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# meitu

**Meitu, Inc.**

美图公司

(Incorporated in the Cayman Islands with limited liability and carrying on business in Hong Kong as “美图之家”)

(Stock Code: 1357)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board of directors (the “**Board**”) of Meitu, Inc. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company, its subsidiaries, Xiamen Meitu Networks Technology Co., Ltd. (“**Meitu Networks**”) and Xiamen MeituEve Networks Services Co., Ltd. (“**MeituEve Networks**”) and their respective subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2023.

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

### KEY HIGHLIGHTS

- We are pleased to report a very strong half-year result, as reflected by an Adjusted Net Profit attributable to Owners of the Company of RMB151.3 million for the six months ended June 30, 2023, growing 320.4% year-over-year. Given this metric excludes non-cash gains or losses such as those from fair value change of long-term investments, such significant year-over-year growth represents our strong and profitable underlying businesses, which is mainly driven by subscription revenues related to our Artificial Intelligence-Generated Content (“**AIGC**”)-powered photo, video and design products.
- Our International Financial Reporting Standards (“**IFRSs**”) net profit attributable to Owners of the Company for the six months ended June 30, 2023, which includes non-cash gains from reversal of impairment losses of cryptocurrency positions, was even higher at RMB227.6 million, compared to a net loss for the first half of 2022. In other words, regardless of how one looks at our financial results, whether from an IFRSs or a non-IFRSs perspective focusing on our underlying operations, we are now meaningfully profitable and rapidly growing.
- Total Monthly Active User (“**MAU**”) as of June 30, 2023 was 247 million, up 1.7% from the end of 2022. Importantly, this represents the third consecutive half year of user growth, demonstrating our ability to steadily grow our user base.
- X-Design, our cross-platform application that addresses work-related productivity use cases in graphic design with an emphasis on optimizing commercial product photos, has seen meaningful revenue growth during the first half of 2023. We have since launched other productivity tools such as *Action* that streamlines the creation of narrated videos, and have received very encouraging early results. The productivity tools market is a huge market that we are well positioned to capture. From a financial perspective, productivity tools can also drive higher subscription rate as well as Average Revenue Per Paying User (“**ARPPU**”) given their solid value proposition to our users.

## KEY FINANCIAL DATA

	Six months ended June 30,		Year on year
	2023	2022	change
	RMB'000	RMB'000	(%)
Revenue	<b>1,260,881</b>	971,188	29.8%
– Photo, video and design products <sup>(1)</sup>	<b>602,190</b>	371,294	62.2%
– Solutions for beauty industry <sup>(2)</sup>	<b>286,444</b>	218,412	31.1%
– Advertising <sup>(3)</sup>	<b>349,161</b>	272,462	28.2%
– Others	<b>23,086</b>	109,020	–78.8%
Gross Profit	<b>754,022</b>	503,385	49.8%
Gross Margin	<b>59.8%</b>	51.8%	+8p.p.
Profit/(Loss) for the period	<b>209,469</b>	(281,613)	N/A
Adjusted Net Profit from Continuing Operations attributable to Owners of the Company <sup>(4)</sup>	<b>151,296</b>	35,988	320.4%

## KEY OPERATIONAL DATA

	As of	As of	change
	June 30,	December 31,	
	2023	2022	
	'000	'000	(%)
Total MAU	<b>247,061</b>	242,880	1.7%
<i>MAU breakdown by product:</i>			
– Meitu	<b>126,952</b>	129,616	–2.1%
– BeautyCam	<b>52,102</b>	49,009	6.3%
– BeautyPlus	<b>31,174</b>	32,520	–4.1%
– Others	<b>36,833</b>	31,735	16.1%
<i>MAU breakdown by geography:</i>			
– Mainland China	<b>173,373</b>	163,121	6.3%
– Overseas	<b>73,688</b>	79,759	–7.6%

<sup>(1)</sup> Certain revenue streams under “VIP Subscription business”, “Internet value-added services” and “SaaS and related businesses” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Photo, video and design products” for the six months ended June 30, 2023.

<sup>(2)</sup> Certain revenue stream under “SaaS and related businesses” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Solutions for beauty industry” for the six months ended June 30, 2023.

<sup>(3)</sup> Certain revenue streams under “Online Advertising” and “Internet value-added services” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Advertising” for the six months ended June 30, 2023.

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

## STRATEGIC HIGHLIGHT

Digital content is becoming more and more important in today's world. Whether it is sharing one's precious moment on social media, or creating a video to drive product sales online, powerful photo and video editing tools are increasingly indispensable especially if one wants to stand out. This has created a significant market opportunity for Meitu. We believe we are in a strong position to address this trend with our expanding portfolio of AIGC-powered photo, video and creation apps, as well as the strong brand recognition among our 247 million monthly active users.

### **An integrated AIGC strategy**

Since the beginning of 2023, we have been consistently launching new AIGC features such as AI Anime, AI Doodle, AI Posters and AI Portraits, etc. A number of these features went viral on social media, driving many achievements and accolades for our apps throughout the first half of 2023, such as achieving #1 and #2 positions on iOS App Store Photo & Video App Category in multiple countries. Apart from launching new standalone AIGC features such as AI Portraits, we have also systematically added AIGC features into the core image and video editing work flow. These features include AI Removal, AI Image Quality and AI Background Expansion etc. together with our vast and professional yet easy-to-use editing tool sets, we are now empowering millions of users to conveniently create very high-quality digital contents that are otherwise too cumbersome or simply inaccessible without the aid of AI technologies.

### **Launching large vision model *MiracleVision* for AIGC**

On June 19, 2023, we have announced the launch of our self-developed large vision model *MiracleVision* that will form the bedrock of Meitu's AIGC features in the future. *MiracleVision* is created with equal emphasis on both art and technology, and we believe this is a key that will set it apart from other competitive large vision models. While *MiracleVision* is capable of generating high quality images across all categories, in its initial phase we have paid special attention to three vertical areas, namely, East Asian portraits, Chinese-themed designs, as well as commercial product design, as we expect increasing demand from users for high-quality AIGC images from these verticals.

### **Addressing work-related productivity use cases**

One other important development during the first half of 2023 was that we have successfully expanded our product portfolio to cover work-related productivity use cases. In particular, X-Design, our cross-platform (PC, Web and mobile) application that optimizes graphic design with an emphasis on commercial products, has seen meaningful revenue growth. As mentioned, the market for productivity tools for creating digital content is huge, and based on our estimate, it could be 4-5 times bigger than that of the consumer market for digital content creation tools. Communicators, our target audience for this productivity tools market, include a wide range of individuals such as influencers, online sellers, vloggers, marketers, as well as small businesses. While they come from various backgrounds, they all share the same goal of making their own unique voice in the creator economy through digital contents, and yet few of them are professional digital designers. This is where the greatest opportunity lies: enabling these communicators to communicate themselves through the use of our productivity tools created with an equal emphasis on art and technology, and that are easy-to-use yet powerful and precise with the enhancement of AIGC functionalities. Keeping in mind that many of these communicators are non-professional designers, our strategy is to launch productivity tools that are catered to specific use cases and simple to use.

For example, “*Action*” (開拍) is an app that we recently launched to address various pain points of creating a narrated video such as the ones made for promoting commercial product sales or educational content. One of the most intriguing features is AI-editing. Instead of going into the timeline of the video and making edits frame by frame, users can now make edits directly to the script, and our AI will make corresponding edits to the video itself. This feature alone already saves time significantly from editing a narrated video from hours to minutes. More importantly, *Action* also integrates Meitu’s industry-leading core beautification and virtual makeup features that enable the narrator to appear his/her best on screen. Such integration gives us a very strong competitive edge, especially against AIGC startups, as our core features have very high technical barriers of entry from a software engineering perspective, and our understanding of user behavior and aesthetic trends are at the core of Meitu’s culture.

### **Revenue from Solutions for Beauty Industry normalizing in the second quarter of 2023**

Although the pandemic restrictions were lifted in the beginning of 2023, our Solutions for Beauty Industry business that focuses on serving brands and physical cosmetic store clients only started to see normalized revenue growth towards the second quarter of 2023.

Leveraging the strong technological capabilities of our MTLab, we are integrating more AIGC features into this business segment as well, such as using AIGC to generate more accurate skin analysis and condition prediction for *EveLab Insight’s* skin analysis report.

Despite overall meaningful revenue contribution to the Group, this business is still at its nascent stage in terms of profitability, both at the gross and the net level. We will continue to optimize our services and products to serve our clients better, aiming to contribute to the digitization of the beauty industry going forward.

### **Solid strategy translating into financial growth and outlook**

For the six months ended June 30, 2023, revenue from photo, video and design products was approximately RMB602 million, up 62% year-over-year. A vast majority of revenue model within this segment was VIP subscription. We noticed an acceleration of revenue growth in this business during the second quarter of 2023 as we continue to execute our integrated AIGC strategy. In June 2023, our total paying subscribers across all our photo, video and design products were approximately 7.2 million, representing approximately 2.9% of subscriber rate of our MAU base, compare to 2.0% a year ago. This fast-growing business has become the primary driver for our Company’s overall profitability.

Looking ahead, as we continue to execute our integrated AIGC strategy, launching more apps and features that address the productivity use cases, as well as optimizing our pricing strategies, we believe there is still ample room for both subscriber penetration and ARPPU to grow in the future.

# MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2023 compared to six months ended June 30, 2022

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	<b>Unaudited Six months ended June 30, 2022 RMB'000</b>
Revenue	1,260,881	971,188
Cost of sales	<u>(506,859)</u>	<u>(467,803)</u>
<b>Gross profit</b>	<b>754,022</b>	<b>503,385</b>
Selling and marketing expenses	(221,599)	(182,736)
Administrative expenses	(144,105)	(136,341)
Research and development expenses	(294,264)	(265,487)
Net impairment losses on financial assets	(8,314)	(10,527)
Reversal of impairment losses/(impairment losses) on cryptocurrencies	<b>185,563</b>	<b>(305,457)</b>
Other income	37,973	78,477
Other (losses)/gains, net	(83,404)	62,548
Finance income, net	23,578	4,145
Shares of losses of investments accounted for using the equity method	<u>(12,892)</u>	<u>(5,720)</u>
<b>Profit/(loss) before income tax</b>	<b>236,558</b>	<b>(257,713)</b>
Income tax expense	<u>(27,089)</u>	<u>(23,900)</u>
<b>Profit/(loss) for the period</b>	<b><u>209,469</u></b>	<b><u>(281,613)</u></b>
<b>Profit/(Loss) attributable to:</b>		
– Owners of the Company	227,627	(266,245)
– Non-controlling interests	<u>(18,158)</u>	<u>(15,368)</u>
	<b><u>209,469</u></b>	<b><u>(281,613)</u></b>
<b>Non-IFRSs measure:</b>		
<b>Adjusted Net Profit/(Loss) attributable to</b>		
– Owners of the Company <sup>(1)</sup>	151,296	35,988
– Non-controlling interests	<u>(16,045)</u>	<u>(10,581)</u>
	<b><u>135,251</u></b>	<b><u>25,407</u></b>

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

## Revenue

Leveraging our massive user base, we focus on the image and beauty industries to provide our enormous consumers and business users with a series of products and services. In respect of the image business, we generate revenue mainly through subscription services, in-app advertising and marketing. In respect of the beauty industry services, we generate revenue mainly through skin analysis services, Enterprise Resource Planning (“ERP”) solutions, and supply chain management services. Therefore, our revenue can be categorized into (i) photo, video and design products; (ii) solutions for beauty industry; (iii) advertising; and (iv) others.

	Six months ended June 30,			
	2023		2022	
	<i>Amount</i> <i>RMB'000</i>	<i>% of total</i> <i>revenues</i>	<i>Amount</i> <i>RMB'000</i> (Redefined)	<i>% of total</i> <i>revenues</i>
Photo, video and design products	<b>602,190</b>	<b>47.8%</b>	371,294	38.2%
Solutions for beauty industry	<b>286,444</b>	<b>22.7%</b>	218,412	22.5%
Advertising	<b>349,161</b>	<b>27.7%</b>	272,462	28.1%
Others	<b>23,086</b>	<b>1.8%</b>	109,020	11.2%
Total	<b><u>1,260,881</u></b>	<b><u>100.0%</u></b>	<b><u>971,188</u></b>	<b><u>100.0%</u></b>

The above table presents our revenue lines and as percentages of our total revenues for the periods presented. For the six months ended June 30, 2023, our total revenue increased by 29.8% to RMB1,260.9 million from RMB971.2 million for the six months ended June 30, 2022. This increase was mainly driven by the strong growth in our major business, especially in the photo, video and design products.

### ***Photo, video and design products***

Our photo, video and design products maintained a strong growth momentum, with revenue recording a year-over-year increase of 62.2% to RMB602.2 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB371.3 million (redefined)). Currently, we have enabled a membership subscription mode for most of the image product series. The increasing subscription penetration rate is a key indicator of our business development, as we are at the initial development stage of developing our subscription business. Therefore, our main strategies are to turn users into subscribers by focusing on product and feature innovation, performance iterative, and in-app cost-free marketing. During the first half of the year, we continued to enrich the benefits of paid members and rolled out more effective strategies for new member introduction and expired member recall, so as to enhance the overall membership penetration rate. As of June 30, 2023, VIP users of our apps added up to over 7.2 million, increasing by 44% year on year, with a payment penetration rate of approximately 2.9%. In the future, we will consider investing in promotion or traffic acquisition to further improve the payment rate when the subscription business has progressed to the next development stage.

Furthermore, we have launched different series of products targeting the needs of users in daily entertainment and working scenarios. Especially for the products designed for enhancing productivity, we have rolled out specific features catering to the demands of users from different industries. Meanwhile, we have been relying on AIGC technology to empower and improve the effect of product outputs, reduce costs and increase efficiency for our users. It is also conducive to improving the overall Average Revenue Per User (“**ARPU**”) of our subscription business and enhancing users’ stickiness to us.

### ***Solutions for beauty industry***

Our revenue from solutions for beauty industry grew by 31.1% year-over-year to RMB286.4 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB218.4 million (redefined)), mainly due to the increase in cosmetic supply chain services from the solutions for beauty industry.

Currently, a majority of the revenues of this business is generated from our solutions for beauty industry. With the market insight, e.g., we provide ERP services to over 10,000 offline cosmetic stores, overseeing business changes such as pricing, sales trend and inventory status of offline cosmetic stores. Based on this service, we have further developed our solutions for beauty industry to help our customers to optimize their cosmetic purchasing decisions. Gross margin for this business is currently low as we are now focusing on expanding market share rather than profitability by increasing collaboration with clients of products from well-known brands and expanding the utilization of supply chain services by downstream merchants. However, in the longer-term we would raise the margin profile through introducing niche products, functional products and etc..

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

### ***Advertising***

Our revenue from advertising increased by 28.2% year-over-year to RMB349.2 million for the six months ended June 30, 2023 (six months ended June 30, 2022: revenue of RMB272.5 million (redefined)). Our advertising business has shown a recovery momentum due to an increase in contribution of programmatic advertising. Our revenue from programmatic advertising mainly arose from e-commerce, network services and other customers. However, the overall advertising business is expected to grow steadily going forward as we shift our key monetization model to subscription model and tilt our resource allocation towards photo, video and design products.

## ***Others***

For the six months ended June 30, 2023, other revenues from the Group decreased by 78.8% year-over-year to RMB23.1 million from RMB109.0 million (redefined) for the six months ended June 30, 2022, due to lower revenue as a result of the gradual closure of the influencer marketing solutions (“IMS”) business.

## **Cost of Sales**

Our cost of sales increased by 8.4% to RMB506.9 million for the six months ended June 30, 2023, compared to RMB467.8 million for the six months ended June 30, 2022, mainly due to the increased corresponding cloud computing service fees as a result of the increase in the usage of AIGC related services by users, combined with increased costs from the expansion of cosmetic supply chain services from the solutions for beauty industry, which was partially offset by the shrinking costs of the IMS business.

## **Gross Profit and Margin**

Our gross profit increased by 49.8% to RMB754.0 million for the six months ended June 30, 2023 from RMB503.4 million for the six months ended June 30, 2022. Our gross margin increased to 59.8% for the first half of 2023, from 51.8% for the same period last year, as there was an increase in revenue from photo, video and design products, our main business, and the rebound in advertising business.

## **Research and Development Expenses**

Research and development expenses increased by 10.8% to RMB294.3 million for the six months ended June 30, 2023 from RMB265.5 million for the same period last year, primarily due to an increase in research and development employee expenses.

## **Selling and Marketing Expenses**

Selling and marketing expenses increased by 21.3% to RMB221.6 million for the six months ended June 30, 2023, from RMB182.7 million for the six months ended June 30, 2022, primarily due to the increase in promotional channel expenses arising from the business expansion in the photo, video and design products and the increase in sales and marketing staff costs.

## **Administrative Expenses**

Administrative expenses increased by 5.7% to RMB144.1 million for the six months ended June 30, 2023 from RMB136.3 million for the same period last year, primarily due to an increase in staff costs.



## **Reversal of Impairment Losses on Cryptocurrencies**

As of June 30, 2023, 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\$57.41 million and US\$28.28 million, respectively. In accordance with the relevant accounting standards under IFRSs, the Group accounts for the acquired cryptocurrencies as intangible assets and adopts the cost model for the measurement.

As the market prices of the acquired cryptocurrencies as of June 30, 2023 were higher than those of December 31, 2022, a reversal of impairment losses on the acquired cryptocurrencies of approximately RMB185.6 million was recognised. Consequently, reversal of impairment losses of approximately RMB90.8 million and RMB94.8 million were recognised by the Group for the six months ended June 30, 2023 in relation to the Acquired Bitcoin and the Acquired Ether, respectively.

The impairment in relation to the Acquired Bitcoin as of June 30, 2023 is reversible (whether in whole or in part) in the Group’s upcoming annual results for the year ending December 31, 2023 should there be a further increase in the fair value of the Acquired Bitcoin as of the end date of the financial year.

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

## **Other Income**

Other income for the six months ended June 30, 2023 decreased to RMB38.0 million from RMB78.5 million for the six months ended June 30, 2022, primarily due to a decrease in government grants.

## **Other Losses, Net**

Other losses, net were RMB83.4 million for the six months ended June 30, 2023, compared to a net gain of RMB62.5 million for the six months ended June 30, 2022, primarily attributable to: (i) remeasurement losses of RMB41.0 million on consideration to non-controlling shareholders of a subsidiary; and (ii) a RMB42.7 million decrease in fair value of the Group’s long-term investments.

## **Finance Income, Net**

Finance income, net mainly comprised of bank interest income and foreign exchange gains. Our net finance income increased by 468.8% to RMB23.6 million for the six months ended June 30, 2023, from RMB4.1 million for the six months ended June 30, 2022, primarily due to the increase in bank interest income.

## **Income Tax Expense**

Income tax expenses for the six months ended June 30, 2023 were RMB27.1 million, compared to RMB23.9 million for the six months ended June 30, 2022, primarily due to the Group's increasing profitability.

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

Net profit for the six months ended June 30, 2023 significantly increased to RMB209.5 million from a net loss of RMB281.6 million for the six months ended June 30, 2022, primarily due to 1) the business revenue arising from image products empowered by the generative artificial intelligence technologies maintaining a strong growth momentum, and 2) the reversal of impairment due to the increase in market prices of the acquired cryptocurrencies which was recognized 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 announcement, "Adjusted Net Profit/(Loss)" will be used interchangeably with "Non-GAAP Net Profit/(Loss)". We believe that this additional financial measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to 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 RMB151.3 million for the six months ended June 30, 2023, compared to RMB36.0 million for the six months ended June 30, 2022, mainly due to the growth in revenue from our main businesses such as the photo, video and design products. From the fourth quarter of 2019, we started to make a positive Adjusted Net Profit attributable to the Owners of the Company for consecutive fiscal reporting periods.

The following table reconciles our Adjusted Net Profit/(Loss) for the six months ended June 30, 2023 and 2022 to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	Six months ended June 30,					
	2023			2022		
<i>(RMB'000, unless specified)</i>	Total	Owners of the Company	Non-controlling interests	Total	Owners of the Company	Non-controlling interests
Profit/(Loss) for the period	209,469	227,627	(18,158)	(281,613)	(266,245)	(15,368)
Excluding:						
Share-based compensation	32,983	31,555	1,428	29,183	27,171	2,012
Changes in fair value of long-term investments	44,789	44,789	–	(56,994)	(56,994)	–
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	40,970	40,970	–	–	0	–
Amortization of intangible assets and other expenses related to acquisition	2,200	1,394	806	10,400	7,136	3,264
(Reversal of impairment losses)/impairment losses on cryptocurrencies	(185,563)	(185,563)	–	305,457	305,457	–
Tax effects	(9,597)	(9,476)	(121)	18,974	19,463	(489)
Adjusted net profit/(loss) for the period	<u>135,251</u>	<u>151,296</u>	<u>(16,045)</u>	<u>25,407</u>	<u>35,988</u>	<u>(10,581)</u>

## Non-controlling Interests

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

## Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources as of June 30, 2023 and December 31, 2022 were as follows:

	June 30, 2023 <i>RMB'000</i>	December 31, 2022 <i>RMB'000</i>
Cash and cash equivalents	664,573	946,602
Short-term bank deposits and current portion of long-term bank deposits	520,136	352,908
Long-term bank deposits	180,000	50,000
Short-term investments	55,966	40,521
Cash and other liquid financial resources	<u>1,420,675</u>	<u>1,390,031</u>

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

### **Treasury Policy**

We have adopted a prudent financial management approach towards our treasury policies and thus maintained a healthy liquidity position throughout the six months ended June 30, 2023. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### **Capital Expenditure**

Our capital expenditures primarily included expenditures for refurbishment of our office building and purchases of property and equipment such as servers and computers.

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Purchase of property and equipment	<b>28,602</b>	37,552
Purchase of intangible assets	<b>242</b>	500
	<hr/>	<hr/>
Total	<b><u>28,844</u></b>	<u>38,052</u>

## Long-term Investment Activities

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Investment in a joint venture	10,000	–
Investment in financial assets at fair value through profit or loss	5,000	33,321
Investment in associates	4,875	2,000
	<hr/>	<hr/>
Total	<b>19,875</b>	<b>35,321</b>

## Foreign Exchange Risk

Our Group’s subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in our Group’s PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners. We did not hedge against any fluctuation in foreign currency for the six months ended June 30, 2023 and 2022.

## Pledge of Assets

As of June 30, 2023, we pledged a restricted deposit of RMB300,000 (as of December 31, 2022: RMB300,000) to guarantee payment of certain operating expenses.

## Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities (as of December 31, 2022: nil).

## Borrowings and Gearing Ratio

As of June 30, 2023, we pledged a bank borrowing of RMB19.98 million at an annualized interest rate of 3.73% (as of December 31, 2022: RMB10.0 million at an annualized interest rate of 4.15%). Therefore, the gearing ratio of the Group was 0.50% as of June 30, 2023 (as of December 31, 2022: 0.30%). The gearing ratio was calculated as the total borrowings divided by the total equity on the respective reporting date. For this purpose, total debt is defined as bank loan as shown in the consolidated balance sheet. The Group’s gearing ratio remained at a relatively low level as the Group did not place material reliance on borrowings to finance the Group’s operations.

## **Employee and Remuneration Policy**

The Group had a total of 2,212 full-time employees as of June 30, 2023 (as of June 30, 2022: 2,056), 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 Employee Share Option Plan (“**Pre-IPO ESOP**”), Post-IPO Share Option Scheme, and Post-IPO Share Award Scheme. During the six months ended June 30, 2023, the relationship between the Group and its employees have been stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

## **Significant Investments Held**

### ***Investments in Cryptocurrency***

During the six months ended June 30, 2023, the Group had, pursuant to the cryptocurrency investment plan, continued to hold approximately 31,000 units of Ether and approximately 940.4970 units of Bitcoin. As of June 30, 2023, the fair values of the Acquired Ether and the Acquired Bitcoin determined based on the then prevailing market prices were approximately US\$57.41 million and US\$28.28 million, respectively.

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

During the six months ended June 30, 2023, we did not conduct any acquisitions or disposals that constituted notifiable transactions for the Company.

### ***Minority Investments***

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

Details of this investment can be found in the section headed “Significant Investments Held” in the 2022 annual report of the Company published on April 26, 2023 and further details will be disclosed in the interim report of the Company for the six months ended June 30, 2023 to be published in September 2023.

Save as disclosed above, there were no other significant investments held during the six months ended June 30, 2023.

## Future Plans for Material Investments and Capital Assets

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

Save as disclosed in this announcement, the Group did not have any other plans for material investments and capital assets as of June 30, 2023.

## Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

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

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

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

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

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

Save as disclosed above, we did not conduct any material acquisition or disposal of subsidiaries and/or affiliated companies during the six months ended June 30, 2023.

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

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

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

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

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

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



# FINANCIAL INFORMATION

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
Revenue	3	1,260,881	971,188
Cost of sales	4	<u>(506,859)</u>	<u>(467,803)</u>
<b>Gross profit</b>		<b>754,022</b>	<b>503,385</b>
Selling and marketing expenses	4	(221,599)	(182,736)
Administrative expenses	4	(144,105)	(136,341)
Research and development expenses	4	(294,264)	(265,487)
Net impairment losses on financial assets		(8,314)	(10,527)
Reversal of impairment losses/(impairment losses) on cryptocurrencies	9	185,563	(305,457)
Other income		37,973	78,477
Other (losses)/gains, net	5	(83,404)	62,548
Finance income, net		23,578	4,145
Share of losses of investments accounted for using the equity method		<u>(12,892)</u>	<u>(5,720)</u>
<b>Profit/(loss) before income tax</b>		<b>236,558</b>	<b>(257,713)</b>
Income tax expense	6	<u>(27,089)</u>	<u>(23,900)</u>
<b>Profit/(loss) for the period</b>		<b>209,469</b>	<b>(281,613)</b>
<b>Profit/(loss) attributable to:</b>			
– Owners of the Company		227,627	(266,245)
– Non-controlling interests		<u>(18,158)</u>	<u>(15,368)</u>
		<u><b>209,469</b></u>	<u><b>(281,613)</b></u>
<b>Earning/(Loss) per share for loss attributable to owners of the Company for the period (expressed in RMB per share)</b>	7		
– Basic		<u><b>0.05</b></u>	<u><b>(0.06)</b></u>
– Diluted		<u><b>0.05</b></u>	<u><b>(0.06)</b></u>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended June 30, 2023 RMB'000	Unaudited Six months ended June 30, 2022 RMB'000
<b>Profit/(loss) for the period</b>	<u>209,469</u>	<u>(281,613)</u>
<b>Other comprehensive income, net of tax</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	12,002	52,363
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	33,465	–
Change in fair value of financial assets at fair value through other comprehensive income	<u>(2,397)</u>	<u>(6,618)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>43,070</u>	<u>45,745</u>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<u>252,539</u>	<u>(235,868)</u>
<b>Total comprehensive income/(loss) attributable to:</b>		
– Owners of the Company	269,741	(223,619)
– Non-controlling interests	<u>(17,202)</u>	<u>(12,249)</u>
	<u>252,539</u>	<u>(235,868)</u>

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

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited June 30, 2023 <i>RMB'000</i>	Audited December 31, 2022 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	459,191	441,239
Right-of-use assets		25,466	27,870
Term deposits		180,000	50,000
Intangible assets	9	859,835	659,841
Long-term investments			
– Investments in associates and joint ventures		127,239	123,733
– Financial assets at fair value through profit or loss		1,113,060	1,195,064
– Financial assets at fair value through other comprehensive income		35,003	36,181
Prepayments and other receivables		9,509	5,643
Deferred tax assets		10,733	8,937
		<u>2,820,036</u>	<u>2,548,508</u>
<b>Current assets</b>			
Inventories		52,438	25,591
Trade receivables	10	306,141	350,633
Prepayments and other receivables		808,420	684,914
Contract costs		45,896	54,371
Short-term investments		55,966	40,521
Term deposits		520,136	352,908
Restricted cash		300	300
Cash and cash equivalents		664,573	946,602
		<u>2,453,870</u>	<u>2,455,840</u>
<b>Total assets</b>		<u><u>5,273,906</u></u>	<u><u>5,004,348</u></u>

# INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	Unaudited June 30, 2023 RMB'000	Audited December 31, 2022 RMB'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		283	283
Share premium		7,093,538	7,174,119
Reserves		151,196	36,628
Accumulated losses		<u>(3,213,780)</u>	<u>(3,441,407)</u>
<b>Non-controlling interests</b>		<u>(116,781)</u>	<u>(60,109)</u>
<b>Total equity</b>		<u><b>3,914,456</b></u>	<u><b>3,709,514</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		9,708	11,370
Deferred tax liabilities		<u>205,618</u>	<u>214,600</u>
		<u>215,326</u>	<u>225,970</u>
<b>Current liabilities</b>			
Borrowings		19,980	10,000
Trade and other payables	11	794,810	734,098
Lease liabilities		16,148	16,784
Income tax liabilities		80,138	62,739
Contract liabilities		<u>233,048</u>	<u>245,243</u>
		<u>1,144,124</u>	<u>1,068,864</u>
<b>Total liabilities</b>		<u><b>1,359,450</b></u>	<u><b>1,294,834</b></u>
<b>Total equity and liabilities</b>		<u><b>5,273,906</b></u>	<u><b>5,004,348</b></u>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	<b>Unaudited Six months ended June 30, 2022 RMB'000</b>
<b>Net cash generated from/(used in) operating activities</b>	<b>144,626</b>	<b>(118,173)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(300,172)</b>	<b>171,629</b>
<b>Net cash used in financing activities</b>	<b><u>(138,269)</u></b>	<b><u>(16,743)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(293,815)</b>	<b>36,713</b>
Cash and cash equivalents at the beginning of the period	<b>946,602</b>	<b>738,732</b>
Effects of exchange rate changes on cash and cash equivalents	<b><u>11,786</u></b>	<b><u>17,620</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u><u>664,573</u></u></b>	<b><u><u>793,065</u></u></b>

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 General information

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

The Company is an investment holding company. The Company and its subsidiaries, Xiamen Meitu Networks Technology Co., Ltd. (“**Meitu Networks**”) and Xiamen MeituEve Networks Services Co., Ltd. (“**MeituEve Networks**”) and their respective subsidiaries (collectively the “**Group**”) are principally engaged in the provision of photo, video and design products and advertising services in the People’s Republic of China (the “**PRC**”) and other countries or regions.

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

The interim condensed consolidated balance sheet as of June 30, 2023, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended, and selected explanatory notes (collectively defined as the “**Interim Financial Information**”) of the Group have been approved for issue by the Board of Directors (“**Board**”) on August 28, 2023.

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

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

## 2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022, as described in those annual financial statements.

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

- (a) The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2023:

Amendments to annual improvements project	Annual improvements 2018-2020 cycle
IFRS 17	Insurance Contracts
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
IAS 8 (Amendments)	Definition of Accounting Estimates
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

- (b) The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning January 1, 2023 and have not been early adopted:

<b>New standards, amendments, improvement and interpretation</b>		<b>Effective for accounting periods beginning on or after</b>
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	January 1, 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	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

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

### 3 Revenue and segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-maker (“CODM”). The role of CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the Company who makes strategic decisions. The Group does not distinguish between markets or segments for the purpose of internal reporting. As of June 30, 2023, the total non-current assets other than financial instruments and deferred tax assets located in the PRC and other countries or regions amounted to RMB1,960,155,000 (December 31, 2022: RMB1,997,169,000) and RMB668,997,000 (December 31, 2022: RMB492,402,000), respectively.

The results of the revenue for the six months ended June 30, 2023 and 2022 are as follows:

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	<b>Unaudited Six months ended June 30, 2022 RMB'000</b>
Photo, video and design products ( <i>Note (i)</i> )	<b>602,190</b>	371,294
Solutions for beauty industry ( <i>Note (ii)</i> )	<b>286,444</b>	218,412
Advertising ( <i>Note (iii)</i> )	<b>349,161</b>	272,462
Others	<b>23,086</b>	109,020
<b>Total revenue</b>	<b><u>1,260,881</u></b>	<b><u>971,188</u></b>

- (i) Certain revenue streams under “VIP Subscription business”, “Internet value-added services” and “SaaS and related businesses” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Photo, video and design products” for the six months ended June 30, 2023.
- (ii) Certain revenue stream under “SaaS and related businesses” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Solutions for beauty industry” for the six months ended June 30, 2023. Solutions for beauty industry was mainly generated from sales of cosmetic and smart hardware products amounting to RMB273,914,000 during the six months ended June 30, 2023 (six months ended June 30, 2022: RMB204,413,000), which are recognized when the control of the products is transferred.
- (iii) Certain revenue streams under “Online Advertising” and “Internet value-added services” reported for the six months ended June 30, 2022 had been redefined and reclassified as “Advertising” for the six months ended June 30, 2023.



	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	Unaudited Six months ended June 30, 2022 RMB'000
<b>Timing of revenue recognition</b>		
Over time	<b>902,283</b>	604,006
At a point in time	<b>358,598</b>	367,182
	<b><u>1,260,881</u></b>	<b><u>971,188</u></b>

No revenue from any customer exceeded 10% or more of the Group's revenue for the six months ended June 30, 2023 and 2022.

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

#### 4 Expenses by nature

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	Unaudited Six months ended June 30, 2022 RMB'000
Employee benefit expenses	<b>468,655</b>	417,961
Inventories consumed and recognized as cost of sales	<b>260,650</b>	199,558
Revenue sharing fee to payment channels	<b>128,044</b>	78,915
Promotion and advertising expenses	<b>101,413</b>	88,746
Bandwidth and storage related costs	<b>71,409</b>	44,567
Remuneration paid to influencers	<b>23,015</b>	113,673
Depreciation of property and equipment and right-of-use assets	<b>20,986</b>	21,449
Tax and levies	<b>16,941</b>	17,565
Travelling and entertainment expenses	<b>10,935</b>	4,821
Operating lease expenses	<b>8,656</b>	8,880
Amortization of intangible assets ( <i>Note 9</i> )	<b>3,779</b>	9,981
Others	<b>52,344</b>	46,251
Total cost of sales, selling and marketing expenses, administrative expenses and research and development expenses	<b><u>1,166,827</u></b>	<b><u>1,052,367</u></b>

## 5 Other (losses)/gains, net

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	Unaudited Six months ended June 30, 2022 RMB'000
Remeasurement losses on consideration to non-controlling shareholders of a subsidiary	(40,970)	–
Fair value changes on financial assets at fair value through profit or loss	(42,651)	56,994
Gains on short-term investments	3,451	4,032
Others	(3,234)	1,522
	<u>(83,404)</u>	<u>62,548</u>

## 6 Income tax expense

The income tax expense of the Group for the six months ended June 30, 2023 and 2022 are analyzed as follows:

	<b>Unaudited Six months ended June 30, 2023 RMB'000</b>	Unaudited Six months ended June 30, 2022 RMB'000
Current income tax	37,867	5,885
Deferred income tax	(10,778)	18,015
	<u>27,089</u>	<u>23,900</u>

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

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

**(ii) Hong Kong Income Tax**

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

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

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

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

The income tax provision of the Group in respect of its operations in the 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 six months ended June 30, 2023.

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

**7 Earning/(Loss) per share**

**(a) Basic**

	<b>Unaudited Six months ended June 30, 2023</b>	Unaudited Six months ended June 30, 2022
Earning/(Loss) attributable to owners of the Company for the calculation of basic EPS ( <i>RMB'000</i> )	<u>227,627</u>	<u>(266,245)</u>
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<u>4,405,516</u>	<u>4,366,019</u>
Basic earning/(loss) per share ( <i>in RMB/share</i> )	<u><u>0.05</u></u>	<u><u>(0.06)</u></u>

**(b) Diluted**

The shares options awarded under Pre-IPO ESOP, awarded shares under the Post-IPO Share Award Scheme, and awarded shares for the senior management of a non-wholly owned subsidiary 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).

The calculation of diluted EPS for the six months ended June 30, 2023 is as follows:

	<b>Unaudited Six months ended June 30, 2023</b>
Earning attributable to owners of the Company for the calculation of diluted EPS ( <i>RMB'000</i> )	<u>227,627</u>
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<b>4,405,516</b>
Adjustments for share options and awarded shares ( <i>thousand</i> )	<u>57,700</u>
Weighted average number of ordinary shares for the calculation of diluted EPS ( <i>thousand</i> )	<u>4,463,216</u>
Diluted EPS ( <i>RMB per share</i> )	<u><u>0.05</u></u>

As the Group incurred losses for the six months ended June 30, 2022, 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 six months ended June 30, 2022 is the same as basic loss per share.

**8 Dividends**

The final dividends amounting to RMB81,395,000 were paid by the Company during the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

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

## 9 Property and equipment and intangible assets

### (a) Property and equipment

	<b>Construction in progress RMB'000</b>	<b>Buildings RMB'000</b>	<b>Other property and equipment RMB'000</b>	<b>Total RMB'000</b>
<b>As of December 31, 2022</b>				
Cost	428,376	–	84,456	512,832
Accumulated depreciation and impairment	–	–	(71,593)	(71,593)
<b>Net book amount</b>	<b>428,376</b>	<b>–</b>	<b>12,863</b>	<b>441,239</b>
<b>Unaudited</b>				
<b>Six months ended June 30, 2023</b>				
Opening net book amount	428,376	–	12,863	441,239
Additions	20,934	–	7,668	28,602
Transfer from construction in progress to buildings, intangible assets and others	(448,750)	424,255	22,392	(2,103)
Depreciation charges	–	(3,637)	(4,701)	(8,338)
Disposals	–	–	(237)	(237)
Currency translation differences	–	–	28	28
<b>Closing net book amount</b>	<b>560</b>	<b>420,618</b>	<b>38,013</b>	<b>459,191</b>
<b>As of June 30, 2023</b>				
Cost	560	424,255	114,783	539,598
Accumulated depreciation and impairment	–	(3,637)	(76,770)	(80,407)
<b>Net book amount</b>	<b>560</b>	<b>420,618</b>	<b>38,013</b>	<b>459,191</b>

**(b) Intangible assets**

	<b>Crypto- currencies RMB'000</b>	<b>Goodwill (Note (ii)) RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>As of December 31, 2022</b>				
Cost	696,460	433,311	313,752	1,443,523
Accumulated amortization and impairment	<u>(328,350)</u>	<u>(195,375)</u>	<u>(259,957)</u>	<u>(783,682)</u>
<b>Net book amount</b>	<b><u>368,110</u></b>	<b><u>237,936</u></b>	<b><u>53,795</u></b>	<b><u>659,841</u></b>
<b>Unaudited</b>				
<b>Six months ended June 30, 2023</b>				
Opening net book amount	368,110	237,936	53,795	659,841
Transfer from construction in progress	–	–	2,103	2,103
Additions	–	–	242	242
Amortization charges	–	–	(3,779)	(3,779)
Reversal of impairment losses (Note (i))	185,563	–	–	185,563
Currency translation differences	<u>15,669</u>	<u>–</u>	<u>196</u>	<u>15,865</u>
<b>Closing net book amount</b>	<b><u>569,342</u></b>	<b><u>237,936</u></b>	<b><u>52,557</u></b>	<b><u>859,835</u></b>
<b>As of June 30, 2023</b>				
Cost	722,580	433,311	302,723	1,458,614
Accumulated amortization and impairment	<u>(153,238)</u>	<u>(195,375)</u>	<u>(250,166)</u>	<u>(598,779)</u>
<b>Net book amount</b>	<b><u>569,342</u></b>	<b><u>237,936</u></b>	<b><u>52,557</u></b>	<b><u>859,835</u></b>

(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 are higher than its carrying amount.

The costs of cryptocurrencies of the Group are presented below:

	<b>As of June 30, 2023 RMB'000</b>
Ethers	<b>365,020</b>
Bitcoins	<b>204,322</b>
	<hr/>
	<b>569,342</b>
	<hr/> <hr/>

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

As of June 30, 2023, the Group carried out impairment tests for Ethers and Bitcoins, respectively. Based on these impairment tests, the prevailing market prices of Ethers and Bitcoins as of June 30, 2023 were higher than that of December 31, 2022, and therefore the reversal of impairment losses of RMB185,563,000 in total was recognized in profit or loss by the Group for the six months ended June 30, 2023 (for the six months ended June 30, 2022: impairment losses of RMB305,457,000).

(ii) *Impairment tests for goodwill*

As of June 30, 2023, goodwill was allocated to the Group's cash-generating units ("CGUs") identified as follows:

	<b>As of June 30, 2023 RMB'000</b>
Cosmetic stores ERP SaaS and supply chain business	<b>221,532</b>
Advertising agency services	<b>16,404</b>
	<b><u>237,936</u></b>

Goodwill of the Group is tested for impairment whenever there is any indication of impairment or annually at year-end. As there were no indicators for impairment of any of above CGUs, management has not updated any impairment calculations for the six months ended June 30, 2023.

## 10 Trade receivables

The Group grants a credit period of 30 to 120 days to its customers. As of June 30, 2023 and December 31, 2022, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	<b>Unaudited As of June 30, 2023 RMB'000</b>	<b>Audited As of December 31, 2022 RMB'000</b>
<b>Trade receivables</b>		
Up to 6 months	<b>259,569</b>	280,600
6 months to 1 year	<b>40,770</b>	64,598
Over 1 year	<b>5,802</b>	5,435
	<b><u>306,141</u></b>	<b><u>350,633</u></b>

As of June 30, 2023 and December 31, 2022, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.



## 11 Trade and other payables

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
<b>Included in current liabilities</b>		
Payroll and welfare payables	254,472	311,455
Payables to platforms for agency services	174,943	80,984
Trade payables	131,642	135,315
Other tax payables	91,555	48,729
Payables to non-controlling shareholders of a subsidiary	56,152	71,427
Deposits payable	34,177	33,650
Others	51,869	52,538
	<u>794,810</u>	<u>734,098</u>

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

	Unaudited As of June 30, 2023 RMB'000	Audited As of December 31, 2022 RMB'000
Up to six months	80,713	96,170
Over six months	50,929	39,145
	<u>131,642</u>	<u>135,315</u>

## 12 Subsequent events

On August 4, 2023, the Company and one of the non-controlling shareholders who was held by a member of the senior management of Dajie Net Investment Holdings Ltd. (“**Dajie Net**”) (“**Purchaser**”), entered into a share sale and purchase agreement pursuant to which the Company had conditionally agreed to sell, and the Purchaser had conditionally agreed to purchase, 90,276,751 shares representing approximately 20% equity interest in Dajie Net at a consideration of US\$1.00.

Upon completion, the Company’s shareholding in Dajie Net will reduce from approximately 58.98% to approximately 38.98%. Dajie Net’s financial results will cease to be consolidated into the Group’s financial statements due to loss of control, and the Company’s remaining shareholding in Dajie Net will be recognized as investment in associate and it is expected that a gain on disposal of approximately RMB70,000,000 would be recognized in the consolidated income statement for the year ending December 31, 2023.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended June 30, 2023, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities.

### **Compliance with the Corporate Governance Code**

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

Except for code provision C.2.1 ("**Code Provision C.2.1**") in Part 2 in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), during the six months ended June 30, 2023, the Company has complied with the applicable code provisions of the CG Code.

Pursuant to the Code Provision C.2.1, it is stated that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Despite the deviation from the Code Provision C.2.1, the Board believes that Mr. Wu Zeyuan will provide solid and continuous leadership to both the Board and the management of the Group with his extensive experience and knowledge in management and operation of the Group. Further, the Board has also considered and is of the view that the composition of the executive, the non-executive and the independent non-executive directors on the Board and the various committees of the Board formed in overseeing different aspects of the Company's affairs would provide adequate safeguards to ensure a balance of power and authority. As such, the Board considers that the deviation from Code Provision C.2.1 is appropriate in the current situation.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding directors' dealings in the securities of the Company. Having made specific enquiry with all the directors, all directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended June 30, 2023 regarding their dealings in the securities of the Company.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the six months ended June 30, 2023 after making reasonable enquiry.

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

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

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended June 30, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of the senior management and the Company’s auditor. Based on the review and discussions with the management, the Audit Committee was satisfied that the Group’s unaudited interim financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the six months ended June 30, 2023.

## **Interim Dividend**

The Board did not recommend the distribution of interim dividend for the six months ended June 30, 2023.

## **Use of Net Proceeds from Listing**

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

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

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.meitu.com](http://www.meitu.com). The interim report of the Company for the six months ended June 30, 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders in due course.

## **APPRECIATION**

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

Finally, on behalf of everyone at Meitu, we would like to express our sincere gratitude to all our users. We 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 “let technology and art converge elegantly”, helping our users to become more beautiful and assisting with the digital transformation of the beauty industry.

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

Hong Kong, August 28, 2023

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

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