determined by these website publishers, such as quarterly or yearly spending at these website publishers' various platforms and other factors selected at the discretion of these website publishers. Such rebates earned from website publishers are recorded as revenues when impressions or clicks are successfully delivered.

When the services rendered exceed the payment, a contract asset is recognized. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

VIP Subscription business

VIP subscription business revenue are primarily revenues from paid subscriptions in the application.

The Group provides to users certain subscription packages which entitle paying subscribers unlimited "ad-free" content offerings with certain privilege features in the application. The subscription fee for these packages is time-based and is collected upfront from subscribers. The terms of time-based subscriptions range from one month to twelve months. The receipt of subscription fee is initially recorded as contract liabilities and recognized as revenue ratably over the subscription period. The payment of service fee levied by online payment channels is initially recorded as contract costs and recognized as cost of sales ratably over the subscription period.

The subscription can be paid directly by users through various online payment channels. The Group records revenue on gross basis and recognizes service fees levied by online payment channels as the cost of sales.

SaaS and related businesses

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 the control of the products is 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.

The Group manufactures and sells a range of smart hardware products to retailers. Sales of smart hardware products are recognized when the control of the products is transferred, being when the products are delivered and accepted by the retailers.

Influencer Marketing Solutions ("IMS") Business

IMS revenues are earned from the provision of advertising and marketing services to advertisers across multiple online and mobile social media platforms, through the online performance undertaken by third party influencers, who are individuals who have contracted with the Group. Advertisers receive the benefits from the services and the Group has the entitlement to service fees upon the acceptance of the delivery of the services by the advertisers. The basis of determination of the service fees charged to the advertisers is based on the level of popularity of the influencers and complexity of the related services. The Group agrees on a sharing ratio of the service fees with the influencers for the provision of their services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

IMS Business (Continued)

The Group has the ability to direct the influencers to provide the services to the advertisers on the Group's behalf as (i) the Group is primarily responsible for the fulfillment of the contracts entered into with the advertisers, including selection and training of the influencers, quality controls exercised on the marketing service contents, and direct communication made among the influencers and the advertisers; and (ii) the Group has the ultimate discretion to set the prices for the services with the advertisers, as well as the service fees to be shared with the influencers

As a result, the Group is viewed as a principal in the provision of this IMS services and revenue is recognized on a gross basis when the services are rendered based on the specific terms of the respective service contracts, and the share of service fees paid and payable to the influencers is recognized as the cost of sales.

Internet Value-added Services

This revenue line primarily consists of a variety of mobile value-added services offerings through leveraging platforms.

Revenue from value-added services through leveraging platforms is earned from the service sharing fees from third parties, of which the Group leverages the platforms and its user base to promote the mobile entertainment and other online applications and it also collects from third-party game/application developers a predetermined percentage of the fees. The Group recognizes the related revenue on a net basis since the Group is acting as an agent in the transactions.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group entities that do not have recent third-party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.23 Interest income

Interest income from financial assets at fair value through profit or loss is included in "Other gains, net", see Note 7 below. Interest income on financial assets at amortized cost and financial assets at fair value through other comprehensive income calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Interest income (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the property and equipment, and other non-current assets are included in the liabilities and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Dividends distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company is US$. The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to US$. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. The Group did not hedge against any fluctuation in foreign currency.

For the Group's PRC subsidiaries whose functional currency is RMB, the balance of foreign currency denominated monetary assets or liabilities is not significant as of December 31, 2022 and accordingly the Group does not anticipate that there is significant exposure of foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

Other than interest-bearing cash and cash equivalents, short-term and long-term bank deposits, the Group has no other significant interest-bearing assets or liabilities. Loans were granted at fixed rate and expose the Group to fair value interest risk. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets and liabilities resulted from the changes in interest rates, because the interest rates of bank balances and loans are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to price risk in respect of long-term investments and cryptocurrencies held by the Group, that are classified in the consolidated balance sheet as financial assets at fair value through profit or loss and intangible assets, respectively. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities and cryptocurrencies, the Group diversifies its portfolio. Diversification of the portfolio is achieved in accordance with the limits set by the Group. Each investment made is managed by senior management on a case by case basis. If the fair value of the investment in equity securities held by the Group had increased/decreased by 5% with all other variables held constant, profit before income tax for the year ended December 31, 2022 would have been approximately RMB59,753,000 (2021: RMB40,050,000) higher/lower. In the case that the fair value of the cryptocurrencies held by the Group had increased/decreased by 10% with all other variables held constant, impairment loss before income tax for the year ended December 31, 2022 would have been approximately RMB37,372,000 lower/higher (2021: RMB28,533,000 lower/RMB28,769,000 higher).

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term and long-term bank deposits, short-term investments, restricted cash, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Credit risk of cash and cash equivalents, short-term and long-term bank deposits, short-term investments and restricted cash

To manage this risk arising from cash and cash equivalents, short-term and long-term bank deposits, short-term investment and restricted cash, the Group only transacts with state-owned or financial institutions. The expected credit loss of these financial assets is close to zero.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables

The Group applies the simplified approach to measuring expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the Group categorizes its trade receivables based on the nature of customer accounts, shared credit risk characteristics and account aging. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of trade receivables and adjusts for forward looking macroeconomic data. Trade receivables are categorized as the online advertising and internet value-added services and others.

The assessed expected credit losses for the trade receivables arising from its two main revenue streams as of December 31, 2022 and 2021 are determined as follows:

As of December 31, 2022	0-180 days	180-365 days	Over 365 days	Total
Online advertising				
Gross carrying amount (RMB'000)	244,597	59,685	6,006	310,288
Including: assessed on collective basis	244,597	59,685	1,571	305,853
assessed on individual basis	–	–	4,435	4,435
Expected credit loss rate				
Including: assessed on collective basis	0.6%	2.9%	60.2%	1.4%
assessed on individual basis	–	–	100.0%	100.0%
Expected credit loss (RMB'000)	1,440	1,748	5,381	8,569
Including: assessed on collective basis	1,440	1,748	946	4,134
assessed on individual basis	–	–	4,435	4,435
Internet value-added services and others				
Gross carrying amount (RMB'000)	42,201	8,437	3,577	54,215
Expected credit loss rate	0.8%	21.0%	89.5%	9.8%
Expected credit loss (RMB'000)	324	1,775	3,202	5,301

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

As of December 31, 2021	0-180 days	180-365 days	Over 365 days	Total
Online advertising				
Gross carrying amount (RMB'000)	243,299	54,379	1,146	298,824
Expected credit loss rate	0.3%	1.7%	50.1%	0.7%
Expected credit loss (RMB'000)	700	899	574	2,173
Internet value-added services and others				
Gross carrying amount (RMB'000)	59,812	928	3,298	64,038
Expected credit loss rate	0.8%	23.8%	97.1%	6.1%
Expected credit loss (RMB'000)	484	221	3,201	3,906

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables (Continued)

The closing loss allowances for trade receivables as of December 31, 2022 and 2021 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**6,079**	4,639
Increase in allowance recognized in profit or loss during the year	**8,167**	1,923
Receivables written off during the year as uncollectible	**(326)**	(363)
Reversal of previous impairment losses	**(50)**	(120)
At the end of the year	**13,870**	6,079

(iii) Credit risk of other receivables

Other receivables mainly comprise amounts due from other receivables in relation to payment on behalf of advertisers, rental and other deposits, deductible value-added tax, interest receivables, loans to the related parties and other receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

- actual or expected significant changes in the operating results of third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status and changes in the operating results of the third party.

The Group uses four categories for those receivables which reflect their credit risk and how the loss allowance is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss allowance
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 180 days past due	Lifetime expected losses (stage 2)
Non-performing	Interest and/or principal repayments are more than 365 days past due	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are more than 1 years past due and there is no reasonable expectation of recovery	Asset is written off

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

Other receivables are categorized as receivables due from certain entities and other receivables in relation to payment on behalf of advertisers.

The Group expects that the credit risk associated with other receivables due from certain entities (including rental and other deposits, interest receivables, loans to third parties and other receivables) is considered to be low and the credit risk is in line with original expectations.

The gross carrying amount of other receivables due from certain entities, and thus the maximum exposure to loss measured under 12 months expected credit loss method, is as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Performing	**62,380**	83,716
Less: loss allowance	**(894)**	(1,181)
Other receivables net of expected credit losses	**61,486**	82,535

For other receivables in relation to payment on behalf of advertisers, management makes periodic assessments on the recoverability of receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for these receivables and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

The assessed expected credit losses for the other receivables in relation to payment on behalf of advertisers as of December 31, 2022 and 2021 are determined as follows:

As of December 31, 2022	0-180 days	180-365 days	Over 365 days	Total
Gross carrying amount (RMB'000)	503,508	5,092	35,664	544,264
Including: assessed on collective basis	503,508	5,092	19,545	528,145
assessed on individual basis	–	–	16,119	16,119
Expected credit loss rate				
Including: assessed on collective basis	0.6%	18.7%	66.3%	3.2%
assessed on individual basis	–	–	100.0%	100.0%
Expected credit loss (RMB'000)	3,010	954	29,084	33,048
Including: assessed on collective basis	3,010	954	12,965	16,929
assessed on individual basis	–	–	16,119	16,119
As of December 31, 2021	**0-180 days**	**180-365 days**	**Over 365 days**	**Total**
Gross carrying amount (RMB'000)	639,258	16,936	16,368	672,562
Including: assessed on collective basis	639,258	16,936	6,021	662,215
assessed on individual basis	–	–	10,347	10,347
Expected credit loss rate				
Including: assessed on collective basis	1.1%	10.4%	70.7%	2.0%
assessed on individual basis	–	–	100.0%	100.0%
Expected credit loss (RMB'000)	6,949	1,756	14,603	23,308
Including: assessed on collective basis	6,949	1,756	4,256	12,961
assessed on individual basis	–	–	10,347	10,347

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

The closing loss allowance for other receivables as of December 31, 2022 and 2021 reconcile to the opening loss allowance as follows:

	Other receivables	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**24,489**	5,160
Increase in allowance recognized in profit or loss during the year	**14,193**	19,329
Receivables written off during the year as uncollectible	**(4,740)**	–
At the end of the year	**33,942**	24,489

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As of December 31, 2022					
Borrowings	10,272	–	–	10,272	10,000
Lease liabilities	17,220	9,849	2,224	29,293	28,154
Trade and other payables (excluding payroll and welfare payables, other taxes payables and warranty provisions)	373,914	–	–	373,914	373,914
	401,406	9,849	2,224	413,479	412,068
As of December 31, 2021					
Borrowings	10,304	–	–	10,304	10,000
Lease liabilities	22,038	14,905	4,511	41,454	38,542
Trade and other payables (excluding payroll and welfare payables, other taxes payables and warranty provisions)	495,259	88,462	–	583,721	579,691
	527,601	103,367	4,511	635,479	628,233

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or buy back the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2022 by level of the inputs to valuation methodologies used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

As of December 31, 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 16(b))	–	–	1,195,064	1,195,064
– Financial assets at fair value through other comprehensive income (Note 16(c))	25,905	–	10,276	36,181
Short-term investments	–	–	40,521	40,521
	25,905	–	1,245,861	1,271,766

As of December 31, 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets:				
Long-term investments				
– Financial assets at fair value through profit or loss (Note 16(b))	–	–	801,005	801,005
– Financial assets at fair value through other comprehensive income (Note 16(c))	27,749	–	9,407	37,156
Short-term investments	–	–	8,000	8,000
	27,749	–	818,412	846,161

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is 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, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation methodologies which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation methodologies used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- Other methodologies, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

Level 3 instruments of the Group's assets and liabilities mainly include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and short-term investments.

The following table presents the changes in level 3 instruments for the year ended December 31, 2022 and 2021:

	Financial assets at fair value through profit or losses RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Short-term investments RMB'000	Total RMB'000
Year ended December 31, 2022				
Opening balance as of December 31, 2021	801,005	9,407	8,000	818,412
Additions	84,321	–	6,897,643	6,981,964
Disposals	(3,527)	–	(6,872,817)	(6,876,344)
Converted from a financial asset to a subsidiary (Note 34)	(210,321)	–	–	(210,321)
Changes in fair value (Note 7)	519,821	–	7,695	527,516
Currency translation differences	3,765	869	–	4,634
Closing balance as of December 31, 2022	1,195,064	10,276	40,521	1,245,861
Total unrealized gains and change in fair value for the year included in "other gains, net" for financial assets at fair value through profit or loss held at the end of the year	519,821	–	74	519,895

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

	Financial assets at fair value through profit or losses RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Short-term investments RMB'000	Total RMB'000
Year ended December 31, 2021				
Opening balance as of December 31, 2020	559,494	9,050	20,449	588,993
Additions	82,903	574	2,815,229	2,898,706
Disposal	(22,707)	–	(2,838,605)	(2,861,312)
Changes in fair value (Note 7)	183,641	–	10,927	194,568
Currency translation differences	(2,326)	(217)	–	(2,543)
Closing balance as of December 31, 2021	801,005	9,407	8,000	818,412
Total unrealized gains and change in fair value for the year included in "other gains, net" for financial assets at fair value through profit or loss held at the end of the year	183,641	–	–	183,641

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

The valuation of the level 3 instruments included investments in private companies (Note 16) and short-term investments. As the investments in private companies and short-term investments are not traded in an active market and their fair values have been determined using various applicable valuation methodologies, including discounted cash flows and equity allocation model. Major assumptions used in the valuation include historical financial results, terminal growth rate, estimate of weighted average cost of capital ("WACC"), recent market transactions, marketability discount, enterprise value-to-sales ratio expected return rate and other exposure etc.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

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

The quantitative information about fair value measurements using significant unobservable inputs (Level 3) is presented as follows:

Description	Fair value as of December 31, 2022 (RMB'000)	2021 (RMB'000)	Valuation technique(s)	Unobservable inputs	Range 2022	2021
Financial assets at fair value through profit or loss (Note 16(b))	1,195,064	801,005	Discounted cash flow	Terminal growth rate	2.3%-2.5%	1.5%-3.0%
				WACC	18.0%-27.0%	15.0%-27.0%
			Equity allocation model	Marketability discount	20.0%-30.0%	20.6%-30.0%
				Enterprise value-to-sales ratio	2.1-4.8	1.3-4.5
Financial assets at fair value through other comprehensive income (Note 16(c))	10,276	9,407	Discounted cash flow	Terminal growth rate	2.0%	2.0%
				WACC	18.0%	18.0%
Short-term investments	40,521	8,000	Discounted cash flow	Expected return rate	2.2%-3.1%	3.0%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

(i) Financial assets at fair value through profit or loss

As of December 31, 2022, if the terminal growth rate, WACC, marketability discount, and enterprise value-to-sales ratio shifted upward and downward by 5%, respectively, the impact on the fair value would be RMB1,355,000 higher/RMB1,334,000 lower, RMB23,823,000 lower/RMB26,971,000 higher, RMB9,723,000 lower/RMB10,306,000 higher and RMB36,993,000 higher/RMB36,431,000 lower, respectively.

As of December 31, 2021, if the terminal growth rate, WACC, marketability discount, and enterprise value-to-sales ratio shifted upward and downward by 5%, respectively, the impact on the fair value would be RMB143,000 higher/RMB73,000 lower, RMB4,219,000 lower/RMB4,751,000 higher, RMB7,079,000 lower/RMB7,084,000 higher and RMB20,558,000 higher/RMB20,549,000 lower, respectively.

The lower the terminal growth rate, the higher the WACC, the higher the marketability discount and lower the enterprise value-to-sales ratio, the lower the fair value.

(ii) Financial assets at fair value through other comprehensive income

The lower the terminal growth rate and the higher the WACC, the lower the fair value. The sensitivity of the terminal growth rate and the WACC is immaterial for the fair value of financial assets at fair value through other comprehensive income.

(iii) Short-term investments

The higher the expected return rate, the lower the fair value. The sensitivity of expected return rate immaterial for the fair value of short-term investments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation methodologies. The Group uses its judgment to select a variety of methods and make assumptions, as mentioned in Note 3.3(c), that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) Impairment provision for trade and other receivables

Management assesses the impairment of trade and other receivables according to the trade and other receivables' expected credit loss, management's prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade and other receivables in the year.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. Details of the key assumptions in assessment are disclosed in Note 15.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of intangible assets with definite useful life

Intangible assets with definite useful life mainly include copyrights, customer relationship, brand names, domain names and computer software. They are initially recognized and measured at cost or estimated fair value of intangible assets acquired through business combinations.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(e) Payables to non-controlling shareholders of a subsidiary

As disclosed in Note 25(a), the Group is obliged to acquire the non-controlling equity interest of a subsidiary from its non-controlling shareholders and, accordingly, it had recognized a financial liability due to the non-controlling shareholders computed based on the estimated outcome of the future performance of the subsidiary (determined by net income reported by the subsidiary), as specified in the underlying investment agreement. Changes in estimates of future performance of the subsidiary may affect the carrying amounts of the financial liability and other gains, net. If the outcome of the performance of the subsidiary had been higher or lower by 10% over estimation, the carrying amount of the payables to non-controlling shareholders of the subsidiary would have been approximately RMB6,339,000 higher or RMB20,602,000 lower, and other gains, net would have been approximately RMB6,339,000 lower or RMB20,602,000 higher accordingly.

(f) Accounting of cryptocurrencies

IFRSs do not specifically address accounting for cryptocurrencies. Accordingly, for the preparation of the annual report, management needs to apply judgment in determining appropriate accounting policies based on the facts and circumstances of the Group's acquisition and holding of cryptocurrencies.

Given the Group's purpose for holding cryptocurrencies, management considered that cryptocurrencies purchased and held by the Group should be accounted for as indefinite-lived intangible assets accounted for under the cost model.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(f) Accounting of cryptocurrencies (Continued)

As disclosed in Note 15(a), in determining fair values used for impairment tests, management needs to apply judgment to identify the relevant available markets for trading of cryptocurrencies, and to consider accessibility to and activity within those markets in order to identify the principal cryptocurrency markets to ascertain the respective fair market values.

5 REVENUE AND SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. The Group does not distinguish between markets or segments for the purpose of internal reporting. As of December 31, 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 RMB1,997,169,000 (December 31, 2021: RMB1,429,547,000) and RMB492,402,000 (December 31, 2021: RMB748,226,000), respectively.

The results of the revenue for the year ended December 31, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
VIP Subscription business	**782,165**	496,787
Online Advertising	**596,045**	765,849
SaaS and related businesses (Note (i))	**462,907**	38,797
Internet Value-added Services	**95,603**	94,268
IMS and Others	**148,609**	270,328
Total revenue	**2,085,329**	1,666,029

(i) The revenue of SaaS and related businesses mainly generated from sales of cosmetic and smart hardware products amounted to RMB411,848,000 for the year ended December 31, 2022 (2021: RMB15,888,000), which are recognized when the control of the products is transferred.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition		
Over time	**1,415,695**	1,277,927
At a point in time	**669,634**	388,102
	2,085,329	1,666,029

No revenue from any customer exceeded 10% or more of the Group's revenue for the year ended December 31, 2022 and 2021.

(a) Contract costs and liabilities

(i) The Group has recognized the following assets and liabilities related to contracts with customers:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Contract costs:		
– VIP Subscription business	**54,371**	29,815
– Others	**–**	65
	54,371	29,880
Contract liabilities:		
– VIP Subscription business	**201,506**	122,579
– SaaS and related businesses and Others	**43,737**	35,804
	245,243	158,383

(ii) No impairment of contract costs was recognized by the Group as of December 31, 2022 (2021: nil).

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract costs and liabilities (Continued)

(iii) During the year ended December 31, 2022, RMB29,880,000 of carried-forward contract costs were recognized as cost of sales in the consolidated income statement.

(iv) The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
– VIP Subscription business	**122,579**	58,388
– SaaS and related businesses and Others	**13,263**	13,201
	135,842	71,589

All the revenue contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 OTHER INCOME

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Value-added tax refund	**73,878**	68,980
Government subsidies	**56,397**	32,493
	130,275	101,473

7 OTHER GAINS, NET

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Fair value changes of financial assets at fair value through profit or loss (Note 16(b))	**519,821**	183,641
Remeasurement gains on consideration payable to non-controlling shareholders of a subsidiary (Note 25(a))	**17,017**	–
Gains on short-term investments	**7,695**	10,927
Others	**(1,583)**	17,392
	542,950	211,960

8 EXPENSES BY NATURE

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Employee benefit expenses (Note 9)	**911,949**	865,718
Inventories consumed and recognized as cost of sales	**402,058**	7,325
Promotion and advertising expenses	**187,985**	184,001
Revenue sharing fee to payment channels	**184,722**	128,616
Remuneration paid to influencers	**146,640**	263,830
Bandwidth and storage related costs	**97,644**	79,809
Depreciation of property and equipment and right-of-use assets (Note 13 and Note 14)	**42,701**	52,663
Tax and levies	**32,860**	23,896
Amortization of intangible assets (Note 15)	**20,082**	23,276
Travelling and entertainment expenses	**15,235**	16,874
Utilities and office expenses	**12,228**	11,994
Auditors' remuneration		
– Annual audit services	**5,740**	5,660
– Non-audit services	**50**	–
Others	**99,493**	78,743
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	**2,159,387**	1,742,405

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**724,955**	686,540
Other social security costs, housing benefits and other employee benefits	**95,216**	87,927
Share-based compensation expenses (Note 24)	**47,324**	55,502
Pension costs – defined contribution plans	**44,454**	35,749
	911,949	865,718

(a) Senior management's emoluments

Senior management includes executive directors, the chief executive and other senior management personnel. The aggregate compensation paid or payable to senior management for employee services excluding the directors and the chief executive, whose details have been reflected in Note 31, is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Share-based compensation expenses	**8,638**	12,322
Wages, salaries and bonuses	**7,445**	7,149
Pension costs – defined contribution plans	**21**	11
Other social security costs, housing benefits and other employee benefits	**100**	96
	16,204	19,578

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Senior management's emoluments (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2022	2021
HK$1,000,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$10,000,000	**2**	1
HK$15,000,001 to HK$20,000,000	**–**	1
	3	3

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 director (2021: 1). All of these individuals have not received any emolument from the Group as an inducement to join the Group or compensation for loss of office during the year ended December 31, 2022 (2021: nil). The emoluments payable to the 4 non-director (2021: 4) and 1 director (2021: 1) individuals for the year ended December 31, 2022 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Share-based compensation expenses	**15,198**	17,839
Wages and salaries	**8,648**	8,304
Bonuses	**4,679**	4,877
Pension costs – defined contribution plans	**203**	132
Other social security costs, housing benefits and other employee benefits	**79**	261
	28,807	31,413

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals Year ended December 31, 2022	2021
HK$3,000,001 to HK$3,500,000	–	1
HK$4,000,001 to HK$4,500,000	1	–
HK$4,500,001 to HK$5,000,000	1	1
HK$5,000,001 to HK$5,500,000	–	1
HK$6,500,001 to HK$7,000,000	2	–
HK$9,000,001 to HK$9,500,000	–	1
HK$9,500,001 to HK$10,000,000	1	–
HK$15,500,001 to HK$16,000,000	–	1
	5	5

10 FINANCE INCOME, NET

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Interest income	16,145	14,224
Foreign exchange gains/(losses), net	7,695	(3,164)
Interest expenses	(861)	(664)
Finance charges paid/payable for lease liabilities and others	(8,058)	(7,995)
	14,921	2,401

11 INCOME TAX EXPENSE

The income tax expense of the Group for the year ended December 31, 2022 and 2021 are analyzed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	**29,938**	31,407
Deferred income tax (Note 26)	**126,401**	35,088
	156,339	66,495

The tax on the Group's profit/loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(Loss) before income tax:	**175,230**	(10,935)
Tax calculated at statutory income tax rates applicable to profit/(loss) of the consolidated entities in their respective jurisdictions	**118,688**	18,298
Tax effects of:	**–**	–
– Preferential income tax rates applicable to subsidiaries	**3,024**	1,681
– Tax losses and temporary differences for which no deferred income tax asset was recognized	**62,464**	35,221
– Utilization of previously unrecognized deductible tax losses	**(36,650)**	(25,277)
– Super Deduction for research and development expenses (Note (d))	**(2,323)**	(1,647)
– Income not subject to tax	**–**	(18,493)
– Expenses not deductible for income tax purposes:		
– Goodwill Impairment	**–**	40,510
– Share-based compensation	**11,101**	12,267
– Others	**35**	3,935
Income tax expense	**156,339**	66,495

11 INCOME TAX EXPENSE (CONTINUED)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As of December 31, 2022, certain PRC subsidiaries of the Group suffered operating losses for the year. Based on management's assessment, the Group did not recognize deferred income tax assets of RMB940,460,000 in respect of losses to RMB3,970,683,000 that can be carried forward against future taxable income. The tax losses as of December 31, 2022 amounting to RMB142,390,000 can be carried forward indefinitely, and the remaining amount of RMB3,828,293,000 will expire from 2023 to 2032.

(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 21%. 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.

Beijing Dajie Zhiyuan Information Technology Co., Ltd. ("**Zhiyuan**"), Tianjing Meijie Technology Co., Ltd ("**Meijie**") and Meidd Technology (Shenzhen) Co., Ltd. ("**Meidd**") have been qualified as "High and New Technology Enterprise" ("**HNTE**") under the EIT Law and were entitled to a preferential income tax rate of 15% for the years ended 31 December 2022.

11 INCOME TAX EXPENSE (CONTINUED)

(d) PRC Enterprise Income Tax ("EIT") (Continued)

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

12 EARNING/(LOSS) PER SHARE

(a) Basic

	Year ended December 31,	
	2022	2021
Earning/(Loss) attributable to owners of the Company for the calculation of basic EPS (RMB'000)	**94,142**	(44,514)
Weighted average number of ordinary shares in issue (thousand)	**4,376,469**	4,318,536
Basic earning/(loss) per share (in RMB/share)	**0.02**	(0.01)

(b) Diluted

The shares options awarded under Pre-IPO ESOP (Note 24), awarded shares under the Post-IPO Share Award Scheme (Note 24), and awarded shares for the founding shareholders of the newly acquired subsidiary (Note 24) granted by the Company 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 and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS).

12 EARNING/(LOSS) PER SHARE (CONTINUED)

(b) Diluted (Continued)

The calculation of diluted EPS for the year ended December 31, 2022 is as follows:

As the Group incurred losses for the year ended December 31, 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 losses per share for the year ended December 31, 2021 is the same as basic loss per share.

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

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Construction in progress RMB'000	Servers and other equipment RMB'000	Leasehold improvements RMB'000	Office equipment, motor vehicles and others RMB'000	Total RMB'000
As of January 1, 2022					
Cost	365,793	60,040	41,095	14,446	481,374
Accumulated depreciation and impairment	–	(48,999)	(39,155)	(10,037)	(98,191)
Net book amount	365,793	11,041	1,940	4,409	383,183
Year ended December 31, 2022					
Opening net book amount	365,793	11,041	1,940	4,409	383,183
Additions	62,583	1,920	25	703	65,231
Disposals	–	(77)	–	(150)	(227)
Depreciation charges	–	(3,816)	(1,385)	(1,747)	(6,948)
Closing net book amount	428,376	9,068	580	3,215	441,239
As of December 31, 2022					
Cost	428,376	60,367	10,003	14,086	512,832
Accumulated depreciation and impairment	–	(51,299)	(9,423)	(10,871)	(71,593)
Net book amount	428,376	9,068	580	3,215	441,239
As of January 1, 2021					
Cost	343,415	52,188	38,673	12,571	446,847
Accumulated depreciation and impairment	–	(42,977)	(35,051)	(7,993)	(86,021)
Net book amount	343,415	9,211	3,622	4,578	360,826
Year ended December 31, 2021					
Opening net book amount	343,415	9,211	3,622	4,578	360,826
Additions	22,378	7,912	2,422	1,945	34,657
Disposals	–	(397)	–	(37)	(434)
Depreciation charges	–	(5,685)	(4,104)	(2,077)	(11,866)
Closing net book amount	365,793	11,041	1,940	4,409	383,183
As of December 31, 2021					
Cost	365,793	60,040	41,095	14,446	481,374
Accumulated depreciation and impairment	–	(48,999)	(39,155)	(10,037)	(98,191)
Net book amount	365,793	11,041	1,940	4,409	383,183

13 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were expensed in the following categories in the consolidated income statement:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Research and development expenses	**4,009**	7,043
Administrative expenses	**2,442**	3,678
Selling and marketing expenses	**396**	1,019
Cost of sales	**101**	126
	6,948	11,866

14 LEASE

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**27,870**	41,390
Lease liabilities		
Current	**16,784**	20,631
Non-current	**11,370**	17,911
	28,154	38,542

Additions to the right-of-use assets during the 2022 financial year were RMB30,104,000 (2021: RMB52,211,000).

14 LEASE (CONTINUED)

(ii) Amounts recognized in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Buildings	**35,753**	40,797
Interest expense (included in finance cost)	**1,880**	2,367
Expense relating to short-term leases and leases of low value assets	**4,439**	3,345

The total cash outflow for leases during the year ended December 31, 2022 was RMB41,648,000 (2021: RMB53,664,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various buildings. Rental contracts are typically entered into for fixed periods ranging from 1 to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

15 INTANGIBLE ASSETS

	Cryptocurrencies RMB'000	Goodwill RMB'000	Copyrights RMB'000	Brand names RMB'000	Customer relationship and others RMB'000	Total RMB'000
As of January 1, 2022						
Cost	637,570	211,779	60,816	146,620	64,456	1,121,241
Accumulated amortization and impairment	(27,891)	(195,375)	(13,083)	(62,513)	(44,977)	(343,839)
Net book amount	609,679	16,404	47,733	84,107	19,479	777,402
Year ended December 31, 2022						
Opening net book amount	609,679	16,404	47,733	84,107	19,479	777,402
Additions	–	–	–	–	530	530
Acquisition of a subsidiary (Note 34)	–	221,532	–	–	40,000	261,532
Amortization	–	–	(6,083)	(6,511)	(7,488)	(20,082)
Currency translation differences	43,279	–	5	–	565	43,849
Impairment loss (Note (a))	(284,848)	–	(40,946)	(77,596)	–	(403,390)
Closing net book amount	368,110	237,936	709	–	53,086	659,841
As of December 31, 2022						
Cost	696,460	433,311	60,845	146,620	106,287	1,443,523
Accumulated amortization and impairment	(328,350)	(195,375)	(60,136)	(146,620)	(53,201)	(783,682)
Net book amount	368,110	237,936	709	–	53,086	659,841
As of January 1, 2021						
Cost	–	211,779	60,634	146,620	70,190	489,223
Accumulated amortization and impairment	–	(33,336)	(7,028)	(16,082)	(39,823)	(96,269)
Net book amount	–	178,443	53,606	130,538	30,367	392,954
Year ended December 31, 2021						
Opening net book amount	–	178,443	53,606	130,538	30,367	392,954
Additions	649,969	–	189	–	2,879	653,037
Amortization	–	–	(6,060)	(9,380)	(7,836)	(23,276)
Currency translation differences	(11,757)	–	(2)	–	(318)	(12,077)
Disposal	–	–	–	–	(5,613)	(5,613)
Impairment loss (Note (a))	(28,533)	(162,039)	–	(37,051)	–	(227,623)
Closing net book amount	609,679	16,404	47,733	84,107	19,479	777,402
As of December 31, 2021						
Cost	637,570	211,779	60,816	146,620	64,456	1,121,241
Accumulated amortization and impairment	(27,891)	(195,375)	(13,083)	(62,513)	(44,977)	(343,839)
Net book amount	609,679	16,404	47,733	84,107	19,479	777,402

15 INTANGIBLE ASSETS (CONTINUED)

Amortization charges were expensed in the following categories in the consolidated income statement:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of sales	**8,053**	9,538
Administrative expenses	**7,839**	7,764
Selling and marketing expenses	**3,612**	4,964
Research and development expenses	**578**	1,010
	20,082	23,276

(a) Impairment loss

(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. A gain will only be recognized if the cryptocurrency is disposed of, assuming the proceeds from disposal at that time is higher than its carrying amount.

15 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment loss (Continued)

(i) Impairment tests for cryptocurrencies (Continued)

The cost of cryptocurrencies of the Group are presented below:

	As of December 31, 2022 RMB'000
Ethers	351,825
Bitcoins	344,635
	696,460

The recoverable amount of each type of cryptocurrencies are 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 December 31, 2022, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests, the recoverable amounts of Ethers and Bitcoins was lower than their carrying amounts, therefore an impairment loss of RMB284,848,000 in total was recognized in profit or loss by the Group for the year ended December 31, 2022 (December 31, 2021: RMB28,533,000).

15 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment loss (Continued)

(ii) Impairment test for goodwill

Goodwill arising from the Group's acquisition of subsidiaries was determined at the acquisition date respectively, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees. Goodwill has been assessed based on the related acquirees' cash generating unit (CGU) for impairment testing. The Group carries out its impairment testing on goodwill by comparing the recoverable amounts of CGUs or groups of CGUs to their carrying amounts.

Goodwill of the Group was allocated to three CGUs, CGU A engaged in IMS and online recruitment services, CGU B engaged in advertising agency services and CGU C engaged in SaaS and related businesses.

As of December 31, 2022, goodwill was allocated to the Group's CGUs identified as follows:

	As of December 31, 2022		
	RMB'000	RMB'000	RMB'000
	CGU A	CGU B	CGU C
Cost	162,039	49,740	221,532
Accumulated impairment	(162,039)	(33,336)	–
Net book amount	–	16,404	221,532

The recoverable amount of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined a projection period of five years based on expected development trend of the acquirees and industry experiences. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the related industry in which the CGUs operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry.

15 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment loss (Continued)

(ii) Impairment test for goodwill (Continued)

The key assumptions used for value-in-use calculations for CGU C are as follows:

	Year ended December 31, 2022 CGU C RMB'000
Average expected growth rate of revenue	52.9%
Average gross margin	4.1%
Terminal growth rate after 5 years	2.5%
Pre-tax discount rate	16.0%

Based on the assessment of the performance of the above CGUs, the recoverable amount of CGU B and CGU C exceed their carrying amount. Therefore, no goodwill impairment loss was recognized during the year ended December 31, 2022 (2021: RMB162,039,000)

(iii) Impairment test for other intangible assets

The intangible assets of copyrights and brand names related to IMS business amounting RMB118,542,000 was fully impaired for the year ended December 31, 2022, primarily resulted from the heightened competition in the market and severe decline in operating performance, which was unsatisfactory and did not meet the budget.

16(A) INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

	Year ended December 31, 2022 RMB'000	2021 RMB'000
As of January 1	**118,133**	83,737
Additions	**14,000**	60,000
Share of losses of the associates and the joint venture	**(13,158)**	(1,638)
Disposal	**–**	(21,758)
Currency translation differences	**4,758**	(2,208)
As of December 31	**123,733**	118,133

For the year ended December 31, 2022, none of the Group's investments in associates or the joint venture is individually material to the Group.

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

	Year ended December 31, 2022 RMB'000	2021 RMB'000
As of January 1	**801,005**	559,494
Additions	**84,321**	82,903
Converted from a financial asset to a subsidiary (Note 34)	**(210,321)**	–
Disposals	**(3,527)**	(22,707)
Changes in fair value (Note 7)	**519,821**	183,641
Currency translation differences	**3,765**	(2,326)
As of December 31	**1,195,064**	801,005

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

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

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, 2022, change in fair value amounting to RMB519,821,000 was recognized as other gains, net in the consolidated income statement (2021: RMB183,641,000) (Note 7).

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
As of January 1	**37,156**	9,050
Additions	**–**	15,571
Changes in fair value	**(4,412)**	13,031
Currency translation differences	**3,437**	(496)
As of December 31	**36,181**	37,156

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, 2022, change in fair value amounting to RMB4,412,000 was recognized as other comprehensive income in the consolidated balance sheet (2021: RMB13,031,000) (Note 23).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost:		
– Term deposits (Note 20)	**402,908**	511,459
– Cash and cash equivalents (Note 21(a))	**946,602**	738,732
– Trade and other receivables (excluding prepayments and deductible value-added tax)	**923,335**	1,088,572
– Restricted cash (Note 21(b))	**300**	500
Financial assets at fair value through profit or loss:		
– Long-term investments (Note 16(b))	**1,195,064**	801,005
– Short-term investments	**40,521**	8,000
Financial assets at fair value through other comprehensive income	**36,181**	37,156
	3,544,911	3,185,424

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortized cost:		
– Trade and other payables (excluding payroll and welfare payables, other taxes payables)	**373,914**	579,691
– Borrowings	**10,000**	10,000
– Lease liabilities (Note 14)	**28,154**	38,542
	412,068	628,233

18 TRADE RECEIVABLES

	As of December 31, 2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers	**364,503**	362,862
Less: loss allowance (Note 3.1(b))	**(13,870)**	(6,079)
	350,633	356,783

The Group grants credit periods of 30 to 120 days to its customers. As of December 31, 2022 and 2021, the aging analysis of trade receivables based on transaction dates was as follows:

	As of December 31, 2022 RMB'000	2021 RMB'000
Up to 6 months	**286,798**	303,111
6 months to 1 year	**68,122**	55,307
Over 1 year	**9,583**	4,444
	364,503	362,862

As of December 31, 2022 and 2021, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values.

19 PREPAYMENTS AND OTHER RECEIVABLES

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Included in non-current assets		
Rental and other deposits	3,072	5,770
Prepayment for acquisition of a subsidiary	–	11,961
Others	2,624	1,843
Less: loss allowance (Note 3.1(b))	(53)	(70)
	5,643	19,504
Included in current assets		
Other receivables in relation to payment on behalf of advertisers	544,264	672,562
Prepayment to advertising platform for advertising agency services	66,063	131,662
Rental and other deposits	32,088	30,684
Deductible value-added tax	30,216	39,118
Loan to a third party	20,000	–
Interest receivables	5,427	1,016
Loans to related parties (Note 30(b))	–	45,320
Others	20,745	16,337
Less: loss allowance (Note 3.1(b))	(33,889)	(24,419)
	684,914	912,280

As of December 31, 2022 and 2021, the carrying amounts of other receivables were primarily denominated in RMB and approximated their fair values at the year end.

20 TERM DEPOSITS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Included in non-current assets:		
Long-term bank deposits	**50,000**	30,000
Included in current assets:		
Short-term bank deposits	**322,908**	351,459
Current portion of long-term bank deposits	**30,000**	130,000
	352,908	481,459
	402,908	511,459

As of December 31, 2022, short-term bank deposits amounting RMB322,908,000 (December 31, 2021: RMB351,459,000) are bank deposits with original maturities over three months but less than one year and redeemable upon maturity, while long-term bank deposits amounting RMB80,000,000 (December 31, 2021: RMB160,000,000) are bank deposits with original maturities over one year and redeemable on maturity. As of December 31, 2022, aggregate principal amount of these deposits of RMB30,000 would mature within 12 months and accordingly, they are presented as current assets in the consolidated balance sheet. These bank deposits are denominated in RMB, US$ and Hong Kong dollars ("**HK$**"), and the weighted average effective interest rate was 3.99% per annum for the year ended December 31, 2022 (December 31, 2021: 2.49%).

21 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cash at bank and in hand	**528,193**	738,732
Short-term bank deposits with initial terms within three months	**418,409**	–
	946,602	738,732

(b) Restricted cash

As of December 31, 2022, RMB300,000 (2021: RMB500,000) of restricted deposits were held in a bank to guarantee payments of certain operating expenses.

22 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, 2022 and 2021, the authorized share capital of the Company comprised 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, 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	34	**29,453**	*	**2**	**37,299**
As of December 31, 2022		**4,442,705**	**43**	**283**	**7,174,119**
As of January 1, 2021		4,314,493	43	280	7,135,115
Employee share option scheme under Pre-IPO ESOP					
– Shares issued and proceeds received	(a)	7,910	*	1	1,532
Post-IPO Share Award Scheme:					
– Shares issued	(b)	30,000	–	–	–
As of December 31, 2021		4,352,403	43	281	7,136,647

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

** The amount is less than RMB1,000.

(a) During the year ended December 31, 2022, 849,250 pre-IPO share options with exercise price of US$0.03 were exercised (2021: 7,910,303 pre-IPO share options).

(b) During the year ended December 31, 2022, the Company issued 60,000,000 new shares under the Post-IPO Share Award Scheme (2021: 30,000,000 shares).

23 RESERVES

	Statutory surplus reserve RMB'000	Share-based compensation reserve RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Currency translation differences RMB'000	Other reserves RMB'000	Total RMB'000
As of January 1, 2022	**26,827**	**501,455**	**13,031**	**(456,979)**	**(175,976)**	**(91,642)**
Value of employee services:						
– Post-IPO Share Award Scheme (Note 24(b))	**–**	**39,493**	**–**	**–**	**–**	**39,493**
– Share incentive to senior management of subsidiaries (Note 24(d))	**–**	**5,567**	**–**	**–**	**–**	**5,567**
Changes in fair value of financial assets at fair value through other comprehensive income (Note 16(c))	**–**	**–**	**(4,412)**	**–**	**–**	**(4,412)**
Currency translation differences (Note (a))	**–**	**–**	**–**	**81,000**	**–**	**81,000**
Appropriation to statutory reserves (Note (b))	**6,622**	**–**	**–**	**–**	**–**	**6,622**
As of December 31, 2022	**33,449**	**546,515**	**8,619**	**(375,979)**	**(175,976)**	**36,628**
As of January 1, 2021	22,751	447,058	–	(428,597)	(149,122)	(107,910)
Value of employee services:						
– Post-IPO Share Award Scheme (Note 24(b))	–	49,068	–	–	–	49,068
– Share incentive to senior management of subsidiaries	–	5,329	–	–	–	5,329
Changes in fair value of financial assets at fair value through other comprehensive income (Note 16(c))	–	–	13,031	–	–	13,031
Currency translation differences (Note (a))	–	–	–	(28,382)	–	(28,382)
Appropriation to statutory reserves (Note (b))	4,076	–	–	–	–	4,076
Transaction with non-controlling interest (Note (c))	–	–	–	–	(26,854)	(26,854)
As of December 31, 2021	26,827	501,455	13,031	(456,979)	(175,976)	(91,642)

23 RESERVES (CONTINUED)

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

(b) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to be made to equity holders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

(c) During the year ended December 31, 2021, the Group increased the investment in a non-wholly owned subsidiary, while the non-controlling shareholders of the subsidiary did not contribute the proportional investment. Accordingly, it resulted in the dilution of the non-controlling interest in that subsidiary. Since the subsidiary was in a loss position, the non-controlling interest was increased by RMB26,854,000 and the other reserves was decreased by the same amount, which represents the deficit equity value of the interest acquired.

24 SHARE-BASED PAYMENTS

(a) Pre-IPO ESOP

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

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

The exercise price of the granted options to employees shall be US$0.03 per share. Except as provided otherwise in the grant letter or offer in any other form by the Board of Directors, 25% of the shares subject to the option shall vest on the first vesting date, and the remaining 75% shares shall vest over the next 36 months. The first vesting date should be determined by the Company and grantees for each grant agreement. The granted options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No share options were granted under Pre-IPO ESOP to employees of the Company in 2022 (2021: nil).

24 SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO ESOP (Continued)

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

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

	Exercise price	Number of share options Year ended December 31,	
		2022	2021
At the beginning of the year		**18,692,770**	26,603,073
Exercised (Note (i))	US$0.03	**(849,250)**	(7,910,303)
At the end of the year		**17,843,520**	18,692,770

Notes:

(i) As a result of the options exercised during the year ended December 31, 2022, 849,250 ordinary shares were issued by the Company (Note 22). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$1.09 per share (equivalent to RMB0.94 per share) (2021: HK$2.53 per share (equivalent to RMB2.11 per share)).

As of December 31, 2022, all share options granted are vested and exercisable, and will expire no later than 2026.

24 SHARE-BASED PAYMENTS (CONTINUED)

(b) Post-IPO Share Award Scheme

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

Movements in the number of award shares for the years ended December 31, 2022 and 2021 are as follows:

	Post-IPO Share Award Scheme Number of shares Year ended December 31,	
	2022	2021
At the beginning of the year	**38,779,803**	45,122,220
Granted	**26,873,871**	28,403,149
Vested	**(30,328,753)**	(23,454,032)
Forfeited	**(2,663,733)**	(11,291,534)
At the end of the year	**32,661,188**	38,779,803

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date in accordance with IFRS 2.

The weighted average fair value of awarded shares granted during the year ended December 31, 2022 was HK$0.98 per share (equivalent to approximately RMB0.80 per share) (2021: HK$2.33 per share (equivalent to approximately RMB1.96 per share)).

During the year ended December 31, 2022, the Group recorded share based compensation of RMB39,493,000 (2021: RMB49,068,000) related to Post-IPO Share Award Scheme.

The outstanding awarded shares as of December 31, 2022 were divided into two to four tranches on an equal basis as of their grant dates. The first tranche can be vested after a specified period ranging from one to twelve months from the grant date, and the remaining tranches will become vested in each subsequent year. During the year ended December 31, 2022, a number of award shares were forfeited due to the failure to meet certain performance conditions.

24 SHARE-BASED PAYMENTS (CONTINUED)

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

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

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the "**Expected Retention Rate**") in order to determine the amount of share-based compensation expenses charged to the consolidated income statement. As of December 31, 2022, the Expected Retention Rate, excluding senior management, was assessed to be 94% (2021: 94%). For senior management, the Group estimates the Expected Retention Rate on individual basis.

(c) Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was approved by the board on November 25, 2016 and adopted with effect from the completion of the IPO. As of December 31, 2022, no options have been granted by the Group under the Post-IPO Share Option Scheme.

(d) Share Incentive to Senior Management of Subsidiaries

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

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

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

24 SHARE-BASED PAYMENTS (CONTINUED)

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

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

As of December 31, 2022, the senior management of Ruisheng Tianhe failed to meet the performance condition and should be required to sell back to the Group the 14.86% equity interest of Ruisheng Tianhe at the Consideration plus 5% compound interest per annum. Accordingly, the cumulative share-based compensation previously recognized amounting RMB2,985,000 was reversed and no share-based compensation would be amortized by the Group for the year ended December 31, 2022.

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

On December 17, 2021, the Group entered into a sales and purchase agreement ("**SPA**") with Meidd and its selling shareholders. The acquisition was completed on January 7, 2022 ("**Acquisition Date**") (Note 34).

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

As of the Acquisition Date, the Group had assessed and measured the share-based compensation at RMB23,888,000 based on the future performance forecast, which would be amortized during the required service period of the founding shareholders of Meidd. As of December 31, 2022, the Group performed a reassessment and concluded that there was no significant variance of the future performance forecast made by Meidd as compared to that projected on the Acquisition Date. During the year ended December 31, 2022, the Group recorded share-based compensation of RMB7,791,000.

(iii) Other share incentive

On October 1, 2021 and May 3, 2022, certain shares of a subsidiary were granted to several senior management as share incentive with a service period determined at four and a half years starting from the date of grant. Share-based compensation amounting RMB8,614,000 would be amortized during the required service period of the senior management, out of which RMB3,025,000 was recognized by the Group for the year ended December 31, 2022 (2021: RMB855,000).

25 TRADE AND OTHER PAYABLES

	As of December 31, 2022 RMB'000	2021 RMB'000
Included in non-current liabilities		
Payables to non-controlling shareholders of a subsidiary (Note (a))	**–**	84,432
Included in current liabilities		
Payroll and welfare payables	**311,455**	275,757
Trade payables	**135,315**	104,157
Payables to platforms for agency services	**80,984**	312,678
Payables to non-controlling shareholders of a subsidiary (Note (a))	**71,427**	–
Other tax payables	**48,729**	32,899
Deposits payable	**33,650**	31,962
Others	**52,538**	46,462
	734,098	803,915

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, 2022 RMB'000	2021 RMB'000
Up to 1 year	**131,513**	99,951
1 to 2 years	**494**	904
Over 2 years	**3,308**	3,302
	135,315	104,157

25 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

As mentioned in Note 24(d)(i), the Group and the non-controlling shareholders of Ruisheng Tianhe entered into an agreement on the Equity Transaction in December 2020, pursuant to which the Group agreed to sell, and the non-controlling shareholders agreed to purchase 14.86% equity interests in Ruisheng Tianhe at an aggregate cash consideration of RMB7,690,000. The Equity Transaction was completed on December 28, 2020. Pursuant to the agreement, the non-controlling shareholders of Ruisheng Tianhe shall be required to sell back to the Group the 14.86% equity interest of Ruisheng Tian at same consideration plus 5% compound interest per annum if (1) Ruisheng Tianhe fails to file an application for an initial public offering in the PRC on or prior to December 31, 2022; or (2) Ruisheng Tianhe fails to complete a qualified initial public offering in the PRC on or prior to December 31, 2023 (unless the listing application is being processed by the relevant PRC authorities by then, that the relevant deadline will then be extended to no later than December 31, 2024) (collectively defined as "**Triggering Conditions**").

On December 25, 2020, the Group and the non-controlling shareholders of Ruisheng Tianhe also entered into a new sales and purchase agreement ("**New SPA**") regarding the acquisition of the remaining third trache of 19.81% equity interests. The Group will be obliged to purchase the remaining 19.81% equity interests from the non-controlling shareholders on or before June 30 of the year immediately following the year in which any of the Triggering Conditions have been triggered. The purchase price will determined, at the time of that future acquisition date, according to a formula based on future performance of the Ruisheng Tianhe for the year when the Triggering Conditions occur, which reflect the respective fair values of the underlying equity interests.

25 TRADE AND OTHER PAYABLES (CONTINUED)

(a) (Continued)

As of December 31, 2021, management of the Group had assessed and remeasured the financial liabilities due to the non-controlling shareholders at RMB73,282,000 for the remaining 19.81% equity interests of Ruisheng Tianhe based on the best estimate of the timing of the future acquisition date, and the corresponding performance forecast of Ruisheng Tianhe in accordance with the provisions laid down in the New SPA.

As of December 31, 2022, Ruisheng Tianhe did not file an application for an initial public offering in the PRC, therefore the Triggering Conditions had occurred and the Group would be obliged to repurchase the 14.86% equity interests of Ruisheng Tianhe and purchase the remaining 19.81% equity interests. Ruisheng Tianhe would become the wholly owned subsidiary of the Group upon completion of the transaction. The financial liabilities due to the non-controlling shareholders for the remaining 19.81% equity interests of Ruisheng Tianhe had been re-assessed and remeasured to RMB63,392,000 based on the best estimate of the performance forecast of Ruisheng Tianhe. As a result, a remeasurement gain of RMB17,017,000 was recognized for the year ended December 31, 2022. Pursuant to the agreement, the transaction would be expected to be settled within one year, and accordingly the payables to non-controlling shareholders was reclassified to the current portion.

26 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets:		
– Impairment of trade and other receivables	**15,910**	14,007
– Lease liabilities	**6,689**	8,783
Total deferred tax assets	**22,599**	22,790
Set-off of deferred tax assets/liabilities pursuant to set-off provisions	**(13,662)**	(15,772)
Net deferred tax assets	**8,937**	7,018

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement	Impairment of trade and other receivables RMB'000	Lease liabilities RMB'000	Total RMB'000
As of January 1, 2021	3,779	12,646	16,425
Credited/(Charged) to profit or loss	10,228	(3,863)	6,365
As of January 1, 2022	**14,007**	**8,783**	**22,790**
Credited/(Charged) to profit or loss	**1,903**	**(2,094)**	**(191)**
As of December 31, 2022	**15,910**	**6,689**	**22,599**

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Deferred tax liabilities

	As of December 31, 2022 RMB'000	2021 RMB'000
Deferred tax liabilities		
– Change in fair value of financial assets at fair value through profit or loss	**216,291**	67,623
– Right-of-use assets	**6,631**	8,783
– Appreciation on intangible assets from business combination	**5,340**	19,646
Total deferred tax liabilities	**228,262**	96,052
Set-off of deferred tax liabilities pursuant to set-off provisions	**(13,662)**	(15,772)
Net deferred tax liabilities	**214,600**	80,280

Movement	**Change in fair value of financial assets at fair value through profit or loss RMB'000**	**Right-of-use assets RMB'000**	**Appreciation on intangible assets from business combination RMB'000**	**Total RMB'000**
As of January 1, 2021	19,206	12,646	22,747	54,599
(Credited)/charged to profit or loss	48,417	(3,863)	(3,101)	41,453
As of January 1, 2022	**67,623**	**8,783**	**19,646**	**96,052**
Acquisition of a subsidiary	**–**	**–**	**6,000**	**6,000**
(Credited)/charged to profit or loss	**148,668**	**(2,152)**	**(20,306)**	**126,210**
As of December 31, 2022	**216,291**	**6,631**	**5,340**	**228,262**

27 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2022 (2021: nil).

The Board of Directors proposed a final dividend of RMB77,999,000 or HK$0.02 per ordinary share out of the share premium account of the Company for the year ended December 31, 2022. Such dividend is to be approved by the shareholders at the Annual General Meeting on June 1, 2023. These consolidated financial statements do not reflect this dividend payable.

28 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(Loss) before income tax	**175,230**	(10,935)
Adjustments for:		
– Depreciation of property and equipment (Note 13)	**6,948**	11,866
– Amortization of intangible assets (Note 15)	**20,082**	23,276
– Depreciation of right-of-use assets (Note 14)	**35,753**	40,797
– Share-based compensations (Note 24)	**47,324**	55,502
– Fair value changes on financial assets at fair value through profit or loss (Note 16(b))	**(519,821)**	(183,641)
– Impairment of receivables (Note 3.1(b))	**22,310**	21,132
– Impairment of goodwill (Note 15)	**–**	162,039
– Impairment of other intangible assets (Note 15)	**403,390**	65,584
– Other gains/(losses) related to non-operating activities	**739**	(7,726)
– Share of losses of associates and a joint venture (Note 16(a))	**13,158**	1,638
– Investment income on short-term investments (Note 7)	**(7,695)**	(10,927)
– Remeasurement gains on consideration payable to non-controlling shareholders of a subsidiary (Note 7)	**(17,017)**	–
– Finance charges	**6,753**	6,877
– Interest income (Note 10)	**(16,145)**	(14,224)
– Foreign exchange (gain)/loss, net	**(1,735)**	14,605
Changes in working capital:		
– Decrease in inventories	**345**	1,776
– Increase in trade receivables	**(4,417)**	(8,048)
– Decrease/(increase) in prepayments and other receivables	**231,215**	(390,696)
– Increase in contract costs	**(24,491)**	(11,543)
– (Decrease)/increase in trade and other payables	**(198,500)**	142,563
– Increase in contract liabilities	**79,044**	86,794
– Decrease in restricted cash	**200**	–
Cash generated from/(used in) operations	**252,670**	(3,291)

28 CASH FLOW INFORMATION (CONTINUED)

(a) Cash (used in)/generated from operations (Continued)

In the statement of cash flows, proceeds from disposal of property and equipment and intangible assets comprise:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Net book amount	**227**	6,047
Gain on disposals of property and equipment and intangible assets, net	**–**	19
Proceeds	**227**	6,066

(b) Non-cash investing and financing activities

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Purchase of property and equipment	**14,577**	–

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As of December 31,	
	2022	2021
Net debt	**RMB'000**	RMB'000
Borrowings	**10,000**	10,000
Lease liabilities	**28,154**	38,542
Net debt	**38,154**	48,542

28 CASH FLOW INFORMATION (CONTINUED)

(c) Net debt reconciliation (Continued)

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Net debt as of January 1, 2021	5,000	28,784	33,784
Cash flows	5,000	(44,952)	(39,952)
Acquisition – leases	–	52,211	52,211
Modifications to lease agreements	–	471	471
Foreign exchange adjustments	–	(339)	(339)
Finance expense recognized	–	2,367	2,367
Net debt as of December 31, 2021	10,000	38,542	48,542
Cash flows	–	(37,209)	(37,209)
Acquisition – leases	–	30,104	30,104
Modifications to lease agreements	–	(1,305)	(1,305)
Foreign exchange adjustments	–	(3,858)	(3,858)
Finance expense recognized	–	1,880	1,880
Net debt as of December 31, 2022	10,000	28,154	38,154

29 COMMITMENTS

(a) Capital Commitments

Capital expenditure contracted as of December 31, 2022 but not yet incurred is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Construction in progress	**17,850**	73,745
Investment commitments	**4,000**	27,910
	21,850	101,655

30 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the year.

(a) Significant transactions with related parties

In the opinion of the executive directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
(i) Sales of goods and services:		
Associates	**8,576**	–
Associates in form of preferred shares	**332**	941
Others	**7**	498
	8,915	1,439
(ii) Purchases of goods and services:		
An associate	**5,839**	9,282
Others	**836**	720
	6,675	10,002

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
(iii) Loans to investee companies and related interest:		
Associates in form of preferred shares	**589**	45,320

(b) Year end balances with related parties

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
(i) Contract liabilities from:		
Associates in form of preferred shares	**89**	–
(ii) Trade payables to:		
An associate	**1,136**	1,328
Others	**86**	7
	1,222	1,335
(iii) Other payables to:		
Associates in form of preferred shares	**26,130**	26,091
(iv) Trade receivables from:		
Associates	**8,328**	–
(v) Other receivables from:		
Associates	**–**	45,320
(vi) Prepayments to:		
An associate in form of preferred shares	**–**	239

Balances with other related parties were all unsecured and repayable on demand.

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel compensations

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**12,967**	11,879
Share based compensation expenses	**11,734**	12,575
Other social security costs, housing benefits and other employee benefits	**189**	185
Pension costs – defined contribution plan	**106**	96
	24,996	24,735

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

All of the directors have not received any emolument from the Group as an inducement to join the Group or compensation for loss of office during the year ended December 31, 2022 (2021: nil). The remuneration of each director for the year ended December 31, 2022 is set out as below:

Name	Fees	Salaries	Bonuses	Pension costs – defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Cai Wensheng	975	–	–	75	11	–	1,061
Wu Zeyuan	1,286	722	930	10	61	3,096	6,105
Independent Non– executive Directors							
Zhou Hao	322	–	–	–	–	–	322
Lai Xiaoling	322	–	–	–	–	–	322
Kui Yingchun	322	–	–	–	–	–	322
Non-executive Directors							
Guo Yihong	–	–	–	–	–	–	–
Lee Kai-fu	322	–	–	16	–	–	338
Chen Jiarong	322	–	–	–	–	–	322
	3,871	722	930	85	88	3,096	8,792

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each director for the year ended December 31, 2021 is set out as below:

Name	Fees	Salaries	Bonuses	Pension costs – defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Cai Wensheng	871	–	–	68	10	–	949
Wu Zeyuan	1,031	722	512	17	64	–	2,346
Independent Non- executive Directors							
Zhou Hao	294	–	–	–	–	–	294
Lai Xiaoling	294	–	–	–	–	–	294
Kui Yingchun	294	–	–	–	–	–	294
Zhang Ming (Note (a))	124	–	–	–	–	–	124
Non-executive Directors							
Guo Yihong	–	–	–	–	–	–	–
Lee Kai-fu	294	–	–	–	15	–	309
Chen Jiarong	294	–	–	–	–	–	294
	3,496	722	512	85	89	–	4,904

Notes:

(a) Retired on June 2, 2021.

31 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2021: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2021: nil).

(d) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2021: nil).

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the year, there were no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities (2021: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: nil).

32 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2022 (2021: nil).

33 SUBSEQUENT EVENTS

Save as disclosed in Note 27, there were no material subsequent events during the period from December 31, 2022 to the approval date of these financial statements by the Board of Directors on March 30, 2023.

34 BUSINESS COMBINATION

(a) Summary of acquisition

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

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

	RMB'000
Purchase consideration	
Ordinary shares issued (Note (i))	37,301
Cash paid	39,871
Fair value of the investment previously held with preferred shares interests (Note (ii))	163,843
Total purchase consideration	241,015

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

(ii) The previously held convertible bonds due from Meidd amounting RMB46,478,000 were excluded from the purchase consideration.

34 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (Continued)

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

	Fair value RMB'000
Intangible assets	40,000
Inventories	21,785
Other assets	1,389
Prepayment and other receivables	23,371
Cash and cash equivalents	19,269
Trade and other payables	(60,050)
Lease liabilities	(1,192)
Deferred tax liabilities	(6,000)
Contract liabilities	(7,816)
Net identifiable assets acquired	30,756
Less: non-controlling interest (Note (i))	(11,273)
Add: goodwill (Note (ii))	221,532
	241,015

34 BUSINESS COMBINATION (CONTINUED)

(a) Summary of acquisition (Continued)

(i) Non-controlling interest

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

(ii) Goodwill

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

(iii) Revenue and profit contribution

The revenue and losses for the period included in the consolidated financial statement since the Acquisition Date contributed by Meidd was approximately RMB414,398,000 and RMB18,853,000 respectively. The Group's revenue and results for the year would not be materially different if the acquisition had occurred on January 1, 2022.

(b) Purchase consideration – cash outflow

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

35 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As of December 31, 2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**4,654,639**	4,560,075
Financial assets at fair value through other comprehensive income	**25,905**	27,749
	4,680,544	4,587,824
Current assets		
Amount due from subsidiaries	**505,257**	516,473
Prepayments and other receivables	**1,811**	864
Short-term bank deposits	**175,577**	234,195
Cash and cash equivalents	**66,051**	13,533
	748,696	765,065
Total assets	**5,429,240**	5,352,889
EQUITY AND LIABILITIES		
Equity		
Share capital	**283**	281
Share premium	**7,174,119**	7,136,647
Reserves (Note 35(b))	**486,821**	4,581
Accumulated loss (Note 35(b))	**(2,261,980)**	(1,835,188)
Total equity	**5,399,243**	5,306,321
Liabilities		
Current liabilities		
Amount due to subsidiaries	**29,886**	46,486
Trade and other payables	**111**	82
Total liabilities	**29,997**	46,568
Total equity and liabilities	**5,429,240**	5,352,889

The balance sheet of the Company was approved by the Board of Directors on March 30, 2023 and was signed on its behalf.

Cai Wensheng
Director

Wu Zeyuan
Director

35 BALANCE SHEET AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

	Reserves RMB'000	Accumulated losses RMB'000
As of January 1, 2022	**4,581**	**(1,835,188)**
Loss for the year	**–**	**(426,792)**
Value of employee services	**47,284**	**–**
Changes in fair value of financial assets at fair value through other comprehensive income	**(4,412)**	**–**
Currency translation differences (Note (i))	**439,368**	**–**
As of December 31, 2022	**486,821**	**(2,261,980)**
As of January 1, 2021	54,867	(1,833,352)
Loss for the year	–	(1,836)
Value of employee services	49,068	–
Changes in fair value of financial assets at fair value through other comprehensive income	13,031	–
Currency translation differences (Note (i))	(112,385)	–
As of December 31, 2021	4,581	(1,835,188)

(i) Currency translation differences represent the difference arising from the translation of the financial statements of the Company, of which the functional currency is US$, into the financial statements of the Company presented in RMB.

36 SUBSIDIARIES

The following is a list of the principal subsidiaries as of December 31, 2022:

Name	Place of establishment and nature of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly/ indirectly held by the Group (%)
Meitu (China) Limited	Hong Kong/ Limited liability company	Investment holding, Hong Kong	HK$1	100%
Meitu Investment Ltd	The BVI/ Limited liability company	Investment holding, the BVI	US$1	100%
Xiamen Home Meitu Technology Co., Ltd.	The PRC/ Limited liability company	Provision of information technology services, the PRC	US$480,000,000	100%
Beijing Meitu Home Technology Co., Ltd.	The PRC/ Limited liability company	Provision of information technology services, the PRC	RMB10,000,000	100%
Xiamen Meitu Mobile Technology Co., Ltd.	The PRC/ Limited liability company	Smart hardware business, the PRC	RMB1,650,000,000	100%
Xiamen MeituEve Technology Co., Ltd.	The PRC/ Limited liability company	Smart hardware business, the PRC	US$8,000,000	100%
Xiamen Meitu Networks Technology Co., Ltd.	The PRC/ Limited liability company	Development and operation of apps, the PRC	RMB32,000,000	100%*

36 SUBSIDIARIES (CONTINUED)

Name	Place of establishment and nature of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares directly/ indirectly held by the Group (%)
Ruisheng Tianhe (Beijing) Media and Technology Co., Ltd.	The PRC/ Limited liability company	Advertising agency, the PRC	RMB17,500,100	80.19%*
Xiamen Ruisheng Tianhe Media and Technology Co., Ltd.	The PRC/ Limited liability company	Advertising agency, the PRC	RMB5,000,000	80.19%*
Meidd Technology (Shenzhen) Co., Ltd.	The PRC/ Limited liability company	SaaS and related businesses, the PRC	RMB4,267,422	63.35%
Meishichengpin Supply Chain Management (Shenzhen) Co., Ltd.	The PRC/ Limited liability company	SaaS and related businesses, the PRC	RMB1,000,000	63.35%

* These companies are the Group's consolidated structured entities

Five Year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
	(Restated*)	(Restated*)			
Revenue	947,671	977,867	1,194,020	1,666,029	**2,085,329**
Gross profit	492,130	699,283	793,871	1,125,087	**1,187,272**
Profit/(Loss) for the year	(533,209)	(344,061)	(60,132)	(77,430)	**18,891**
Adjusted Net Profit/(Loss)	(842,852)	(194,346)	48,855	64,217	**81,949**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Assets					
Non-current assets	943,406	1,274,787	1,597,574	2,214,791	**2,548,508**
Current assets	4,145,566	3,340,923	2,909,586	2,532,523	**2,455,840**
Total assets	5,088,972	4,615,710	4,507,160	4,747,314	**5,004,348**
Equity and liabilities					
Equity attributable to owners of the Company	3,840,697	3,637,858	3,553,930	3,516,359	**(3,441,407)**
Total equity	3,959,930	3,735,200	3,567,835	3,515,802	**3,709,514**
Non-current liabilities	150,148	149,259	125,730	182,623	**225,970**
Current liabilities	978,894	731,251	813,595	1,048,889	**1,068,864**
Total liabilities	1,129,042	880,510	939,325	1,231,512	**1,294,834**
Total equity and liabilities	5,088,972	4,615,710	4,507,160	4,747,314	**5,004,348**

* Financial metrics of 2018 and 2019 are restated to exclude discontinued business "*MeituBeauty*" and smartphone business.

Definitions

"AI"	artificial intelligence
"Adjusted Net (Loss)/Profit"	adjusted net (loss)/profit is calculated as the (loss)/profit for the year, excluding the impact from certain non-cash or non-recurring expenses including: (i) share–based compensation; (ii) fair value (losses)/gain on long-term investments, net of tax; (iii) gains on disposal of long-term investments, net of tax; (iv) net effect of goodwill impairment and remeasurement gain on consideration to non-controlling shareholders of a subsidiary; and (v) amortization of intangible assets and other expenses related to acquisition, net of tax
"AGM"	the annual general meeting of the Company to be held on June 1, 2023
"Articles" or "Articles of Association"	The second amended and restated articles of association of the Company adopted at a general meeting held on June 2, 2022, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Baolink Capital"	Baolink Capital Ltd, a company incorporated under the laws of the BVI on June 29, 2007, which is wholly-owned by Mr. Cai and is interested in approximately 11.40% of the issued share capital of our Company as at the Latest Practicable Date
"Board of Directors" or "Board"	our Board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly

"Company", "our Company", "the Company", "Meitu", "we" or "us"	Meitu, Inc. 美图公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 25, 2013 and carries on business in Hong Kong as "美圖之家" (in Chinese) as approved and registered with the Registrar of companies in Hong Kong on October 28 and November 7, 2016, respectively. "Meitu" may also refer to the Company's brand if the context so requires. "Meitu", when italicized, refers to the Company's first product, *Meitu*
"Companies Act"	the Companies Act, Cap. 22 of the Cayman Islands, as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Contractual Arrangements"	the Old Contractual Arrangements as superseded and replaced by the Existing Contractual Arrangements, details of which are described in the section headed "Contractual Arrangements" in this annual report
"Cryptocurrency Investment Plan"	the plan to make a net purchase of up to US$100,000,000 worth of cryptocurrencies, financed by the existing cash reserves other than any remaining proceeds from the Company's initial public offering, as more particularly set out in the announcement of the Company published on March 7, 2021
"Dajie Group"	Dajie Net, the Onshore Target Company, and their respective subsidiaries
"Dajie HK"	Dajie Net Hong Kong Limited (大街網香港有限公司), a limited liability company duly incorporated under the laws of Hong Kong and a company that will wholly own the Dajie WFOE upon its establishment
"Dajie Net"	Dajie Net Investment Holdings Ltd., a limited liability company incorporated under the laws of the Cayman Islands and a holding company that directly wholly owns Dajie HK, which in turn wholly own the Dajie WFOE
"Dajie Relevant Shareholders"	Meitu Networks holding approximately 85.52% equity interest in the Onshore Target Company and the other shareholders of the Onshore Target Company as follows: (a)北京融薈企業管理合夥企業(有限合夥)(Beijing Ronghui Enterprise Management Partnership (Limited Partnership)) as to approximately 10.28%; and (b) Ms. Wang Xiujuan (王秀娟) as to approximately 4.20%

"Dajie VIE Agreements"	the Old Dajie VIE Agreements as replaced by the Existing Dajie VIE Agreements, details of which are described in the section headed "Dajie VIE Agreements" in this annual report
"Dajie WFOE"	Tianjin Meijie Technology Co., Ltd. (天津美街科技有限公司), a wholly foreign–owned enterprise set up by Dajie HK under the laws of the PRC
"Director(s)"	the director(s) of our Company
"EveLab Insight"	EveLab Insight, Inc. (formerly known as MeituEve, Inc. and Meipai Ltd), a company incorporated in the Cayman Islands with limited liability on June 2, 2015, and a subsidiary of the Company
"EveLab Insight Global"	EveLab Insight Global Limited (formerly known as Meipai Global Limited (美拍網絡有限公司)), a limited liability company incorporated under the laws of Hong Kong on June 19, 2015, and our indirectly wholly-owned subsidiary
"EveLab Insight Share Award Scheme"	the share award scheme adopted by EveLab Insight (a subsidiary of the Company that is not a principal subsidiary of the Company pursuant to Chapter 17 of the Listing Rules) on June 2, 2021 and amended on September 30, 2021, which is not subject to the provisions of Chapter 17 of the Listing Rules
"Existing Contractual Arrangements"	the existing series of contractual arrangements entered into between Mr. Wu, Xiamen Hongtian, Meitu Home and Meitu Networks (as applicable), details of which are described in the section headed "Contractual Arrangements" in this annual report
"Existing Dajie VIE Agreements"	the existing series of contractual arrangements entered into between the Dajie WFOE, the Onshore Target Company and the Dajie Relevant Shareholders, details of which are described in the section headed "Dajie VIE Agreements" in this annual report
"Foreign Investment Law"	"The People's Republic of China Foreign Investors Investment Law《中華人民共和國外商投資法》" adopted by the NPC on March 15, 2019
"Group", "our Group", or "the Group"	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the contractual arrangements) from time to time

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"ICP"	Internet content provider
"ICP License"	Value-added Telecommunications Service Operating Permit for Internet Information Service
"IFRSs"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"IPO"	the initial public offering of the Company on December 15, 2016
"IVAS"	Internet value-added services
"Latest Practicable Date"	April 19, 2023, being the latest practicable date prior to the bulk printing and publication of this annual report
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	December 15, 2016, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Longlink Capital"	Longlink Capital Ltd, a company incorporated under the laws of the BVI on January 11, 2007, which is wholly-owned by Longlink Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Cai and is interested in approximately 13.95% of the issued share capital of our Company as at the Latest Practicable Date
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

"MAUs"	monthly active users
"Meidd"	Meidd Technology (Shenzhen) Co., Ltd.* (美得得科技(深圳)有限公司), a non-wholly owned subsidiary of Meitu Networks as to approximately 63.35% as at December 31, 2022
"Meidd Sellers"	Mr. Wen Min (the chief executive office, 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 of Meidd) and Mr. Yang Xiangyang (a professional investor and holder of equity interest of Meidd)
"Meitu HK"	Meitu (China) Limited (美圖(中國)有限公司), a limited liability company incorporated in Hong Kong on August 12, 2013, and a subsidiary of the Company
"Meitu Home"	Xiamen Home Meitu Technology Co., Ltd. (廈門美圖之家科技有限公司), a company established in the PRC on October 14, 2013, and a subsidiary of the Company
"Meitu Investment"	Meitu Investment Ltd, a BVI business company incorporated under the laws of the BVI on January 30, 2015, and a subsidiary of the Company
"Meitu Mobile"	Xiamen Meitu Mobile Technology Co., Ltd. (廈門美圖移動科技有限公司), a company established in the PRC on March 1, 2013 and a subsidiary of the Company
"Meitu Networks"	Xiamen Meitu Networks Technology Co., Ltd. (廈門美圖網科技有限公司) (formerly known as Xiamen Shuzi Qingyuan Networks Technology Co, Ltd. (廈門數字情緣網科技有限公司) and Xiamen Networks Zhiyuan Xinxi Technology Co. Ltd (廈門網之源信息科技有限公司)), a company established in the PRC on June 18, 2003, owned by Mr. Wu and Xiamen Hongtian as 51% and 49% respectively as at December 31, 2022, and by virtue of the Existing Contractual Arrangements, accounted for as our subsidiary
"Meitu Technology"	Meitu Technology, Inc., formerly known as MagicV, Inc., and MIXVID, Inc., a limited liability company incorporated under the laws of the State of Delaware, on August 29, 2014, and our indirectly wholly-owned subsidiary

"Meitu Technology (US)"	Meitu Technology (US), LLC, formerly known as Commsource, LLC, a limited liability company incorporated under the laws of the State of California, on April 1, 2015, and our indirectly wholly-owned subsidiary
"MeituEve Contractual Arrangements"	the series of contractual arrangements entered into between the MeituEve Technology, MeituEve Networks and Xiamen Hongtian, details of which are described in the section headed "MeituEve contractual Arrangements" in this annual report
"MeituEve HK"	MeituEve International Limited (美圖宜膚國際有限公司), a limited liability company incorporated in Hong Kong on June 26, 2020, and a subsidiary of the Company
"MeituEve Networks"	Xiamen MeituEve Networks Services Co., Ltd.* (廈門美圖宜膚網絡服務有限公司), a company established in the PRC on May 19, 2021, wholly-owned by Xiamen Hongtian as at December 31, 2022 and as at the Latest Practicable Date, and by virtue of the MeituEve Contractual Arrangements, accounted for as our subsidiary
"MeituEve PRC Operating Entities"	MeituEve Networks and its subsidiaries and branches, the financial results of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the MeituEve Contractual Arrangements
"MeituEve Technology"	Xiamen MeituEve Technology Co., Ltd.* (廈門美圖宜膚科技有限公司), a company established in the PRC on May 19, 2021, and a subsidiary of the Company
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
"MOC"	the Ministry of Culture of the PRC (中華人民共和國文化部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Cai"	Mr. CAI Wensheng (蔡文胜), our founder, chairman, executive Director, and an authorized representative

"Mr. Ngan"	Mr. NGAN King Leung Gary, our Chief Financial Officer, our company secretary and an authorized representative
"Mr. Wu"	Mr. WU Zeyuan (吳澤源), also known as Mr. WU Xinhong (吳欣鴻), our founder, Chief Executive Officer and executive Director
"Mr. Chen"	Mr. CHEN Jiarong (陳家荣), our non-executive Director and a substantial shareholder of the Company
"Ms. Cai"	Ms. CAI Shuting, the daughter of Mr. Cai and Ms. Wang
"Ms. Chen"	Ms. CHEN Cuie, the Group's finance director who has been employed by the Group for over 8 years and a director of a number of the Group's subsidiaries
"Ms. Wang"	Ms. WANG Baoshan, the spouse of Mr. Cai
"NASDAQ"	the National Association of Securities Dealers Automated Quotations
"Nomination Committee"	the nomination committee of the Company
"NPC"	the National People's Congress of the PRC
"NYSE"	the New York Stock Exchange
"Old Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Meitu Home, Meitu Networks and its then nominee shareholders, Ms. Cai and Mr. Wu, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Old Dajie VIE Agreements"	the series of contractual arrangements entered into by, among others, Dajie WFOE, the Onshore Target Company and its then nominee shareholders, the Previous Dajie Relevant Shareholders, details of which are described in the section headed "Dajie VIE Agreements" in this annual report

"Onshore Target Company"	北京大杰致遠信息技術有限公司 (Beijing Dajie Zhiyuan Information Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC, owned by the Dajie Relevant Shareholders as at December 31, 2022 and by the New Dajie Relevant Shareholders as at the Latest Practicable Date, and by virtue of the Dajie VIE Agreements and the New Dajie VIE Agreements (as applicable), accounted for as our subsidiary
"Pixocial Holdings"	Pixocial Holdings Ltd (formerly known as Meitu Holdings Ltd), an exempted company with limited liability incorporated under the laws of Cayman Islands on June 2, 2015, and our directly wholly-owned subsidiary
"Pixocial Singapore"	Pixocial Technology (Singapore) Pte. Ltd. (formerly known as Meitu Technology (Singapore) Pte. Ltd.), a company incorporated in Singapore with limited liability on April 22, 2016, and our directly wholly-owned subsidiary
"Post-IPO Share Award Scheme"	the share award scheme adopted by the Company on November 25, 2016
"Post-IPO Share Option Scheme"	the share option scheme adopted by the Company on November 25, 2016
"Pre-IPO ESOP"	the employees' share option plan of the Company as approved by the Board on February 15, 2014 and amended by the Board on November 18, 2015
"PRC Operating Entities"	Meitu Networks and its subsidiaries and branches, the financial results of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Existing Contractual Arrangements
"Previous Dajie Relevant Shareholders"	Meitu Networks holding approximately 75.37% equity interest in the Onshore Target Company and the other shareholders of the Onshore Target Company as follows: (a) 北京融薈企業管理合夥企業(有限合夥)(Beijing Ronghui Enterprise Management Partnership (Limited Partnership)) as to approximately 10.28%; (b) Ms. Wang Xiujuan (王秀娟) as to approximately 4.20%; (c) Mr. Yu Minhong (俞敏洪) as to approximately 4.04%; (d) Ms. Cai Shuting (蔡舒婷) as to approximately 3.44%; and (e) 米林隆領投資有限公司 (Milin Longling Investment Co., Ltd.) as to approximately 2.67%, all as at December 31, 2020
"Prospectus"	the prospectus of the Company dated December 5, 2016

Definitions

"Remuneration Committee"	the remuneration committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Smart Hardware Business"	The smart hardware business of the Group, involving the production of, among other things, MeituEve (a commercial AI skin analyser), MeituKey (a contact skin analyser), MeituSpa (an AI cleansing brush) and Meitu Genius (an AI smart mirror)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Xiamen Hongtian"	Xiamen Hongtian Chuangfu Technology Co., Ltd.* (廈門鴻天創富科技有限公司), a company established in the PRC on June 5, 2020 and owned by Mr. Wu as to 99% and Ms. Chen as to 1%
"Xinhong Capital"	Xinhong Capital Limited, a company incorporated under the laws of the BVI on June 13, 2013, which is wholly-owned by Easy Prestige Limited, which in turn is held by Lion Trust (Singapore) Limited as trustee for the benefit of Mr. Wu and is interested in approximately 12.75% of the issued share capital of our Company as at the Latest Practicable Date
"%"	per cent

* *For identification purpose only*

Meitu, Inc.
美图公司